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THE NEW ARMS RACE

Just a few months ago the West was trying to sell this plane to Libya. Now arms makers are using the no-fly zone to show off their newest wares

BY TIM HEPHER
PARIS, APR 4

The photograph shows a French Rafale warplane at the Mitiga air base outside Tripoli. A small crowd of men, women and children mill around the fighter, its tail fin lit up by the North African sun.

Taken at an air show in October 2009, the picture is one of several grabbed by military aviation photographers from Dutch website scramble.nl that highlight one of the ironies in the West's enforcement of a no-fly zone

over Libya. To take out Muammar Gaddafi's air defences, western powers such as France and Italy are using the very aircraft and weapons that only months ago they were showing off to the Libyan leader. French Rafales like those on show in 2009 flew the western alliance's very first missions over Libya just over two weeks ago. One of the Rafale's theoretical targets: Libya's French-built Mirage jets which Paris had recently agreed to repair.

The Libyan operation also marks the combat debut for the Eurofighter Typhoon,



a competitor to the Dassault Rafale built by Britain, Germany, Italy and Spain. An Italian Air Force version of that plane was snapped at the 2009 show

hosted by Libyan generals. Two weeks ago, that base – to which arms firms including Dassault returned last November -- was attacked by western bombs.

Times change, allegiances shift, but weapons companies will always find



REUTERS



CONTENDER: An Italian Eurofighter EF-2000 Typhoon lands at the Birgi NATO airbase in Trapani, Sicily, March 20, 2011. Italy has provided bases for many of the attacks on Libya. **REUTERS/ALESSANDRO BIANCHI**

takers for their goods. Libya won't be buying new kit any time soon. But the no-fly zone has become a prime showcase for other potential weapons customers, underlining the power of western combat jets and smart bombs, or reminding potential buyers of the defensive systems needed to repel them.

"This is turning into the best shop window for competing aircraft for years. More even than in Iraq in 2003," says Francis Tusa, editor of UK-based Defence Analysis. "You are seeing for the first time on an operation the Typhoon and the Rafale up against each other, and both countries want to place an emphasis on exports. France is particularly desperate to sell the Rafale."

Almost every modern conflict from the Spanish Civil War to Kosovo has served as a test of air power. But the Libyan operation to enforce UN resolution 1973 coincides with a new arms race -- a surge of demand in the \$60 billion a year global fighter market and the arrival of a new generation of equipment in the air and at sea. For the countries and companies behind those planes and weapons, there's no better sales tool than real combat. For air forces facing cuts, it is a strike for the value of air power itself.

"As soon as an aircraft or weapon is used on operational deployment, that instantly becomes a major marketing ploy; it becomes 'proven in combat,'" says a former defence

export official with a NATO country, speaking on condition of anonymity about the sensitive subject.

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A spokesman for the Eurofighter consortium said it had "never been involved in talks to sell the aircraft to Libya" and its presence at the Lavex air show outside Tripoli in 2009 was part of an Italian delegation organised at government level. Defence sources tell Reuters that Britain and Germany had vetoed any sale of Italian Typhoons to Libya, but the amount of other Italian military hardware on display demonstrated warm relations at the time between Tripoli and the government of Italian Prime Minister Silvio Berlusconi.

France has been less timid about announcing arms talks with Libya which briefly held an exclusive option for Rafale jets. A French source, who asked not to be named, declined to comment in detail on past negotiations but said arms sales were handled at a government-to-government level.

'HOT WAR' SOLUTIONS

AIR SHOWS LIKE THE one outside Tripoli 18 months ago are a routine fixture of the arms industry's marketing calendar. But to convince potential buyers, defence equipment needs to be tested and survive what marketers call a "hot war".

"Battle-testing is something often referred to by the arms industry as an important factor for promoting their wares to export customers," says Paul Holtom, director of the Arms Transfers Programme at the Stockholm International Peace Research Institute (SIPRI).

A 'hot war' gives arms buyers a chance to cut through marketing jargon and check claims are justified. "Everyone is looking at Libya. It is definitely a showcase," one western defence company official told Reuters on condition of anonymity.

A Dassault executive, who did not want to be named, said the Rafale had been "combat-proven" since being deployed in Afghanistan in 2007.

What buyers and the world's military attaches are actually watching out for may be far less dramatic than Top Gun-style dogfights, which are unlikely to feature in the one-sided Libyan campaign. Instead, according to industry executives, prospective buyers will be hungry for detailed information on reliability, the ability of aircraft to operate seamlessly with other forces or systems and the ability of

operational squadrons to generate high sortie rates for the minimum amount of repair.

The rewards are huge. India, Brazil, Denmark, Greece, Saudi Arabia, UAE, Oman and Kuwait are among a growing list of countries shopping for one or more of the fighters flying sorties over Libya.

The deal of the moment: India's plan to buy 126 fighter jets, an order which should be worth an estimated \$10 billion. Reliability, say industry experts, is likely to be key to winning the exports.

Four of the six companies in the running to sell New Delhi planes – Dassault's Rafale, the Eurofighter Typhoon, Lockheed Martin's F-16 and Boeing's F/A-18 – have already helped enforce the no-fly zone over Libya. A fifth contender, the Saab Gripen, arrived in Sicily at the weekend, ready to take part in the first air combat action by the Swedish air force in decades.

France is also using its new Horizon-class frigate and latest air-to-ground missiles.

But it's not just offensive equipment such as planes and missiles. Aerial shock and awe provides free advertising for companies that build early warning systems and missile defences.

"Libya is a reminder that if you can't compete on the level of attack platforms, then you need to compete on the level of defence systems," says Siemon Wezeman, senior fellow at SIPRI. "Libya had reasonable air defences and yet they didn't make a dent. If you want to defend yourself, you need either the aircraft or the defensive systems. You will see countries asking people like Russia and China what they can provide". U.S.-built systems from companies like Lockheed Martin and Raytheon are already in high demand in the Gulf, to counter the perceived threat from Iran.

"CRADLE TO GRAVE TESTING"

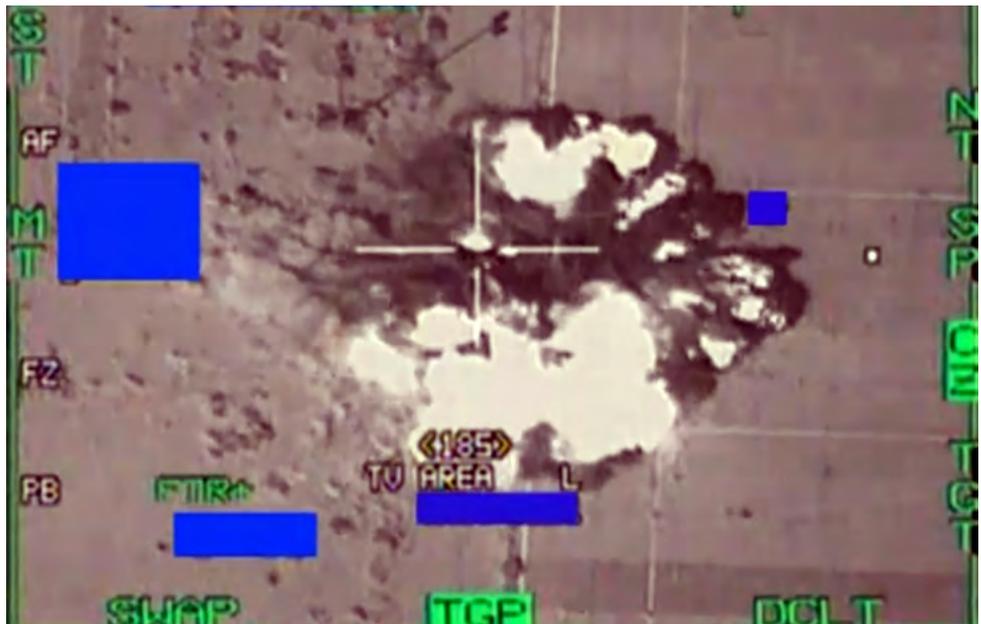
BUT CONVINCING COUNTRIES to buy expensive weaponry and equipment requires more than just showing it off. "If you meet 100 percent of the operational requirement, you have still have won only 25 percent of the race," the former NATO defence export official told Reuters.

U.S. diplomatic cables, obtained by WikiLeaks and seen by Reuters, detail repeated efforts by U.S. diplomats to drum up high-level political support for fighter jet and other sales -- efforts which according to defence industry sources are matched by intense lobbying by France Britain, Russia and others.

One cable, from around the time of the



SEEING IS BELIEVING: France is particularly keen to sell the Rafale, pictured above with President Nicolas Sarkozy on the deck of the Charles-de-Gaulle aircraft carrier off the French Mediterranean coast, June 10, 2010. Below, footage recorded by a Belgian Air Force F-16 fighter shows an explosion after bombs were dropped on an aircraft and shelter in Libya March 27, 2011. **REUTERS/ PHILIPPE WOJAZER, BELGIAN ARMY HANDOUT**



2009 Libya air show, comes from the U.S. embassy in New Delhi which recounted how India, once a major Soviet arms buyer, was warming to the idea of U.S. weapons thanks to their proven combat capability. "They recognise the quality of U.S. systems and have been astounded by the mission-capable rates quoted for U.S. aircraft compared to their older Russian inventory," the embassy told Michele Flournoy, U.S. Undersecretary of Defense for Policy, in Oct. 2009.

But a few months later, Saudi Arabia, which buys the vast bulk of its arms from the United

States, had concerns about quality. Unhappy about the number of GBU-10 laser-guided bombs that had failed to explode when used against Houthi rebels in Yemen, according to a dispatch from the Riyadh embassy, Saudi officials asked how the number of duds compared with the failure rate of the same weapon in Afghanistan. In response, a visiting U.S. general described the U.S. Air Force's careful "cradle-to-grave testing and maintenance on its bombs".

Saudi officials also complained about a lack of progress in obtaining U.S. munitions and

DIPLOMATIC CONTEST: Another potential customer France and the United States are fighting over is Brazil. President Barack Obama shakes hands with Brazil's President Dilma Rousseff in Brasilia just two weeks ago **REUTERS/JASON REED**

technology for strikes in Yemen. In the same Jan. 2010 meeting, the Royal Saudi Air Force chief said that when the U.S. sold its weaponry, "it was like a car dealer selling five cars, but with only eight tyres". Saudi Arabia is crucial to U.S. weapons makers who are discussing a huge arms package valued at over \$60 billion including 84 F-15 fighter jets and 70 Apache helicopters built by Boeing.

When it comes to Libya, Paris was almost as eager to take on Gaddafi as it was to open up military ties after the EU lifted an arms embargo on the country in 2004. But France was not alone in wooing the country after Gaddafi renounced weapons of mass destruction.

In conversation with an aide to Gaddafi's son Saif al-Islam in Dec. 2009, U.S. embassy officials in Tripoli referred to an offer for

purchases or refurbishment of C-130 transport planes and "military exchange and training opportunities," according to a diplomatic cable from that month. The cable also mentioned a U.S. offer to Gaddafi's younger son Khamis to "travel around the United States to tour U.S. military installations". There was no indication how the conversation was followed up.

Khamis, whose forces are fighting the revolt against his father's rule, is the commander of the military's elite 32nd brigade, seen by many analysts as the best-trained unit in Libya.

The same cable also suggested that Washington had resisted Libyan requests for MH-6 "Little Bird" light assault helicopters, and noted Libyan complaints about slow progress in refurbishing Vietnam-era M113 armoured personnel carriers.

Lockheed Martin, manufacturer of the C-130



transporter, declined to comment. The State Department did not provide a comment for this article.

"MOST UNSEEMLY"

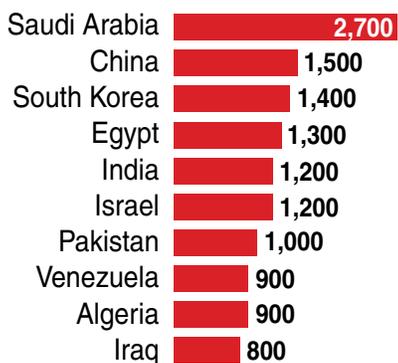
IN THE IMMEDIATE PR battle over Libya, analysts say the Rafale appears to be winning. Not only was it handed a front-page role on the first day of the conflict, but it also scored a symbolic victory by reaching Libya equipped for air-to-ground attack, something the Typhoon has so far only done in tests. The Typhoon is focusing instead on air-to-air warfare against an enemy whose air force has been more or less pinned to the ground by strikes on radars and air defences.

French officials dismiss any suggestion of deliberate showmanship in the deployment of Rafales in the opening hours of the conflict, saying their flexibility made them right for the task of destroying tanks that were closing on rebel positions in eastern Libya. But there is no doubt the lead taken by Sarkozy signals a more confident diplomatic posture that France hopes will benefit Rafale sales indirectly. Countries buying fighters must be ready to invest in a diplomatic relationship lasting 30 or 40 years, and competitors are bracing for an all-out French sales offensive once the conflict is over, or even before.

GLOBAL ARMS TRADE

Top arms importers

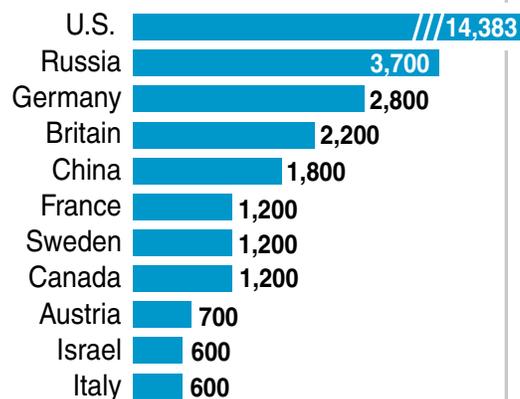
Arms deliveries to developing nations, leading recipients in 2009
(Figures in current \$ mln)



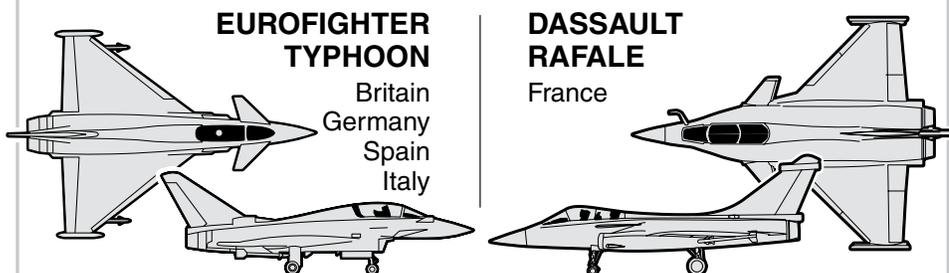
Source: *The Military Balance*, IISS

Top arms exporters

Global Arms Deliveries, leading suppliers in 2009
(Figures in current \$ mln)



Latest European warplanes deployed over Libya



EUROFIGHTER TYPHOON
Britain
Germany
Spain
Italy

Crew: 1
Max. speed: 2,125 km/h
Runway requirement: 700m
Max. climb rate: 315m/sec
Operational ceiling: 19,810m

DASSAULT RAFALE
France

Crew: 1-2
Max. speed: 2,390 km/h
Landing distance: 450m
Max. climb rate: 305m+sec
Operational ceiling: 16,800m

"Sarkozy has done a great job in getting the Rafale out there and hitting a convoy early on. He will go to export markets and say this is what our planes can do," said a defence executive from a rival arms producing nation.

That's something Washington will watch closely. Despatches over many months show U.S. efforts to track the hyperactive French president during official visits as he campaigned from Libya to Brazil, India and the United Arab Emirates, for the first foreign sale of the Rafale. U.S. officials were so outraged by the "frothiness" surrounding Sarkozy's two-day trip to open a French naval base in Abu Dhabi in May 2009 -- a "poorly planned" French military manoeuvre interrupted vital fuel deliveries to Afghanistan -- that the U.S. ambassador reported the visit had brought out the "most unseemly" aspects of both host and visitor. "The Emirati desire to be the object of unrestrained praise met its match in the French willingness to abase themselves in front of rich clients," according to the confidential cable. French defence sources say unflattering things about U.S. lobbying too.

Another potential customer the French and the Americans are fighting over is Brazil, where the Rafale was until recently seen as best-placed to beat the U.S.-made F/A-18 and Sweden's Gripen. Brazil is the focus of a fierce diplomatic contest between Sarkozy and U.S. President Barack Obama to win an order for 36 fighter planes. Obama visited Brazil's new president last month and Sarkozy is expected to follow suit.

A TIME OF CUTS

ARMS EXPORTERS TYPICALLY do well at times of international instability. But they also depend on budget stability in their home country. That's because arms importers prefer to buy from places whose own armed forces are signing up for the same weapons, guaranteeing future support and spares.

Turmoil in the Middle East emerged just as defence officials and lawmakers were gearing up to cut U.S. defence spending, which accounts for half of the world's arms business, for the first time in a decade or more. The ferment may make it harder for American lawmakers to argue the case for immediate cuts -- though it may also, analysts say, encourage them to scrutinise more closely the release of technology to loyal buyers whose governments are looking less stable.

"There are probably positive impacts over the next five years on the defence industry because of what has happened in the last couple of weeks. When the U.S. military is used as it is being used in Libya, and in an invisible



C'EST LE BUSINESS: Above, fight deck crew direct a Rafale fighter jet into position aboard France's Charles de Gaulle aircraft carrier, March 28, 2011. Below, President Nicolas Sarkozy greets Libyan leader Muammar Gaddafi in the courtyard of the Elysee Palace in Paris, December 10, 2007
REUTERS/BENOIT TESSIER, JACKY NAEGELEN



humanitarian sense in Japan, it probably discourages the Congress from taking an axe to the defence budget," said Joel Johnson, analyst with Virginia-based Teal Group.

At the same time, defence industry executives and military officials say they do not expect a return to the double-digit revenue growth seen after the Sept. 11, 2001 attacks -- given the sheer size of the U.S. deficit and a generally more sober approach to military requirements and programmes.

"We're probably facing a flat period" of U.S. spending, Johnson said, "but flat at pretty high levels."

(Reporting by Tim Hepher in Paris, Andrea Shalal-Esa and Mark Hosenball in Washington, Karen Jacobs in Atlanta, Sabine Siebold in Berlin, Editing by Sara Ledwith and Simon Robinson)



DEBUTANT: A B-1B Lancer strategic bomber takes off from Ellsworth Air Force Base in South Dakota, in support of Operation Odyssey Dawn in Libya, in this March 27 photo. This mission marked the first time the B-1 fleet has launched combat sorties from the continental United States to strike targets overseas. **REUTERS/U.S. AIR FORCE/STAFF SGT. MARC I. LANE/HANDOUT**

COVER PHOTO: Visitors look at a French Rafale warplane during the Lavex 2009 Airshow at the Mitiga air base near Tripoli. **CUTOUT PICTURE** shows an F-16 jet fighter flying over a NATO airbase in Aviano. **REUTERS/JAAP DIJKSTRA/WWW.SCRAMBLE.NL, REUTERS/ALESSANDRO GAROFALO**

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