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Arms Transfers to the Persian Gulf: Trends and Implications



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An Intelligence Assessment

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Arms Transfers to the Persian Gulf: Trends and Implications



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An Intelligence Assessment

This paper was prepared by  Office of
Global Issues. It was coordinated with the Directorate
of Operations. Comments and queries are welcome
and may be directed to the Chief, Weapons
Proliferation Branch, OGI, 

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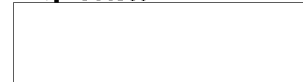
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**Arms Transfers to the
Persian Gulf:
Trends and Implications**



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Key Judgments

Iran, Iraq, and the eight nations on the Arabian Peninsula will remain the largest arms market in the developing world throughout the 1980s, although declining oil prices and cash flow problems in some Gulf states probably will limit the size of arms agreements in the next year or two.

- Saudi Arabia will be the largest importer of military equipment and services in dollar terms.
- Iraq is likely to increase its arms purchases to replace losses and build inventories above prewar levels.
- Iran will seek additional arms to strengthen its armed forces but probably will not build inventories as large as those acquired by the Shah.

The United States probably will retain its position as the leading military supplier in the region. Iraq and Iran will seek US arms through third parties. Efforts by conservative states to diversify arms purchases, which previously cut into the US share of sales, are likely to be curbed by the desire for implicit US security guarantees and by the already substantial training and logistic problems created by nonstandardized inventories.

The USSR is unlikely to obtain new arms clients because the conservative Arab states are wary of Moscow's intentions. While Iraq will sign large arms contracts with the Soviet Union, it will also try to reduce its dependence on Moscow by expanding its dealings with Western Europe. The Soviets could garner some additional sales in Iran if Western suppliers continue to deal cautiously with Tehran. Kuwait and the UAE may make small purchases from the Soviet Bloc but will remain dependent on the West for nearly all their arms.

Projected arms sales trends pose several potential problems for US interests:

- Military expansion in the region creates additional stresses within modernizing Gulf societies and may make military takeovers more likely.

*Information available as of 14 July 1982
has been used in the preparation of this report.*

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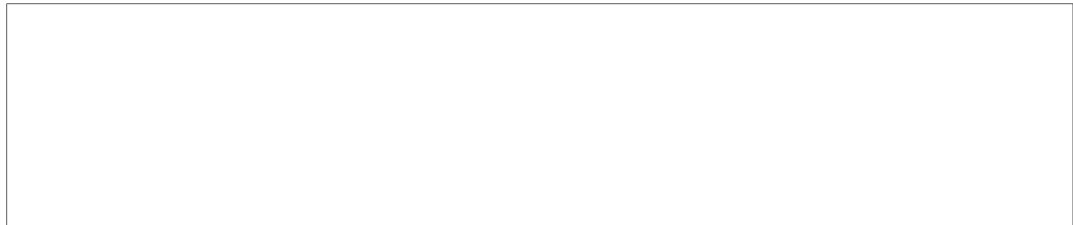
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- Moscow's arms sales and advisory ties in the region give it a continuing potential for meddling in local politics. The Soviets could make large, rapid deliveries of arms to their customers at any time and threaten local military balances, although there are no current indications that Moscow wants to give one side a decisive edge in the Iran-Iraq or North-South Yemen conflicts.

Despite these dangers, the projected pattern of arms sales in the Persian Gulf has a number of positive implications for regional stability and US interests. Likely Western sales to North Yemen, Iran, and Iraq will reduce their potential dependence on the USSR and will help reduce the hostility of Baghdad and Tehran toward the West. Reliable US delivery of arms and support for local military requirements make it more likely that US efforts to influence local policies will have some effect. In addition, US advisory ties with local military elites generally help tilt the attitudes of local leaders toward the United States, provide a means of monitoring changes in military opinion, and may reduce the danger of military plotting against governments.



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Arms Transfers to the Persian Gulf: Trends and Implications



Iran, Iraq, and the eight nations on the Arabian Peninsula constitute the largest and most dynamic arms market in the Third World. Each of these nations is seeking more sophisticated weapons for its armed forces, and all Gulf countries—except Iran, which is content to maintain its current level of military strength—are buying weapons to expand their military establishments. The continuation of large arms transfers to the Persian Gulf has important implications for relationships between local states and supplier countries and for regional stability. This assessment will outline current and projected trends and analyze their broader implications for US interests in the region.

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Market Trends: 1972-81

Two significant trends provided impetus to the growth in arms spending in the Persian Gulf over the past decade. Every Gulf nation sought to expand the size of its armed forces, creating a need for additional weapons of all types. Second, ever more sophisticated and expensive weapons systems were purchased as Gulf nations tried to arm themselves with firstline equipment from East and West. While Iran was an early leader of this buying surge, large purchases since 1977 by Saudi Arabia and Iraq have accounted for most market growth. The remaining small states in the Gulf region have increased their arms purchases substantially over the last decade, but their aggregate position in the regional market remains small.

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Arms sales in the Gulf have been dominated by four suppliers: the United States, the Soviet Union, the United Kingdom, and France. Until 1981, these nations regularly accounted for 85 to 90 percent of annual sales. The United States, because of its close political ties with Saudi Arabia and Iran, has been the largest arms supplier to the region. The United Kingdom and the USSR have seen their market shares decline steadily over the decade, while France has emerged as the second leading supplier. Insignificant suppliers for most of the decade, Eastern Europe,

the PRC, North Korea, and Yugoslavia emerged as significant military suppliers during 1981, largely as alternative sources of Soviet-style equipment for Iraq or Iran. Poland, East Germany, Hungary, and Czechoslovakia sold \$609 million in the region with Soviet approval. Romania sold \$1.1 billion to Iraq and Iran, and State [redacted] indicates that Bucharest arranged its sales independent of the USSR. All Warsaw Pact states sell arms to earn badly needed hard currency, and we believe that Gulf states increasingly perceive purchases from Eastern Europe as preferable to direct dependence on the USSR.

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The Growth of Demand. Arms sales to the Persian Gulf began to grow rapidly in the 1972-74 period following the withdrawal of the British military presence and the quadrupling of oil prices.¹ By piecing together trade data [redacted] we estimate that regional purchases jumped from a total of \$330 million annually between 1954 and 1971 to \$4.8 billion annually over the 1972-74 period. Purchases by Gulf states grew again in the 1975-77 period to an annual average of \$11.8 billion, nearly half of the total arms sold to the Third World. By modernizing and expanding their military establishments, Gulf countries hoped to ensure their sovereignty, acquire status, and compete with local rivals for political influence and disputed border territories.

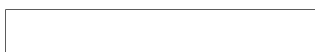
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A series of events beginning in 1978 provided new impetus to the drive for arms in the Gulf. These included:

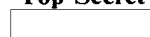
- The establishment of a Soviet military presence in Ethiopia and South Yemen, and South Yemen's increasing military capabilities.

¹ Appendix A contains more detailed statistics on arms transfers to the 10 nations in the Persian Gulf region: Iran, Iraq, Kuwait, Saudi Arabia, Bahrain, Qatar, UAE, Oman, North Yemen, and South Yemen.

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Figure 1



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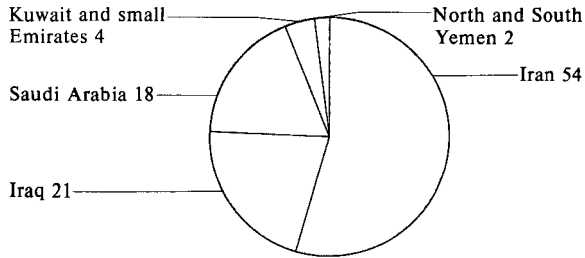
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Figure 2
Arms Agreements in the Persian Gulf, 1972-81
 In Current Dollars

Percent

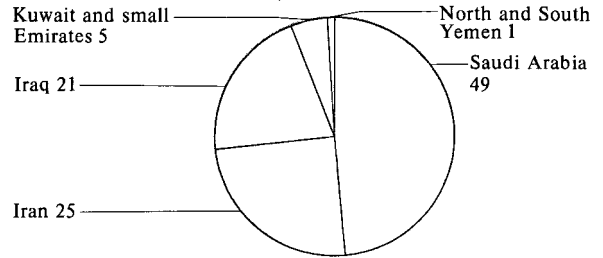
1972-74

Average annual sales: \$4.8 billion



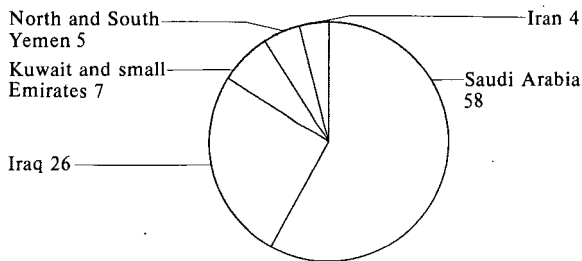
1975-77

Average annual sales: \$11.8 billion



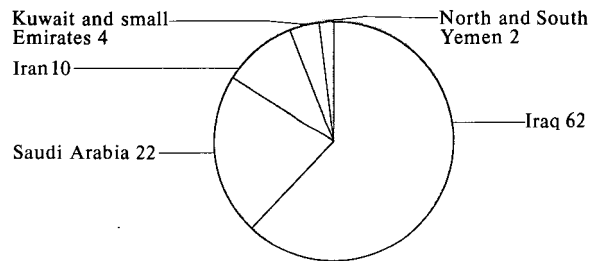
1978-80

Average annual sales: \$12.4 billion



1981

Total: 12.4 billion^a



^aInformation available to date.

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- Growing Arab fears of Iran after the rise of the Khomeini regime.
- The Soviet invasion of Afghanistan.
- An increased US willingness to sell arms to conservative Gulf states, coupled with more aggressive sales on the part of other non-Communist arms suppliers.
- Growing local concern over the danger of superpower confrontation in the region.
- War between Iraq and Iran.
- The Israeli air attack on Iraq's nuclear reactor.

Arms sales from 1978 through 1980 rose to a record level of \$12.4 billion per year, despite the fact that Iran purchased virtually no military equipment in the 19 months between the fall of the Shah in January 1979 and the outbreak of the Iran-Iraq war in September 1980. Incomplete information indicates at least \$12.4 billion in new arms agreements in 1981, an amount likely to climb significantly as more data become available.



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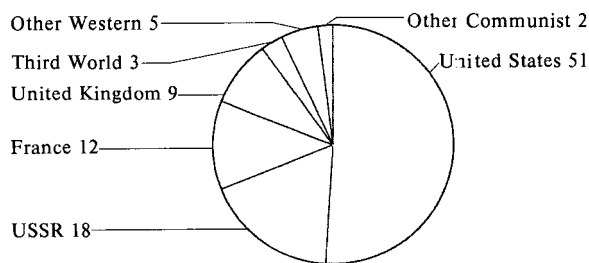
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Figure 3
Supplier Shares of Persian Gulf Arms Sales, 1972-81
 In Current Dollars

Percent

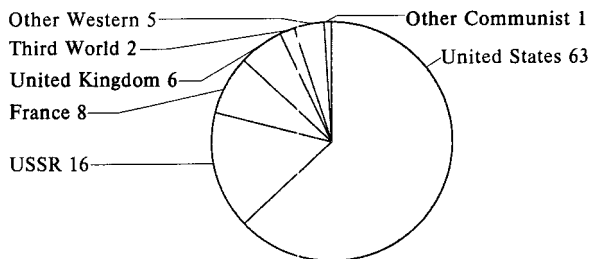
1972-74

Average annual sales: \$4.8 billion



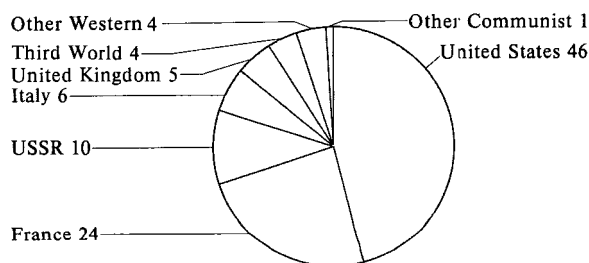
1975-77

Average annual sales: \$11.8 billion



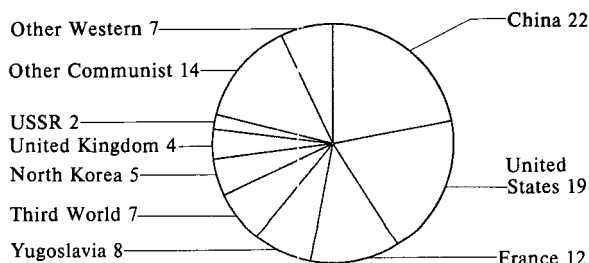
1978-80

Average annual sales: \$12.4 billion



1981

Total: \$12.4 billion^a



^aInformation available to date.

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[Redacted]

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Supply Trends. Although the United States benefited most from the major expansion in Gulf purchases, in the 1978-81 period Gulf nations showed growing selectivity in their choice of arms suppliers. Because of the increasingly insecure regional environment, they appeared more wary than before of excessive dependence on one supplier for military equipment and support. In particular, embassy and press reports indicate that the increased interest of the superpowers in the region heightened local fears that the United States and the USSR would attempt to use their arms sales for political purposes. [Redacted]

At the same time, the ability of the United States and the USSR actually to use arms sales to acquire influence or political support was reduced by the availability of military equipment, spare parts, consumables, and technicians from Western Europe, the Third World, China, Yugoslavia, Romania, and North Korea. These suppliers began to provide military equipment at competitive prices, and most attached no political conditions to sales. Buyers probably viewed them as politically benign since they

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[Redacted]

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[redacted]

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appeared primarily interested in earning hard currency and in strengthening relations in hopes of preferential treatment on oil deliveries. As a result, the United States, the USSR, and the United Kingdom all lost market shares to them. [redacted]

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Iraqi resistance to Soviet attempts to use arms sales to control Baghdad's behavior and force it to move closer to Moscow is the most pertinent example of buyer resistance to supplier manipulations. The Soviet arms embargo reduced Moscow's share of Iraqi purchases from 25 percent in the 1978-80 period to less than 1 percent in 1981, even though Baghdad purchased arms at double the 1978-80 rate. Only when an arms supplier holds a monopoly on sales and the recipient lacks the money to go elsewhere, as is the case for the Soviets in South Yemen, can a supplier hope to shape local actions or demand benefits in return. [redacted]

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Gulf states have also been willing to support the policies of reliable suppliers when they have not contradicted their own interests and to offer suppliers other economic benefits to reinforce arms transfer ties. For example:

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- Iran and Iraq have offered unsolicited preferences on oil supplies and prices to some major suppliers like France and North Korea.
- Iraq has toned down its criticism of the USSR on Afghanistan and its favoritism toward Syria.
- Saudi Arabia tends to support or at least refrain from opposing US policies that are controversial among nonaligned states, such as Washington's support for Britain during the Falklands conflict and its position on global economic relations. [redacted]

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Arms and Influence

Gulf states have purchased arms for political reasons as well as to build their military capabilities. With the exception of Iran and Iraq, they have been inclined to buy arms to create at least symbolic political linkages between themselves and more powerful states. For instance, State reporting indicates that Saudi Arabia and the smaller conservative states view Western—especially US—military assistance as an implicit security guarantee. It also indicates that they believe that US arms sales and the presence of US advisers in the Gulf will both lead potential aggressors to believe that the United States would join in their defense and force Washington to do so. South Yemen probably views Soviet aid similarly. [redacted]

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Suppliers have also indirectly influenced events and politics in the Persian Gulf through arms sales that have helped local governments pursue objectives that also serve the interests of the supplier states. In the lower Gulf, for example, French assistance has facilitated its own interest in reducing the East-West dimension of regional conflicts by supporting the local objectives of deterrence and defense against internal and external threats without a highly visible US or UK presence. Moscow's aid to South Yemen has been effective in enabling Aden to pursue its (and Moscow's) subversive aims in North Yemen. Similarly, Soviet sales to Kuwait have allowed it to seem more neutral in East-West matters, a posture that also furthers Moscow's regional aim of reducing the pro-Western bias of oil-producing states. [redacted]

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This desire for implicit security relationships has conveyed some degree of influence to suppliers. While there is no evidence that Gulf states have sharply modified policies or taken positions contrary to their perceived interests at the behest of arms suppliers, Gulf states have tended not to make demands or take actions that could jeopardize ties with major arms suppliers. For example, Saudi Arabia has continued to seek US military hardware and training despite its embarrassment over restrictions on most US-supplied arms and its perception that Washington is too supportive of Israel. [redacted]

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Finally, Western and Soviet military technicians and advisers on occasion have been able to tilt the political-military outlook of local military leaders in their

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favor. For example, the South Yemeni police, intelligence and security services have become Moscow's most reliable local supporters. In the Saudi National Guard, State reporting suggests that US-trained officers want to strengthen military assistance ties with the United States. A reputation for reliable arms support may also help diplomatic efforts to shape local government policies. For example, according to State reporting, British influence in the Gulf has remained much larger than its current regional naval presence or military capability would suggest because of London's longstanding military assistance and advisory ties. [redacted]

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Purchases in the 1980s

The Persian Gulf almost certainly will retain its position as the largest arms export market in the Third World through the 1980s, although it is unlikely that arms purchases over the next three or four years will exceed the 1977-81 levels. Based on its ongoing arms negotiations with a variety of suppliers, Saudi Arabia probably will continue as the largest regional importer of military equipment and services in dollar terms. Total Saudi purchases will nevertheless decline as spending on military construction, communications, and other military infrastructure—which has accounted for more than two-thirds of their military imports in recent years—drops off. [redacted]

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Arms purchases by Iraq and Iran will almost certainly increase as these countries attempt to rebuild inventories lost in the war. Declining oil revenues and the continued softness of the oil market will impose some restraint on their arms purchasing efforts and almost certainly will encourage them to try to barter oil for military equipment. Iran is not likely to build inventories as large as those acquired by the Shah, but the war highlighted the need for both nations to stockpile large quantities of spare parts and consumables to provide a cushion against supplier manipulation of arms deliveries. In addition, substantial purchases of logistics, radar, and command and control equipment are likely because both nations discovered their inadequacies in these areas during their war. [redacted]

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Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman plan large purchases of air defense and naval equipment, according to embassy reporting. The

Iraq-Iran war exposed the vulnerability of their oil facilities to air and sea attack. It also indicated a need for larger stockpiles of spare parts and consumables. Declining oil revenues will probably force a stretching out of their military modernization programs, although we believe that the UAE may draw on its sizable financial reserves. [redacted]

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The recently formed Gulf Cooperation Council between Saudi Arabia and the small conservative states could affect the future arms purchases of member states. Riyadh has suggested the desirability of cooperation in developing indigenous arms industries and in building more standardized defenses, according to State reporting. In the medium term, any agreement probably would produce some additional purchases by states seeking to buy weapons recommended by the Council or the Saudis. [redacted]

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Arms purchases by the Yemens will depend on the largess of their benefactors. As long as Sanaa's relations with Saudi Arabia remain stable, we believe Riyadh will continue to fund arms purchases from the United States or other Western arms suppliers. The Saudis will also continue to encourage Sanaa to discontinue its arms supply relationship with the Soviets. If Soviet arms shipments increase, Riyadh may threaten to reduce its financial aid to North Yemen. This could reduce North Yemen's arms purchases, but the Soviets will almost certainly continue to offer arms on credit and adjust repayment schedules to maintain a presence there. For ideological and financial reasons, the Soviet Bloc is likely to remain the sole supplier of arms to South Yemen. Aden's arms-modernization program appears to have reached a plateau, however, and over the next few years purchases probably will decline as emphasis is placed on absorption of arms already on order.² [redacted]

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Limits to Diversification

Although sales by the United States and the USSR are unlikely to grow substantially in the 1980s, both countries may see an end to the erosion of their

² The implications of these trends in specific Gulf states are discussed in greater detail in appendixes B through F. [redacted]

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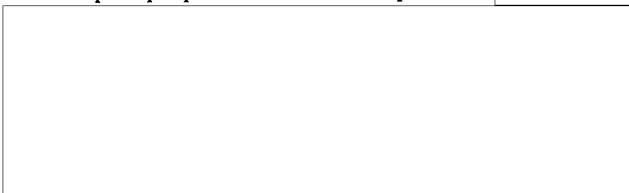
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market shares that took place in the late 1970s. For several reasons, we believe that the diversification policies of Gulf states are reaching their limits:

Deliveries of Soviet-style equipment to Iraq and Iran by Eastern Europe, North Korea, Syria, and Libya will help to perpetuate the Soviet position.



For its part, the USSR will continue to supply key countries because beyond the hard currency earned, this allows numerous Soviet Bloc military advisers into the region and, in the case of South Yemen, helps maintain access to facilities that enhance the operational capability of the Soviet Indian Ocean fleet.

The United States. The United States will probably retain its position as the leading supplier of military equipment and services in the Gulf region over the next five years. The conservative Arab states are likely to seek large purchases from Washington, although Kuwait may buy more from Western Europe. In addition, both Iran and Iraq are interested in obtaining US equipment from other nations licensed to produce it or through intermediaries.

We believe the US market share among the conservative states could even grow somewhat larger than its 1978-81 level if:

- The conservative Gulf states perceived the threat from the USSR, Iran, or South Yemen to increase.
- A radical regime emerged in Iraq that was hostile to the conservative states.
- US policy toward Israel appeared to change in favor of the Arabs.

On the other hand, interest in US military assistance would drop if:

- The US appeared to move even closer to Israel.
- New questions arose about the reliability of Washington as a security assistance partner.
- The Gulf Cooperation Council decided to demonstrate equidistance from both superpowers through arms purchases from Western Europe.
- Any of the conservative regimes were replaced by a more neutralist or radical government.

- War losses have forced Iraq to balance its recent Western purchases with new deals with Moscow to resupply its Soviet-style ground forces. Before this development, Baghdad wanted to reduce its Soviet ties as much as possible.
- Conservative Gulf states are placing more value on the implicit security guarantee provided by significant US sales in the face of increasing threats from Iran and the USSR.
- The training and logistics problems posed by non-standard equipment are already substantial.
- Military capability would be reduced sharply by further shifts in suppliers because of the additional time needed for retraining troops and stocking additional spares and consumables.
- The practice of many Gulf states to use military manpower assistance from developing nations as another means of diversification has created a new set of problems and may rapidly be reaching its limits.

The USSR. Moscow is likely to maintain its substantial arms and advisory ties with Iraq, Iran, and North and South Yemen. Indeed, in the case of Iran, we believe that the Soviets have already dangled the possibility of a major arms deal, which would supplement the large number of Soviet weapons already in the Iranian arsenal.⁴ We believe longstanding dependence on Soviet-style equipment, continuing suspicions of the West, a perceived need for rapid deliveries that only Moscow can provide, and, in the case of the two Yemens, a need for easy credit terms ensures that the USSR will maintain its current market in these nations.

³ See appendix G, *Problems With Military Technicians From the Developing World*, for more discussion of this point.

⁴ The Shah purchased over \$1.5 billion of ground equipment from the USSR. A significant proportion of Iran's armored personnel carriers, antitank missiles, short-range air defense systems, trucks, and engineering equipment were supplied by Moscow over the last 10 years.

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Implications for the United States

Projected arms sales trends pose potential problems for US interests. Military expansion in the region creates additional stresses within modernizing Gulf societies by:

- Drawing into the military recruits who may not be loyal to government elites.
- Stimulating corruption and thereby exacerbating resentment against the privileged.
- Enhancing the power of military elites, which can lead to coup plotting and possible military take-overs.

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[Redacted]

[Redacted]

Moscow's arms sales and advisory ties in the region give it a continuing potential for meddling in local politics. The Soviets could make large, rapid deliveries of arms to their customers at any time and threaten local military balances, although there are no current indications that Moscow wants to give one side a decisive edge in the Iran-Iraq or North-South Yemen conflicts. Armed conflicts in the future between clients of the superpowers could pose a risk of direct US-USSR confrontation.

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[Redacted]

Reduced purchases or the acquisition of less destructive weapons by every Gulf state might help reduce regional tensions, but strong local demand for arms and the availability of numerous suppliers almost guarantee that the broad restraint necessary for this kind of balanced limitation will not occur. US efforts to unilaterally restrain its sale of arms would risk losing the economic benefits of sales, as well as opportunities for influence over local events.

[Redacted]

Despite these dangers, the projected pattern of arms sales in the Persian Gulf has a number of positive implications for regional stability and US interests. We believe that arms transfers contribute to regional stability by:

- Maintaining real or perceived local military balances.
- Creating heavy dependence on foreign technicians and technologies, which creates uncertainties about the usability of local arsenals during crises.
- Enhancing the image of power and importance of local rulers.
- Deterring attacks on US friends by providing implicit US security guarantees.

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Aside from the commercial benefits, the United States also should derive certain political gains from continued large Western arms transfers to the Gulf:

- Large West European sales to Iraq will reduce Soviet influence and may make Baghdad less hostile to the West.
- Likely US or West European sales to Iran and North Yemen could deter development of a Soviet weapons monopoly with all its potential for influence.
- Continued US sales to the region will make it more likely that diplomatic efforts to influence local politicians will receive a hearing.
- US advisory ties with local military elites generally help tilt the attitudes of local leaders towards the United States, provide a means of monitoring changes in military opinion, and may reduce the danger of military plotting against governments.

[Redacted]

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Appendix A

Arms Sales to Persian Gulf Nations, by Supplier, 1954-81

(Current Million US \$) ^a

| | 1954-71 | 1972-74 | 1975-77 | 1978-80 | 1981 | Total |
|----------------------------|--------------|--------------|---------------|---------------|--------------|---------------|
| Iraq | 1,277 | 3,054 | 7,301 | 9,639 | 7,684 | 28,955 |
| USSR | 1,004 | 2,247 | 4,229 | 2,349 | 58 | 9,887 |
| Warsaw Pact ^b | 93 | 216 | 244 | 368 | 1,527 | 2,488 |
| United States | 62 | | NEGL | NEGL | | 62 |
| United Kingdom | 70 | 23 | 1 | 205 | 108 | 407 |
| France | 11 | 267 | 1,880 | 2,920 | 1,419 | 6,497 |
| Italy | 7 | 32 | 42 | 2,156 | 75 | 2,312 |
| West Germany | 8 | 38 | 94 | 143 | 100 | 383 |
| Other Western ^c | 11 | 38 | 149 | 506 | 434 | 1,138 |
| China | NEGL | | 6 | | 2,665 | 2,671 |
| Others ^d | 11 | 193 | 656 | 992 | 1,298 | 3,150 |
| Iran | 3,517 | 7,856 | 8,856 | 1,400 | 1,225 | 22,854 |
| USSR | 504 | 198 | 1,018 | NEGL | 223 | 1,943 |
| Warsaw Pact | | 2 | NEGL | 1 | 43 | 46 |
| United States | 2,001 | 6,622 | 5,905 | 1,199 | | 15,727 |
| United Kingdom | 476 | 244 | 899 | 2 | 8 | 1,629 |
| France | 3 | 225 | 3 | | | 231 |
| Italy | 115 | 169 | 450 | 33 | 10 | 777 |
| West Germany | 128 | 237 | 398 | 5 | 67 | 835 |
| Other Western | 148 | 19 | 57 | 20 | 116 | 360 |
| North Korea | | | | 131 | 563 | 694 |
| Others | 142 | 140 | 126 | 9 | 195 | 612 |
| Saudi Arabia | 1,017 | 2,635 | 17,209 | 21,512 | 2,738 | 45,111 |
| United States | 333 | 730 | 15,563 | 15,367 | 2,221 | 34,214 |
| United Kingdom | 327 | 633 | 872 | 1,058 | NA | 2,890 |
| France | 187 | 979 | 414 | 4,351 | 53 | 5,984 |
| Italy | 16 | 132 | 57 | 12 | 30 | 247 |
| West Germany | 15 | | 20 | 476 | | 511 |
| Other Western | 130 | 17 | 172 | 79 | 1 | 399 |
| Others | 9 | 144 | 111 | 169 | 433 | 866 |
| Kuwait | 113 | 196 | 882 | 1,129 | 77 | 2,397 |
| USSR | 1 | | 51 | | | 52 |
| United States | NEGL | 32 | 604 | 229 | 47 | 912 |
| United Kingdom | 100 | 2 | 211 | 15 | NA | 328 |
| France | 6 | 143 | 6 | 602 | | 757 |
| Italy | 2 | | | 81 | 30 | 113 |

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Arms Sales to Persian Gulf Nations, by Supplier, 1954-81 (continued)

(Current Million US \$)^a

| | 1954-71 | 1972-74 | 1975-77 | 1978-80 | 1981 | Total |
|--------------------|------------|------------|------------|--------------|------------|--------------|
| West Germany | | 18 | | 196 | | 214 |
| Other Western | 2 | | | | | 2 |
| Others | 2 | 1 | 10 | 6 | | 19 |
| Bahrain | 7 | 1 | 4 | 133 | 1 | 146 |
| United States | NEGL | NEGL | 1 | 7 | 1 | 9 |
| United Kingdom | 6 | 1 | 2 | | NA | 9 |
| France | | | | 33 | | 33 |
| Italy | 1 | | | 11 | | 12 |
| West Germany | | | | 64 | | 64 |
| Other Western | NEGL | NEGL | | 13 | | 13 |
| Others | | | 1 | 5 | | 6 |
| Qatar | 5 | 6 | 65 | 751 | 140 | 967 |
| United States | NEGL | NEGL | 1 | 4 | 1 | 6 |
| United Kingdom | 5 | 6 | 10 | 164 | 138 | 323 |
| France | | NEGL | 46 | 581 | 1 | 628 |
| Other Western | | NEGL | 1 | 1 | | 2 |
| Others | | | 7 | 1 | | 8 |
| UAE | 9 | 250 | 508 | 455 | 214 | 1,436 |
| Warsaw Pact | | | | 1 | 1 | 2 |
| United States | NEGL | 1 | 5 | 13 | 23 | 42 |
| United Kingdom | 8 | 119 | 5 | 65 | 175 | 372 |
| France | | 112 | 372 | 325 | 15 | 824 |
| Italy | | 12 | 11 | 42 | | 65 |
| West Germany | | | 109 | 1 | | 110 |
| Other Western | 1 | 1 | 5 | 2 | | 9 |
| Others | | 5 | 1 | 6 | NEGL | 12 |
| Oman | 34 | 306 | 101 | 398 | 179 | 1,018 |
| United States | NEGL | NEGL | 6 | 26 | 51 | 83 |
| United Kingdom | 27 | 29 | 61 | 370 | 111 | 860 |
| France | | | 2 | NEGL | 4 | 6 |
| Italy | 4 | 6 | | | 1 | 11 |
| West Germany | | | | NEGL | | NEGL |
| Other Western | 3 | 3 | | NEGL | | 6 |
| Others | | 6 | 32 | 2 | 12 | 52 |
| North Yemen | 122 | 45 | 247 | 1,191 | 134 | 1,789 |
| USSR | 78 | 6 | 31 | 732 | | 847 |
| Warsaw Pact | 36 | 1 | | 107 | 162 | 306 |
| United States | | 1 | 132 | 181 | 18 | 332 |
| United Kingdom | | 1 | | | | 1 |
| France | | 7 | 76 | 15 | | 98 |
| Italy | | | 5 | | | 5 |

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Arms Sales to Persian Gulf Nations, by Supplier, 1954-81 (continued)

(Current Million US \$)^a

| | 1954-71 | 1972-74 | 1975-77 | 1978-80 | 1981 | Total |
|---------------------------|--------------|---------------|---------------|---------------|---------------|----------------|
| West Germany | | 4 | 1 | 6 | 2 | 13 |
| Other Western | | NEGL | | NEGL | | NEGL |
| Others | 8 | 25 | 2 | 150 | 2 | 187 |
| South Yemen | 39 | 186 | 208 | 788 | 2 | 1,223 |
| USSR | 27 | 175 | 206 | 774 | NA | 1,182 |
| Warsaw Pact | 2 | 9 | | 13 | 2 | 26 |
| United Kingdom | 10 | | | 1 | | 11 |
| Others | | 2 | 2 | | | 4 |
| Persian Gulf Total | 6,140 | 14,535 | 35,381 | 37,396 | 12,444 | 105,896 |
| USSR | 1,614 | 2,626 | 5,535 | 3,855 | 281 | 13,911 |
| Warsaw Pact | 131 | 228 | 244 | 490 | 1,735 | 2,828 |
| United States | 2,396 | 7,386 | 22,217 | 17,026 | 2,362 | 51,387 |
| United Kingdom | 1,029 | 1,320 | 2,061 | 1,880 | 540 | 6,830 |
| France | 207 | 1,733 | 2,799 | 8,827 | 1,492 | 15,058 |
| Italy | 145 | 351 | 565 | 2,335 | 146 | 3,542 |
| West Germany | 151 | 297 | 622 | 891 | 169 | 2,130 |
| Other Western | 295 | 78 | 384 | 621 | 551 | 1,929 |
| Others | 172 | 516 | 954 | 1,471 | 5,168 | 8,281 |

^a Annual figures for arms transfers are highly variable for every recipient and supplier. This reflects the impact of large deals in some years. Annual figures have been aggregated into several periods to indicate general trends more clearly. The periods chosen reflect politically significant eras for the Persian Gulf. From 1954 through 1971, Gulf states emerged from the protectorate era, and arms sales were dominated by the USSR, US, and UK. Arms purchases in the 1972-74 period reflect the impact of the British withdrawal from the Gulf. The 1975-77 period indicates the major impact of massive oil price increases in 1974 on local purchases. From 1978 through 1980, major political developments in the region produced growing local insecurity. The 1981 arms agreements are listed separately because data on 1981 are not yet complete.

^b Warsaw Pact suppliers are Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania.

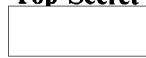
^c Other Western suppliers are Australia, Austria, Belgium, Canada, Denmark, Finland, Greece, Japan, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and Turkey.

^d Other suppliers are Brazil, Cyprus, Egypt, Hong Kong, India, Iran, Israel, Jordan, Kuwait, Libya, North Korea, Pakistan, China, Saudi Arabia, Singapore, South Africa, South Korea, Syria, Taiwan, UAE, and Yugoslavia. China and North Korea are listed separately for Iraq and Iran, respectively.

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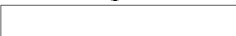
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Appendix B

Iraq: Drifting West


The most significant shift in arms transfer relationships appears to be in Iraq, which is trying to reduce its dependence on the USSR for military equipment (figure B-1). Soviet-Iraqi relations have been declining since 1975 when Moscow, irritated over the repression of the Iraqi Communist Party, dragged its feet in responding to Baghdad's request for arms needed for its military campaign against the Kurds. Moscow's near monopoly on Iraq's arms inventory was broken by several large purchases from France in 1974 and 1975. Soviet-Iraqi relations reached a low point in September 1980, when the USSR imposed an embargo on arms deliveries or new contracts in an attempt to dissuade Baghdad from continuing its war with Iran. 

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In response to the Soviet embargo on the direct shipment of arms to Iraq, Baghdad turned to Western sources of supply, China, and several East European nations. At least \$5.5 billion worth of military equipment was purchased from these sources in 1981, a figure likely to expand as more deals are confirmed. France continues to receive large orders because of its reputation as a reliable supplier. In contrast to the USSR, France not only continued to deliver arms after the war began, but signed new contracts and sent technicians to help maintain Iraqi equipment. In 1981 deals worth almost \$1.4 billion were concluded for helicopters, missiles, artillery, ammunition, electronic gear and additional Mirage F1 fighters. 


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Italy delayed the completion of a \$1.9 billion contract for warships when the war broke out. 


 Italy is hamstrung in its dealings because a large segment of its arms manufacturing capability is under US license

and coproduction agreements. The need to obtain US approval to export this equipment or the need to substitute non-US components in Italian equipment have made Rome appear as a rather reluctant arms supplier. This held Italy's sales to less than \$100 million in 1981, but  25X1 embassy reporting reveal that negotiations are under way for helicopters, artillery, personnel carriers, additional naval equipment and an Italian AWAC-type plane. Up to \$1.5 billion in additional purchases are possible, particularly if the United States allows Italy to export equipment and components produced under license.  25X1

China is the major new entrant into the Iraqi arms supply sweepstakes. 



 Its equipment and consumables are attractive because they are similar to much of Iraq's Soviet-supplied arsenal. This avoids the loss of combat effectiveness that would occur if Western equipment were substituted for Soviet items too rapidly. Egyptian, North Yemeni, Romanian, and Yugoslavian agreements provide the same advantages.  25X1

As the scale of Iraqi purchases of non-Soviet equipment became evident, Moscow realized that its embargo strategy was backfiring. Iraq did not knuckle under by modifying its policies, Soviet-Iranian relations did not improve as a result of the embargo, and a permanent rift with Baghdad seemed possible. In particular, Iraqi interest in acquiring US equipment from Italy or even directly probably was expressed several Middle Eastern arms brokers as well as Jordan, and probably startled Moscow.  25X1

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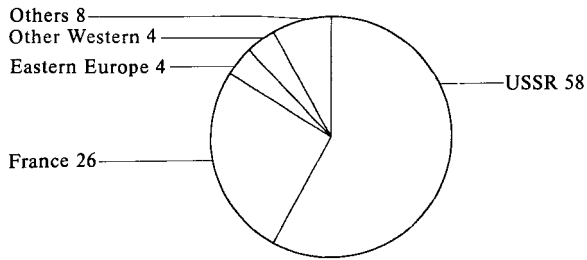
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Figure B-1
Iraq: Arms Sales by Supplier
In Current Dollars

Percent

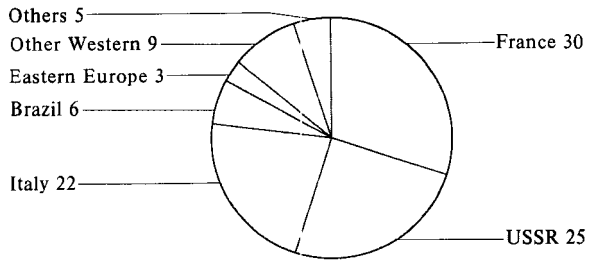
1975-77

Average annual sales: \$2.4 billion



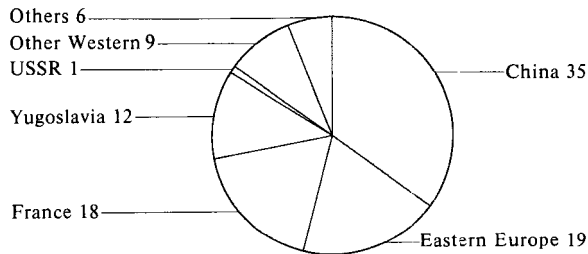
1978-80

Average annual sales: \$3.2 billion



1981

Total: \$7.7 billion^a



^aInformation available to date.

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587208 7-82

25X1 The USSR has sought to repair its damaged ties with Iraq gradually.



In 1981 at least \$1.1 billion in sales were concluded with East European suppliers. These nations were more than willing to sell in exchange for hard currency or oil, and this had an additional benefit for Moscow by reducing the pressure it faces to aid stagnant Warsaw

Pact economies. Poland, in particular, has taken advantage of this opportunity by providing over \$250 million in tanks, spare parts, and ammunition.

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Moscow moved one step further in April 1981 when it resumed direct deliveries of ammunition, spares, and logistic items. Embassy reporting suggests that it offered to resume deliveries of major equipment if

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[redacted]

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Iraq restored a friendly veneer to its ties with Moscow. The visit of several high-level Iraqi delegations to Moscow beginning in May were followed by deliveries of MIG-23 and MIG-25 aircraft and T-72 tanks under existing contracts. Embassy reporting indicated that by March 1982 the USSR and Iraq appeared ready to conclude a new deal worth several billion dollars, although Iraqi bitterness over the embargo lingers. [redacted]

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The USSR probably has slowed the erosion of its position in Iraq. To maintain the capability of its forces, Iraq must resupply its forces with equipment similar to that produced by the Soviets. [redacted]

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[redacted] Iraqi suspicion of the West persists, and is rekindled by events such as the rise of the Mitterrand government in France with its more friendly attitude toward Israel. Baghdad has seen the consequences of excessive dependence on one nation or bloc of nations for arms, however, and is still likely to seek greater diversification in its arms supply. Large deals with West European nations for tanks, artillery, and other types of equipment are under negotiation. Over the longer term, Iraq also hopes to build a domestic arms industry through licensed assembly and coproduction arrangements with France, Italy, and the United Kingdom. An arms inventory balanced between Eastern and Western suppliers is the probable Iraqi goal.

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[redacted]

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[redacted]

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Appendix C

Iran: Searching for Necessary Arms

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In 1981 the Khomeini regime signed contracts worth \$1.2 billion, more than it bought during the previous two years. [redacted] Tehran probably will seek some additional major items like tanks and fighter aircraft in the future, but we do not expect the mullahs to attempt to rebuild to prewar inventory levels established under the Shah. The current regime has no interest in resuming a direct sales relationship with the United States, [redacted]

The North Korean-Iranian relationship will probably continue at its present level over the next one or two years, but North Korea will not be able to supply the quantities or types of equipment needed to rebuild Iran's war-torn forces. [redacted] 25X1

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[redacted] The abrupt cancellation of more than \$10 billion in arms contracts in 1979, the political instability that until recently marked the Tehran government, Khomeini's espousal of revolution in the rest of the Gulf, and a growing stake in arms sales to Iraq have caused Western arms suppliers to be wary of dealing with Iran. Given Iranian military victories and a more stable political situation, however, some Western nations may become more interested in the Iranian market, especially after the war ends. [redacted]

We believe that the USSR has dangled the possibility of a major arms deal before Iran. Its embargo on arms shipments to the belligerents early in the war primarily affected Iraq and was partly an effort to ingratiate a weak and isolated Iran. [redacted]

estimate that as many as 200 Soviet military advisers are in Iran to assist with training. We believe that greater influence in Iran is the major opportunity the Soviets see in the Gulf region. They almost certainly want to increase Tehran's dependence on Soviet equipment, but Iran appears reluctant to become beholden to Moscow and probably is fearful of the long retraining process required. [redacted] 25X1

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North Korea emerged as Iran's leading arms supplier in 1981 with sales of nearly \$600 million. [redacted] ammunition, antitank rockets, naval mines, and small numbers of artillery and tanks have been delivered. In addition, North Korea has sent a few military technicians to teach Iranians how to use the equipment and to assist in its repair. [redacted]

The provision of equipment by North Korea, Libya, and Syria serves Moscow's objectives by increasing Iran's dependence on Soviet-made weaponry. Syria and Libya have given Iran aid because of their mutual antagonism toward Iraq. Syria has provided ammunition, SAMs, AA guns, and training [redacted]

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North Korea probably initiated its sales in Iran with Soviet blessing. [redacted] some items were provided by Moscow, and the Soviets may have acquiesced in the export of items that North Korea produces under Soviet license. Pyongyang needs little encouragement from Moscow, however, because arms sales provide badly needed hard currency and oil as well as an outlet for its expanding arms industry. [redacted]

[redacted] Damascus does not appear affected by pressure from Saudi Arabia and other Arab states to end this activity, and recently increased substantially its economic relations with Tehran by agreeing to refine Iranian crude in Syrian refineries and to provide additional support for the Iranian petrochemical industry. [redacted] 25X1

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Colonel Qadhafi feels an ideological kinship to the Khomeini regime and has provided military assistance to illustrate Libya's value as an "arsenal of radicalism." According to [redacted] 25X1

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ammunition, antitank missiles, artillery, and at least 100 tanks have been delivered, much of it free of charge. However, Libya has become increasingly isolated in the Arab world because of unpredictable actions like its aid for Iran, and Tripoli could shut off its Iranian tie at any time as part of a larger effort to move back into the Arab fold. [redacted]



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The only other major suppliers of military equipment that are presently available to Iran are China and Western Europe. [redacted]

In the short run, Iran has turned to Israel and private arms brokers for critical spare parts and consumables for its Western equipment. Israel sold at least \$28

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[Redacted]

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million in equipment to Tehran in 1981, for example. Iran probably will increase its direct dealings with Western suppliers when the war ends. France will not sell major equipment to Iran because it already has a lucrative market in Iraq and does not want to offend other large Arab buyers. Italy has similar concerns, but is more open to future sales.

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[Redacted]

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[Redacted] When the war ends, Rome may be in a position to sell some major weapons like artillery, patrol boats, helicopters, and tanks, especially if US restrictions are lifted.

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According to State reporting [Redacted] the British Government—concerned about Iran's political isolation and weakness—is keeping open the possibility of resuming sales. London might be willing to make selective sales in the context of a broader normalization of relations, but it will try not to endanger its emerging arms sales campaign in the Arab world.

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[Redacted]

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[Redacted]

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Appendix D

Saudi Arabia: Qualified Dependence on the United States

Saudi Arabia has obtained most of its military needs from the United States, and the US share of the Saudi arms market is likely to increase over the next three years (figure D-1). Early in 1982 the United States concluded its largest arms sale in the region with agreement for the \$8.5-billion AWACS- and F-15-enhancement package. State reporting and Saudi Arabia's persistent pursuit of the full range of American equipment indicate that Riyadh views the United States as the Western nation most capable of supporting its ambitious military modernization effort—the largest in the region—and will not consider arms purchases from the USSR or its allies. State reporting notes that the Saudi royal family hopes to create a military structure that can deal with internal challenges as well as deter attack from other nations in the region. They value US arms sales as a political symbol of Washington's readiness to come to their aid if larger external threats materialize. [redacted]

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Riyadh will continue to purchase significant amounts of military equipment from Western Europe and to depend upon Pakistan and others for military manpower assistance because it is unwilling to become totally dependent on Washington. State reporting indicates that the Saudis do not subscribe to US goals in the region, either cooperation between Israel and moderate Arab states against the USSR, or a direct US military presence in the Gulf. Riyadh fears the consequences of excessively close association with the United States because of Washington's support for Israel in the Arab-Israeli dispute, according to State reporting. Riyadh is embarrassed by the public controversy and informal restrictions that accompany US deals such as the AWACS package, as is indicated by State reporting and Saudi press commentary. [redacted]

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Saudi Arabia fears Israel, particularly after the Israeli air raid on Iraq's nuclear reactor demonstrated that the Gulf is within range of an Arab-Israeli conflict. It wants military equipment from non-US suppliers that

it can use without restriction against an Israeli attack, and probably wants to retain the option of supplying equipment to Arab frontline states in the event of another Arab-Israeli conflict. It looks primarily to the United States to restrain Israel, however. [redacted]

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A Saudi diversification policy calling for increased purchases of major weapons systems from Western Europe has existed since the early 1970s, according to numerous [redacted] statements by Saudi officials, and provides a model for other Arab states in the Gulf. About \$3 billion worth of weapons were purchased from Washington between 1978 and 1980, compared with over \$4 billion from West European sources.⁵ Washington shares with several West European suppliers the Saudi market for combat aircraft, SAMs and other tactical missiles, and artillery and armored vehicles. France gained most of the naval market in 1980 when a deal for four guided-missile frigates and two support ships was concluded. [redacted]

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Saudi Arabia's diversification is encouraged by West European sales efforts. British, French, and Italian Government officials, as well as those of other European nations, frequently visit Saudi Arabia to press their arms offerings. Beyond the appeal of hard currency earnings and closer ties with the world's leading oil exporter, US allies fear that Washington's effort to dominate the market will expose Riyadh to growing internal dangers, according to State reporting. This view is based on the problems posed by the Palestinian issue and does not reflect greater West European sensitivity to the internal stresses caused by the effort to absorb highly sophisticated technology—US or European—in a traditional, Islamic society. [redacted]

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⁵ During this period 80 percent of US and 30 percent of West European military sales were for construction, training, electronics, consumables, logistic material, and other nonlethal items. [redacted]

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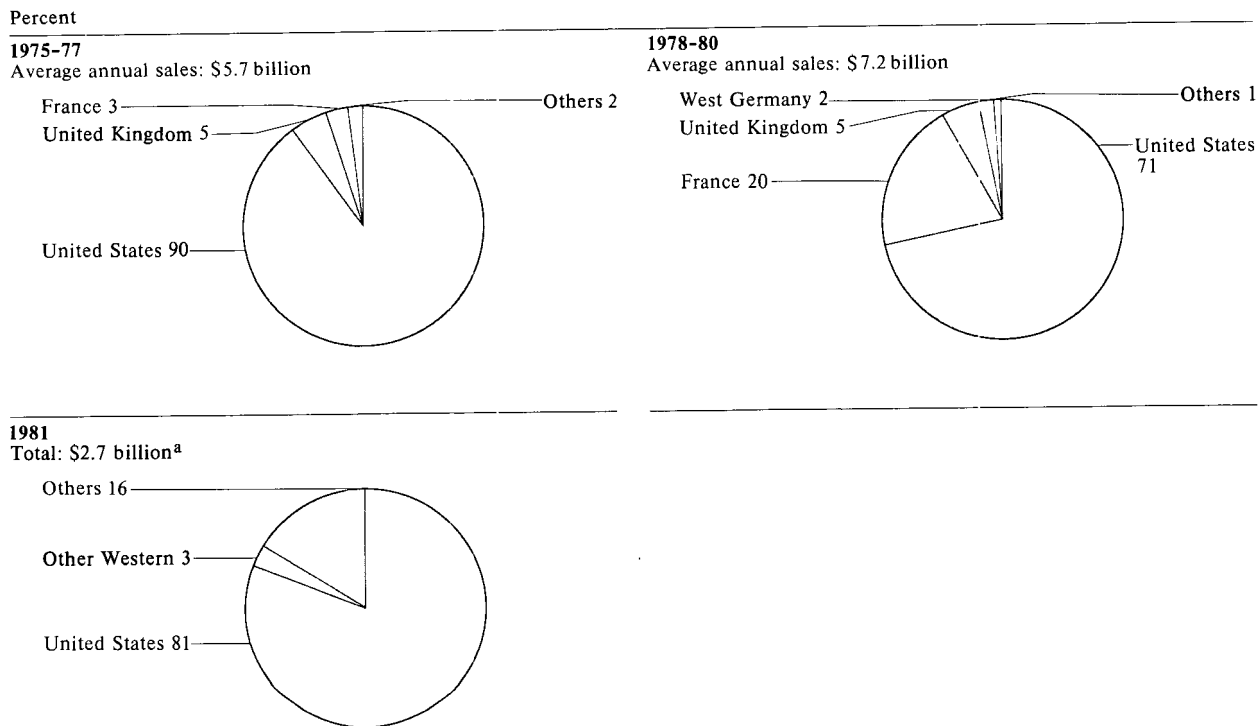
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Figure D-1
Saudi Arabia: Arms Sales by Supplier
In Current Dollars



^aInformation available to date.

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[Redacted]

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In 1981 West Germany entered the West European sales picture for major equipment when Bonn approved the sale of a howitzer produced jointly with Britain and Italy, [Redacted].

[Redacted] The relaxation in April 1982 of Bonn's prohibition on the sale of lethal military equipment to "areas of tension" made an agreement possible, but in late May Chancellor Schmidt announced that the Federal Republic of Germany will not approve deliveries of battle tanks

to Saudi Arabia or other Middle Eastern countries. Embassy reporting and German press commentary indicate that domestic political controversy forced this decision on Schmidt, but we believe that Bonn may be able to sell other less potent armored vehicles in the future. Washington probably will be asked by the Saudis to supply M-1 tanks as the next best and most prestigious vehicle after the Leopard II, according to embassy reporting. [Redacted]

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[Redacted]

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France already has a large stake in Saudi Arabia and [redacted] probably will sell additional warships. Paris will also continue to compete with the United States as a source of air defense equipment and offer its AMX-32 tank in place of the Leopard II, as indicated in both press [redacted]

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[redacted] State reporting and British press commentary indicate that London is worried that it has lost ground in Saudi Arabia and the smaller Gulf states to France and the United States, and it has focused its worldwide arms sales campaign on the Persian Gulf. Arms offers were an important topic during Prime Minister Thatcher's tour of the Gulf in April 1981. Press reports suggest that some sort of joint funding was worked out with Saudi Arabia for the development of the P-110, Britain's planned ground attack fighter for the 1990s. State reporting indicates that London also may have suggested as a complement to the US AWACS the Nimrod, an electronic warfare and early warning aircraft, which would not be restricted in its area of deployment. [redacted]

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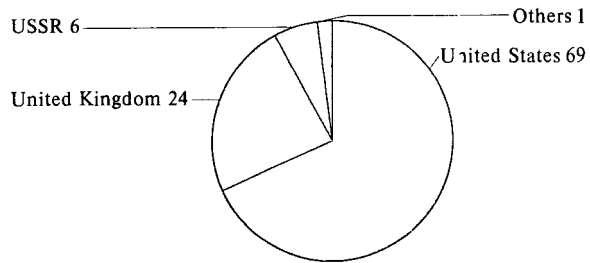
25X1

Figure E-1
Kuwait: Arms Sales by Supplier
In Current Dollars

Percent

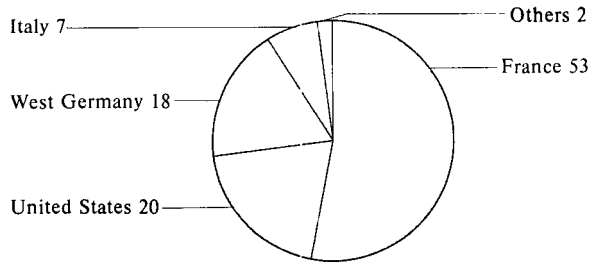
1975-77

Average annual sales: \$294 million



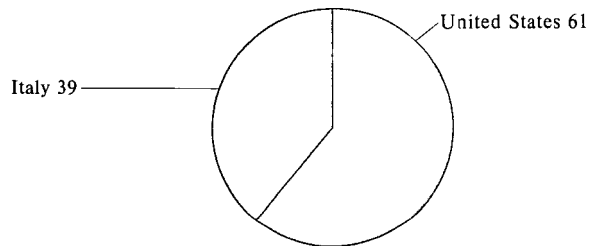
1978-80

Average annual sales: \$376 million



1981

Total: \$77 million^a



^aInformation available to date.

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Appendix E

Kuwait, Oman, and the Emirates

Kuwait, Oman, Bahrain, the UAE, and Qatar have become particularly concerned about the inadequacy of their defense forces in the last two or three years, as indicated by the rapid escalation in their military spending (figures E-1, E-2, and E-3). Local press reports, commentary by US and European specialists on the region, and statements by local leaders indicate that the common new concerns of these states are the rise of the Khomeini regime with its attempts to incite local Shia populations and the fear of becoming engulfed in regional conflicts begun by others. State

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[redacted] note that Oman is also fearful of South Yemen's growing military arsenal, a development that also leaves others in the lower Gulf uneasy. Political rivalries among the small states give arms buying in the lower Gulf some of the aspects of an arms race. Embassy reporting indicates that none of these states wants another to gain a prestige advantage by acquiring more advanced equipment or a more favored status with important arms suppliers.

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This market is likely to grow substantially in the next three years, although arms purchases will be constrained somewhat by declining oil revenues. Oman and Bahrain also must depend upon the largess of Saudi Arabia or others to make major purchases.

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Most of the lower Gulf states have followed the Saudi example of diversification, although with important differences in choice of suppliers. Kuwait initially turned to the United States for most of its military assistance, but its stated policy of neutrality produced rapid diversification. Kuwait was the first conservative Gulf state to obtain Soviet weapons. It purchased \$51 million worth of FROG surface-to-surface and SA-7 missiles in 1977 [redacted]

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France and West Germany seem the most politically attractive Western suppliers. We believe that Kuwaiti suspicions of US and UK influence in Gulf affairs, as

reported in the press and embassy commentary, and the US friendship with Israel reduce their acceptability as suppliers. [redacted]

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Bahrain, Qatar, and the UAE were once British protectorates, but aggressive French marketing and their desire to display independence have given France the major share of the Emirates' purchases. The United States has never sold much to these states, but growing insecurity has produced an interest in closer US ties. For example, embassy reporting notes that Bahrain wishes to purchase F-5Es and the improved HAWK missile system, and the UAE wants F-16s or F-18s as indications of Washington's commitment to their defense. US and UK sales may also improve because of dissatisfaction with the quality of French weapons and followup support that has been expressed by UAE leaders to US officials. Prime Minister Thatcher obtained an oral commitment from the UAE for the HAWK jet trainer in 1981, according to British press reports. [redacted]

[redacted]

Oman's almost total dependence on the United Kingdom for arms was challenged in 1980 when Sultan Qaboos agreed to allow US forces use of Oman airfields and port facilities in return for military assistance. Both London and Oman's Arab benefactors are concerned over this new relationship. According to State reporting [redacted] British wish to retain their dominance in military assistance and are worried that Oman's close association with Washington could undermine internal stability. State reporting shows that Oman is under pressure in the Gulf Cooperation Council to become more independent of the United States. [redacted]

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[redacted]

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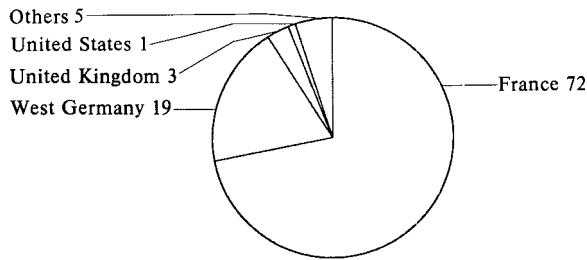
25X1

Figure E-2
Sales to Bahrain, Qatar, United Arab Emirates by Supplier
In Current Dollars

Percent

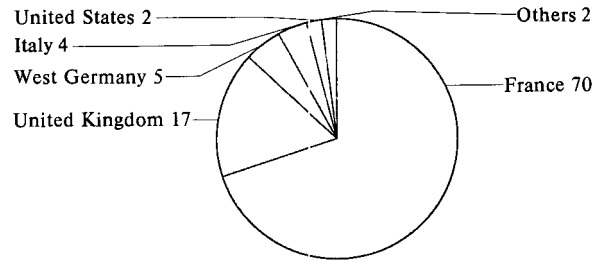
1975-77

Average annual sales: \$186 million



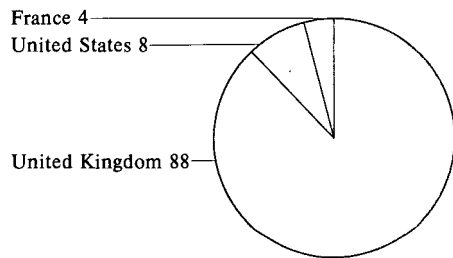
1978-80

Average annual sales: \$433 million



1981

Total: \$355 million^a



^aInformation available to date.

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[Redacted]

587211 7-82

The Gulf Cooperation Council—consisting of Saudi Arabia, Kuwait, Qatar, Bahrain, Oman, and the UAE—was formed after the outbreak of the Iran-Iraq war heightened security fears and made it possible to create an organization that excluded both Iran and Iraq. Although initially stress was placed on political and economic cooperation, exchanges on security issues have occurred and the group may have an impact on future arms purchases beyond Oman. Embassy reporting and public statements in the local press by Gulf leaders indicate that Kuwait: wants

member states to follow its more neutral stance and is encouraging others to establish diplomatic relations with the USSR or East European nations.

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[Redacted]

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The Saudis have suggested publicly before and after Council meetings the desirability of cooperation in developing indigenous arms industries and in building an integrated air

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[Redacted]

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[Redacted]

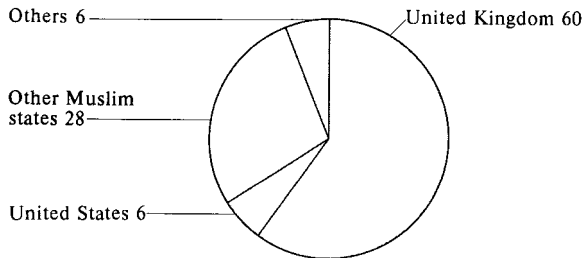
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Figure E-3
Oman: Arms Sales by Supplier
In Current Dollars

Percent

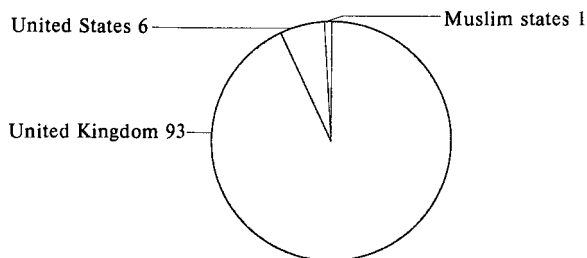
1975-77

Average annual sales: \$34 million



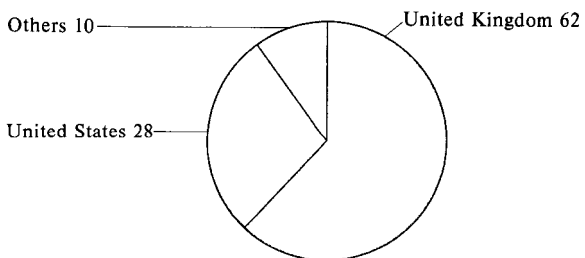
1978-80

Average annual sales: \$133 million



1981

Total: \$179 million^a



^aInformation available to date.

[Redacted]

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defense system. Different arms diversification programs reinforce the political obstacles to greater security cooperation, but movement in this direction probably would result in some common purchases of military equipment. The United States could lose sales if purchase of West European arms remains the only politically accepted basis for coordination in all Council states. [Redacted]

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[Redacted]

25X1

Top Secret
[redacted]

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Appendix F**North and South Yemen**

Arms purchases by North and South Yemen grew faster than those of any other state in the Persian Gulf region over the 1978-80 period (figures F-1 and F-2). This expansion results from massive deliveries to Aden, and competing Soviet, US, and Saudi efforts to provide military assistance to Sanaa. We believe that both states probably are unable to pay for or absorb new equipment. Arms purchases over the next three years are likely to decline as both states attempt to integrate new equipment into their inventories. [redacted]

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To overcome its perceived encirclement by hostile states, South Yemen's Marxist-oriented regime welcomes Moscow's willingness to provide jet aircraft, SAMs, tanks, other ground equipment, and military advisers on favorable credit terms. In return, Aden is willing to serve Soviet as well as its own interests in the area. It has provided military facilities for Soviet use and turned down a Saudi offer to finance non-Communist arms purchases. South Yemen is likely to remain the only true Soviet ally in the region, and its heavily armed status and revolutionary ideology will continue to be a destabilizing factor on the Arabian Peninsula. The Soviet Bloc's monopoly on Aden's arms purchases is unlikely to be affected seriously by the tripartite agreement between South Yemen, Libya, and Ethiopia to engage in security cooperation.

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[redacted]

In the late 1970s, Saudi Arabia urged the United States to provide military assistance to North Yemen to forestall Soviet influence in Sanaa and offset Aden's arms acquisitions. Saudi Arabia and Oman probably regard continuing US aid to Sanaa as an indication of Washington's commitment to stability on the lower peninsula. Other Western nations share Washington's concern about the dangerous regional implications of an absorption of North Yemen by the South. Britain and West Germany have shown an interest in cooperating with the United States in providing economic as well as military assistance to the shaky Sanaa regime. [redacted]

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Increased Saudi-financed aid to North Yemen may be complicated by political suspicions between Sanaa and Riyadh that have delayed Sanaa's arms purchases in the past. The USSR made major sales inroads, in part, because of Saudi footdragging in 1979, and it could gain new sales if this problem continues. [redacted]

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[redacted]

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Figure F-1
South Yemen: Arms Sales by Supplier
In Current Dollars

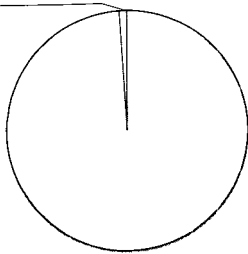
Percent

1975-77

Average annual sales: \$69 million

Libya 1

USSR/Eastern
Europe 99

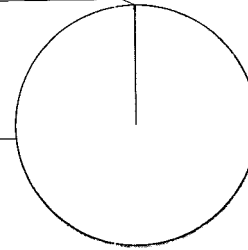


1978-80

Average annual sales: \$263 million

United Kingdom 0.1

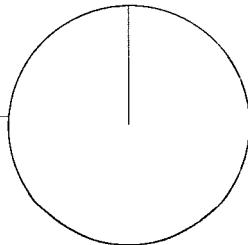
USSR/Eastern
Europe 99.9



1981

Total: NA^a

USSR NA



^aInformation available to date.

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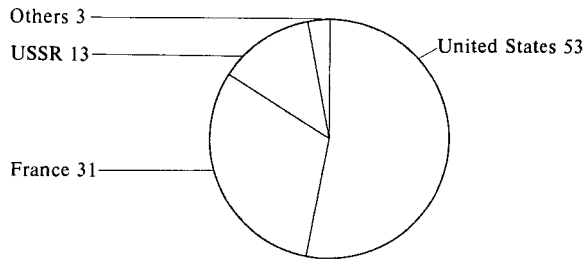
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Figure F-2
Arms Sales to North Yemen by Supplier
In Current Dollars

Percent

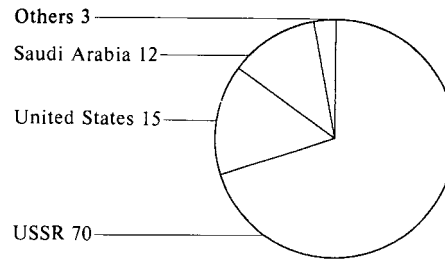
1975-77

Average annual sales: \$82 million



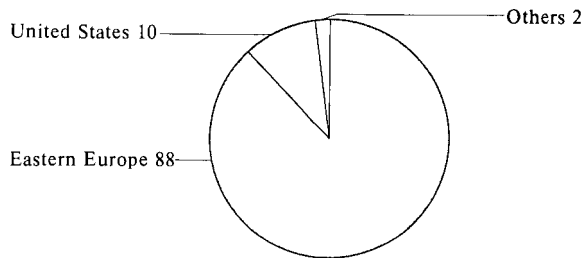
1978-80

Average annual sales: \$397 million



1981

Total: \$184 million^a



^aInformation available to date.

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Appendix G

Problems With Military Technicians From the Developing World

In 1981 there were 16,515 foreign military technicians stationed in the region, double the number present in 1978. Nearly 75 percent of these technicians were from developing nations (notably, Pakistan, Jordan, and Morocco) as opposed to about 40 percent in 1978. More importantly, a growing proportion of these personnel were expected to operate weapons rather than serve only as advisers.

Although foreign military personnel are ostensibly allied forces intended to strengthen the military position of recipient nations, a foreign presence frequently produces discord. Cultural and linguistic differences make cooperation difficult. Surrogate forces are often isolated from the indigenous population to minimize friction, but such special arrangements may seem like inferior treatment to the personnel involved and may reduce their military effectiveness. Alternatively, the

recipient's own troops may resent the special treatment—higher salaries and better living conditions—sometimes given foreigners, thereby weakening the loyalty of local troops.

Another potential problem is that the interests of suppliers and recipients of surrogate manpower differ in important ways. Most suppliers of manpower, such as Pakistan and Morocco, are interested in the economic benefits obtained and not in the security of the recipient. Thus, availability of foreign personnel may be jeopardized suddenly if disagreement arises between supplier and recipient. Even if a supplier is concerned about the security of a Gulf nation and allows its technicians to man weapons, most provide manpower for symbolic political purposes and not for actual use in combat.

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Estimated Foreign Military Advisers and Technicians in the Persian Gulf ^a

| | 1978 | | 1981 | |
|--------------|--------------|---------------------------------|---------------|---------------------------------|
| | Number | Percent From Developing Nations | Number | Percent From Developing Nations |
| Total | 7,955 | 40 | 16,515 | 74 |
| Iraq | 1,590 | 13 | 635 | 3 |
| Iran | 205 | NA | 400 | 38 |
| Saudi Arabia | 1,300 | 67 | 6,785 | 98 |
| Kuwait | 130 | 95 | 1,015 | 100 |
| Bahrain | 100 | 85 | 30 | 48 |
| Qatar | 135 | 81 | 135 | 50 |
| UAE | 1,455 | 88 | 3,730 | 100 |
| Oman | 1,275 | 35 | 1,365 | 30 |
| North Yemen | 205 | 24 | 820 | 15 |
| South Yemen | 1,560 | 1 | 1,600 | — |

^a 200 to 300 US personnel in the region are not included in table.

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