



# DUBAI AIRSHOW: REGIONAL CONFLICT TO SPUR MILITARY SPENDING

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War planes will compete with passenger jets at the **Dubai Airshow** this week as **regional conflict** spurs **military spending** even as weak oil prices swell deficits among Gulf exporters.

Wars from Yemen to Syria are stoking demand for fighter aircraft, missile systems and drones as regional governments allocate about US\$85 billion in defence budgets.

Competition among the companies that make them is expected to be fierce as the weak oil price hits spending on some programmes.

Manufacturers will seek to outdo each other by promoting technology transfer and job creation to win orders from governments under pressure to diversify their manufacturing base and create jobs for nationals with a renewed urgency.

Boeing and Airbus will resume their regional rivalries as they seek to add to the record orders achieved two years ago.

But big military orders are expected to overshadow commercial plane deals after the 2013 show

broke all records.

There is currently a 750 wide body aircraft backlog from the Gulf region according to IHS estimates. That makes the prospect of another batch of huge orders unlikely although analysts expect some activity from Oman and Saudi Arabia.

The chiefs of some of the world's biggest military corporations from Lockheed Martin of the US to Rostec of Russia will also be in Dubai to showcase their weapon systems.

Despite facing fiscal pressures at home, the biggest military clients in the Middle East are unlikely to cut their spending for immediate operational requirements even as they face budgetary deficits, say analysts, as immediate security requirements trumps book balancing.

"The oil price is impacting the Gulf countries and some departments have been asked how they might be able to make savings," said Ben Moores, a London-based analyst at IHS Aerospace, Defence and Security. "However the weaker oil price is unlikely to have an impact on the most urgent operational requirements in the region."

The leaders of corporations such as Boeing, Airbus, BAE Systems and Raytheon will descend on the city accompanied by squadrons of sales executives at a time of unprecedented consolidation in the industry at home and globally.

The third quarter of the year accounted for a record \$52bn in mergers and acquisitions among defence and aerospace companies according to PricewaterhouseCoopers.

Two years ago more than \$160bn of deals had been announced within three hours of the show opening with Emirates, Etihad and flydubai committing to hundreds of new aircraft. But with much of the requirements of regional carriers already satisfied, the big aeronautical companies will instead be pushing their military hardware.

Airbus is displaying its A400M military transport aircraft as well as the military version of its popular A330 passenger jet. Boeing meanwhile will be showing off its stalwart Chinook and Apache helicopters. The rival Eurofighter Typhoon and Rafale fighters will also be seeking to make an impression as they compete for orders from the Gulf.

Sergei Chemezov, the man in charge of Russia's sprawling military complex and one of President Vladimir Putin's inner circle will lead the Russian presence at the show.

It comes just one month after Russia started its airstrikes in Syria, primarily against forces fighting the regime of president Bashar Al Assad.

The Moscow contingent will also include Russian Helicopters, seeking orders for its own newest multirole Mi-171A2 helicopter.

The UK delegation will include about 100 companies while the US is expected to have about 150 exhibitors. France will be targeting both commercial and defence deals at the show with about 30 French companies in attendance.

07 NOVEMBER 2015

**SOURCE: THE NATIONAL**

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