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NEW ARMS-SUPPLIER STATES

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This paper examines the emergence of new arms suppliers and the consequences for the global defence-industrial landscape in the timeframe of 2030 and beyond. It argues that these issues cannot be considered in isolation from broader industrial trends. The ranks of arms exporting states will continue to expand, and we can expect to see two general paths of arms supplier development: defence industrialisation based on integration into trans-national industrial processes involving more established arms suppliers, and defence industrialisation through deliberate efforts to develop autonomous defence-industrial bases.

This has significant implications for the structure of the global arms industry and for efforts to manage the diffusion of advanced arms. Not only is it the case that advanced arms will be available from an expanding range of sources, but the integration of emerging arms industries into industrial processes centred around more established suppliers will help to sustain their development while increasing their importance to arms production and development in established arms suppliers. The defence-industrial landscape in 2030 and beyond will be characterised by generally less independent arms development and production on the part of established and emerging arms suppliers alike.

The emergence of new arms suppliers

The emergence of arms suppliers is understood here as involving the sustained development of a capacity to export arms that are produced or co-produced locally, or to contribute to arms produced in other states. This study is not concerned with states which intermittently transfer arms produced by “enclave” industries or by retransferring arms from third parties, as they have little long-term impact on the structure of the international arms transfer system.

The pattern of defence industrialisation is crucial to the arms supplier profile of a state. Recent decades have seen the emergence of an approach to defence industrialisation based on integration into trans-national industrial processes, often with official encouragement if not support. This is distinct from
the more traditional approach involving a deliberate effort to develop a relatively autonomous defence-industrial base. We can expect these two general models, each of which offers particular benefits, to constitute the standard approach for emerging arms suppliers, with the pattern of defence industrialisation having significant implications for the international arms transfer system.

The emergence of arms suppliers through defence industrialisation based on integration into transnational industrial processes is likely to constitute the most common model in the time frame of this study. This may be based on formal government-to-government arrangements or formal or informal inter-firm arrangements, including joint ventures and strategic partnerships. This trend first emerged in civil industry but is increasingly evident in defence-related research and development (R&D) and production.\(^{50}\) The example provided by the successful defence-industrial development of a number of East Asian states, including Singapore and South Korea, encourages others to follow suit. This has the added advantages of compatibility with many states' developmental strategies, potentially contributing to efforts to promote development in key industrial sectors such as aerospace and electronics. This approach to defence industrialisation can be, but is not necessarily, state-led and is at least partially market-based. Embedding defence industrialisation in market processes means that while arms suppliers which develop in this manner will have far less independent production and R&D capabilities and political authorities must accept less comprehensive defence-industrial capabilities, this potentially is offset by the development of strong niche capabilities and by enhanced sustainability through easier access to the products of offshore sources of innovation and production. Political authorities in these states often approach arms exports as an important means of supporting local industry. This includes contributing to defence R&D and production programmes based in other states.

The alternative, more traditional model of state-dominated defence industrialisation will remain the exception. This can be expected in states where local industry is relatively isolated from trans-national industrial processes and where there are strong national security concerns coupled with concerns about the availability of arms from foreign suppliers. This approach centres around developing relatively independent national capabilities and often involves a focus on promoting "national champions", though these may draw on foreign technological and component inputs in a manner that is essentially parasitic. Iran and North Korea provide important examples of this approach at the present time, but this constitutes the ideal approach in India. This approach has less to recommend it in the sense that it requires more extensive state support and is more difficult to sustain, but it provides a much stronger basis for comprehensive national defence-industrial capabilities. Arms exports often are considered an indispensable means of supporting the defence industry.

**New arms supplier states and the global arms industry**

We can expect to see the continued emergence of new arms suppliers and their progressive development over time. Advanced arms that represent or are not far removed from the state of the art will be available from a wider range of sources. These states will supplement, rather than supplant, established arms suppliers. While the number of suppliers of advanced arms will increase, these will not necessarily be in a position to supply a comprehensive range of arms or to supply them independently. Arms production and development in these states will overlap with that of more established arms suppliers due to transnational industrial integration, including in terms of arms-related R&D and production. Arms production and development in established arms supplier states will grow more dependent on the contribution of emerging defence-industrial states in the process, as they contribute components and technologies to established arms suppliers.

This has important implications for the international arms transfer system by rendering the system far less hierarchical than formerly, further undermining the analytic utility of approaches based on templates of "ladders of production" or "tiers" of suppliers. The effects of this can be expected to deepen over time, and advanced arms increasingly will be the product of firms from multiple states. Important regional differences likely will remain, but we can expect to see significant development of arms suppliers in areas not currently conspicuous in these terms as well as in East Asia.

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There will remain a second category of arms supplier characterised by a capacity to provide a wide range of less-advanced and expensive arms, though they may be limited to supplying analogues or derivatives of foreign designs. These suppliers, which can be described as the “bottom feeders” of the international arms market, will meet the needs of states with limited resources and will serve as “suppliers of last resort” to states whose procurement options are limited by political issues and poor human rights records.

The transformation of the global defence-industrial landscape has important policy implications. The management of defence industrial activities in established and emerging arms supplier states alike will prove a far more difficult and complex exercise in an environment of deepening structural industrial integration. This similarly will be the case where controlling the diffusion of arms (including components and critical arms-related technologies) is concerned. Developing effective industrial surveillance and governance mechanisms for the range of industrial activities involved is a complex and difficult exercise, and limiting and preventing defence-industrial development in cases where this is considered important may prove impossible.

Issues for further consideration

The developmental trajectory of the evolving global arms industry raises a number of important issues for further consideration. This can be expected to generate greater efforts to manage defence-related industrial processes in the interest of security. It is important to consider the general form this will take. Will authorities be able to develop effective national industrial surveillance and governance mechanisms without jeopardising economic competitiveness? Will this drive increase inter-state collaboration or greater interest in developing arrangements such as the “approved communities” of defence suppliers being promoted by authorities in the United States at the present time? Finally, does China represent the future of state-defence industry relations? As it develops and its economic reforms deepen, China is developing an approach involving liberalisation of state-owned enterprises and a close relationship with private sector arms firms. While the starting point for most states is very different from that of China, security concerns may lead them to a similar position.