A hard sell

The potential size of the global UAS market has long been recognised, and there are few companies involved in the provision of platforms or services that will be unaware of the possible upsides of establishing themselves in as many territories as is practical.

However, the regulatory frameworks UAS must exist within present challenges, and export control regimes set limits on the ambitions of manufacturers of larger systems. This affects all regions to some degree, however the issue has become especially pronounced in the Middle East.

REGULATION FRUSTRATION

For companies partaking in the fastest-growing segment of the aviation market, being unable to supply customers in certain parts of the world for reasons entirely outside their control makes business more frustrating and complicated than it would ordinarily be.

There have been signs that industry is ready to mount a charge against the current slate of export control regulations, which effectively bar companies in the West selling larger UAS to some of the world’s biggest-spending defence customers. However, for the moment, little seems to be changing.

Concern is growing that certain parts of the globe will effectively become off-limits to Western UAS manufacturers – and those markets are likely to be supplied by nations with emergent capabilities which are as yet unaligned with the same export control regimes.

A good illustration of the kind of problem that could become commonplace is in the case of Saudi Arabia’s pursuit of a MALE UAS capability. According to reports in US State Department cables published by Wikileaks, the country was rebuffed in its attempts to acquire Predator systems from General Atomics – earlier this year, reports claimed that a deal had been signed with South African company Denel for the supply of Seeker 400 systems, which would, it has been claimed, undergo further work in Saudi Arabia to provide a weapons delivery capability.

Representatives of Denel declined to be interviewed by Unmanned Vehicles on this subject, while another member of staff on the company’s stand at the DSEI exhibition in London in September denied that the company had made a sale to Saudi Arabia. General Atomics also declined to comment.

MTCR CONSTRAINTS

The situation appears anomalous. Western nations are perfectly at liberty to export faster, higher-flying manned aircraft with much greater payload capacity to Saudi Arabia – the country already operates the Eurofighter Typhoon and Panavia Tornado jets, procured from the UK, and has over 150 US F-15s, with another 80 on order.

However, as UAS are governed by the voluntary Missile Technology Control Regime (MTCR) export regulations – and because, by being capable of flying for more than 300km carrying a 500kg or larger payload, Predator falls under Category One of that framework – a company from a country which is a signatory to the MTCR agreement would be denied a licence to export the system by their home government.

Licensing restrictions continue to prevent Western manufacturers from exporting large UAS to many countries. Angus Batey questions such regulatory frameworks and considers how this has affected exports to the Middle East in particular.
‘MTCR goes back to 1987, and even at that point it did include UAVs,’ said Doug Barrie, military aerospace specialist at the International Institute for Strategic Studies. ‘But if you think about what a UAV is now and what it was 30 years ago, they’re very, very different creatures. ‘MTCR was and is all about trying to stop the proliferation of vehicles capable of delivering weapons of mass destruction (WMD), so ballistic missiles, cruise missiles and UAS are caught up in there because, in the 1980s, a UAV was akin to a cruise missile in some senses, and was looked at as probably a credible method of delivering chemical or biological weapons. Up until about 2000, this all rubbed along reasonably well, but from 2000, with the emergence of longer-endurance ISR UAVs, the whole thing gets extremely difficult.’

He continued: ‘There’s an issue about how MTCR deals with unmanned systems, and there are two schools of thought. There’s one that says it deals with it absolutely right – these things are potentially delivery vehicles for WMD and should be seen as such. ‘But there’s another side which says, actually, it’s no more or no less a delivery vehicle for WMD than a manned aircraft, or a truck full of Sarin. And, on the ISR side, there is an argument that says, should these things be controlled within MTCR? Well, probably yes, but perhaps not as Category One, but as Category Two.’

**MONITORING THE SITUATION**

Questions over the suitability of the MTCR framework as a means of controlling export of today’s generation of UAS are not just a preoccupation of the manufacturer and user communities. Opponents of military UAS capabilities are also monitoring the situation.

‘We have seen five attempts by the US to change the MTCR in relation to UAVs over the past couple of years, all of which failed,’ said Chris Cole, founder of Drone Wars UK, which campaigns against military use of UAS. ‘So behind the scenes there is lobbying by those companies in the US who have a vested interest and want to see their products exported. At the same time, there are those, particularly in Congress, who think: “Well, hang on a minute here – shouldn’t we: (a) take the strategic advantage (of being the sole operators of the technology); and (b) isn’t it kind of dangerous for security to have this [technology exported]?” That debate has been ongoing, and I think, until very recently, those against exports have had the upper hand.’

‘There’s a lot of logic in it,’ said the CEO of Gilo Industries Group, Jim Edmondson, referring to the way MTCR is applied to UAS. Edmondson is also the president of the UK chapter of AUVis, but stressed that he was speaking in a personal capacity and not on behalf of the organisation, or any of the companies affiliated to it. ‘I think UAS is quite an immature market, and because of that, there’s a lot of unknowns in it, so they classify it,’ he continued. ‘You see this a lot with export controls – they classify something until they can understand it better.’

For small or medium-sized businesses, export restrictions can sometimes become existential crises. It is far from ideal for a large prime contractor to suffer delays while paperwork is scrutinised, or to write off a month-long marketing campaign when a licence application is declined, but it is unlikely to put the company at risk. For SMEs, however, such issues could make or break the business. ‘It hasn’t caused problems,’ Edmondson added, referring to his own business, which builds engines. ‘But it slows things down, and, coming from a UK perspective as an SME, you can’t let anything slow you down because you’re going to lose the sale. And that’s the difficulty.’

**SPARKING INTEREST**

To date, there is no evidence either of British SMEs seeking to circumvent MTCR, or going out of business as a result of inability to make export sales. However, as the government continues to promote the role of small businesses within the defence industry, and new SMEs with innovative and often niche products continue to enter the growing UAS marketplace, the issue becomes one that state bodies will take an interest in.

The Defence and Security Organisation, part of UK Trade & Investment, seeks to help SMEs increase their export potential. Its business development director, Keith Venables, said that his department is not hearing complaints from SMEs that MTCR is an impediment to international growth.

‘The licensing and the politics aren’t the issue at the moment for UK SMEs in this field,’ he told UV. ‘The challenge is actually in bringing together a disparate capability that we have in the UK. We have lots of components where the sum is probably greater than the whole. I think their issue is route to market – and we’re busy trying to help them find routes for small British companies to [work with] the primes.’

Some SMEs have complained, not specifically about MTCR as it applies to UAS, but about the licensing process in general, and that getting a defence product approved for export can be slow and cumbersome. However, Venables, whose department does not have any responsibility to lobby on behalf of business for changes to or streamlining of the licensing regime, believes that many of the problems businesses encounter can be eased by greater understanding and education.
He said: “Sometimes an SME complains, and I ask: “OK, what’s the product?” And he says: “Thermal imaging for China.” And I say: “Come on! There must be some other countries you can sell your thermal imaging to?” They’re encouraged by good noises, and they think: “If only I could get a licence, I’d get a sale.” Well, I’m sorry, it may be an easy sale for you, but I’m afraid it isn’t going to happen.’

**REASSESSING LICENSING**

Yet, it seems possible that, in the medium term, Western governments may wish to look again at how UAS exports are licensed – for reasons almost entirely unrelated to the technology or its capabilities.

The example provided by Saudi Arabia is instructive. The reported end product of the contract – an armed, but small UAS with short (~400km) range and low payload capacity – is a relatively modest capability, but it has apparently been sought from beyond the customer nation’s traditional suppliers of military aviation platforms.

On its own, the purported South African deal is not enough to suggest Riyadh is considering breaking its links with the UK or US, but the supply of UAS to regions with as many political challenges as the Middle East will become an increasingly charged issue.

With countries such as China and Iran aggressively pursuing indigenous military UAS capabilities, and likely to market systems for export as soon as they reach a sufficient level of maturity, the supply of such aircraft to Middle Eastern militaries could soon become a geopolitical bargaining tool. In that context, the role of the factions lobbying for and against UAS technology is set to become increasingly important.

‘We’re on the point of other nations being able to [export armed UAS],’ added Cole. ‘Whatever part of the arms control sector you’re involved in, there are always going to be other nations that aren’t willing to be involved. Nevertheless, there is still value in building some kind of regime that can control these weapons as best you can – particularly aimed at the nations that are using them. And let’s be honest here, it isn’t China or North Korea using these, it’s the UK, Israel and the US.

‘I think the debate is between whether we need to strengthen MTCR and see that as the instrument around which to control
proliferation of drones, or whether there is some other, better way of controlling proliferation. To be honest, I think the debate is still out on that amongst campaigners. There are arguments on both sides. To start a whole new control regime for one specific type of weapon is a big ask. However, there are lots of problems with MTCR, primarily in that it’s a very secretive process.’

**MORAL GROUND**

‘I think there’s a genuine appreciation within the community that deals with and thinks about the ethical and moral implications of war within a legal context, and the military themselves, and some politicians, that all of this needs some very careful thought,’ noted Barrie.

‘This kind of technology isn’t going to go away. It will enter the inventories of many more militaries, both in terms of ISR systems and eventually armed UAVs. In the protest environment, these people have obviously quite a deeply felt moral position, but that’s not to dismiss it. I think there are some legitimate issues that [Cole] highlights in particular that the community does need to address.’

While the politics around proliferation play out, the opportunities and threats for businesses will remain delicately balanced. If history offers any kind of guide, it is that markets such as the Middle East may end up being served by suppliers based in countries with less rigorous export control agreements, although the economic and political impact of that may not prove entirely problematic.

‘For everybody that is out there, there aren’t that many contracts around,’ said Edmondson. ‘If you go to AUVSI Washington, there’s hundreds of platforms, but not many of them have actually got a programme of record. And what I think you’re going see happen over the next ten years is the products that really work will stay in, and they will get export licences, and they will take advantage of the global market.

‘I think it’s the same with aviation going back historically. If you look at sales of the Tornado, that’s why MiG did so well. Because basically it was, “We can’t sell to them,” so MiG did really well. And I think you’ll see the same thing happen again. But I think there’s enough market globally for the best companies to survive, and you’ll see the chaff fall by the wayside.’

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Saudi Arabia is understood to have signed a deal with Denel for Seeker 400 UAVs. (Photo: Denel)