

OVERVIEW

Following the 1973 oil boom, Saudi Arabia emerged as a strong and solid market for defence sales. By 1982, government spending in this sector amounted to about CDN \$25 billion annually (or some 25% of the total state budget). While defence spending decreased on an absolute basis throughout the 1980's (\$16 billion in 1988), the defence sector remained the government's top priority, accounting for some 35% of the total national budget by the end of the decade. In the period 1986-1990, Saudi Arabia was second only to India and Japan in the import of large conventional weapons systems. In 1990, it became the largest such market. The country has spent an estimated CDN \$60 billion on military equipment over the past ten years.

At the present time, Saudi defence and security forces consist of about 145,500 personnel employed in three organizations: the Ministry of Defence and Aviation, the Saudi Arabian National Guard and the Ministry of Interior. Each of these organizations is totally separate and distinct, reflecting the feudal nature of the country's defence/security force structure.

As a result of the Gulf Crisis, the government is now in the process of reassessing the country's strategic military needs with a view to increasing the number of personnel as well as expanding existing hardware inventories. Until such time as the government decides on a new direction for the defence and security forces, most major new purchases (such as tanks, multiple launch rocket systems, fighting vehicles) will likely be delayed. Nevertheless, as reflected in the 1992 national budget, Saudi Arabia continues to be a viable market for defence products. This, coupled with recently announced cutbacks in military expenditures in the US, Canada and other western countries, has resulted in Saudi Arabia emerging as one of the largest potential international markets for military sales.

OPPORTUNITIES FOR CANADIAN EXPORTERS

The Canadian Government has played a strong and increasingly active role to promote Canadian involvement in the Saudi market. In 1991 and again in 1992, the Department of External Affairs organized trade missions to participate in the Kingdom's security trade shows, known as ASTEX. On February 4, 1992, Canada and Saudi Arabia signed a Memorandum of Understanding (MOU) on bilateral defence industrial cooperation to facilitate the exchange of information between the two countries in defence R&D and production; to foster industry dialogue and cooperation; and, to boost defence trade through the establishment of a Joint Committee. The Joint Committee will create a tremendous opportunity for Canadian firms to identify Saudi security and defence requirements for equipment, repair/maintenance services and training.