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Advanced Fighter Purchase: Heralding Thai Military Modernisation Programme?

Ron Matthews and Curie Maharani

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Thailand's recent US\$600m purchase of six Swedish JAS 39 Gripen fighters, one Saab 340 aircraft equipped with the Erieye AEW radar system and a command-and-control system to link the fighters with the Erieye airborne early warning system may signal the start of a military modernisation programme for the Thai Armed Forces.

AFTER last year's military coup, the Thai junta approved a 33.8 percent increase for the 2007 defence budget and another 24.3 percent for 2008. Further defence procurement is speculated to include submarines and the delayed purchase of armoured personnel carriers (APCs). Is this the beginning of a well-planned military modernisation programme or is it merely a response to arms procurement elsewhere in the region?

A Controversial Procurement

The Thai Air Force has for some time been seeking a replacement to its ageing F-5E fighters. The government of former prime Minister Thaksin Shinawatra was reportedly close to signing a deal to buy Russian advanced Su-30 fighters using counter-trade mechanisms. However, the deal fell through when Thaksin was ousted from office.

It was then mooted that Thailand would buy US F-16 fighters. But that came to nothing when the Americans were "not allowed by their laws to sell weapons to countries whose governments have been ousted in coups".

The multi-role Gripen fighter then entered the fray. The sale is controversial, however. Sweden's Defence Minister argues that Thailand is no longer governed by a military junta, but the Swedish Peace and Arbitration Society has voiced concerns that the Gripen might be used against Islamic insurgents in Southern Thailand -- a conflict that has claimed almost 3,000 lives over the past four years.

Sweden's sale of the Gripen to Thailand is its first successful penetration into the Asia Pacific market.

Saab, in collaboration with the UK global defence company, BAe Systems, had previously sold 24 Gripen's to South Africa in 1999, leased 14 fighters to the Czechs in 2004 for a 10-year period, and leased a further 14 aircraft to Hungary, again for a 10-year period, from 2006 to 2016. Thailand's acquisition of the six Gripen fighters is reported to be the first batch of an eventual package of 12 aircraft, with the second purchase phase occurring between 2013 and 2017.

The new Thai civilian government faces several security challenges that appear incongruous with the Gripen's 4th generation fighter technology. Aside from the insurgency in Southern Thailand, there remains piracy in the Malacca Strait and possible conflicts over maritime and territorial boundaries. Thai generals, disgruntled over the last decade's military neglect, are now pressing for a military modernisation programme, and, arguably, that programme has now begun. Yet, it is likely to be dogged by criticism. The problem is that Thai arms purchases have historically suffered from an image problem. Procurement is less than transparent, often lacks linkage to defined security threats, appears hamstrung by inadequate funding provision, and is undertaken in an *ad hoc* fashion, without reference to either defence policy or defence industrial strategy.

Thailand's Military Modernisation Programme

The late 1990's recession is now history, and Thailand is once again enjoying growth -- around 4.4 % in 2005 and 5 % in 2006. In absolute values, national income accelerated by 16% across 2005-06, from US\$178 bil to US\$207 bil. Feeding off this growth, the defence budget rose by 33.8% from US\$2.387 bil in 2006 to US\$3.194 bil in 2007. Yet, whilst this steep rise in defence spending is welcomed by the Thai Defence Ministry, its budget remains small by regional standards; smaller than that of both Malaysia and Indonesia, and with 12 times the population, is just one third of Singapore's defence expenditure.

Yet, the puny size of Thailand's defence spend has done nothing to diminish the country's acquisition ambitions. In November 2007, the military proposed that the funding for modern weapon systems be sourced from a 10-year procurement and modernisation budgeting programme. This would have two phases: the first would begin in 2009, with a Bt 117 bil package pushing military spending from 1.58 % of GDP to 1.8 % for the first five years of the modernisation programme; the second phase would commence in 2014, with a further Bt 200 bil package that would edge military spending as a percentage of GDP to 2 percent.

During the past six months, there was a move to purchase 96 BTR-3E1 Ukrainian Armoured Personnel Carriers (APCs), though this procurement was later suspended due to alleged irregularities in the bidding process. Some 15,000 Israeli TAR-21 assault rifles were bought for the Army, C-802 surface-to-surface missiles and launch systems were purchased for the Navy, and new avionics for the six C-130 H aircraft were procured for the Air Force. There has also been speculation that Thailand is in the market for submarines.

Modernisation or an Arms Race?

High levels of regional economic growth have fuelled increased procurement spending, not just in Thailand but across the Asia Pacific. China, for instance, has been on a spending spree, financed by several years of 17% increases in its military budget. Indonesia's 2007 purchase of Russian Su-30 fighters and warships is on the back of Jakarta's reported trebling of defence expenditure in the last seven years. Malaysia's arms shopping basket has included Polish tanks, Russian Su-30 fighters and British frigates. Singapore's 2007 defence spending is US\$6.3 bil, part of which is spent on Apache gunship helicopters, F-15 Eagle fighters, and stealthy La Fayette frigates.

As yet, no one is talking about an arms race, but national procurement is invariably driven by the need to maintain the strategic *status quo*; to balance and counter-balance. Tellingly, therefore, Thailand's

recent interest in acquiring submarine capability may not be disconnected from Malaysia's acquisition of French/Spanish Scorpene submarines, Singapore's leasing of Swedish Kockums Vastergotland-class attack submarines and Indonesia's purchase of two advanced Russia's Kilo-class 636 submarines, with options to purchase up to eight more by 2015.

Procurement and Offsets

Along with South Korea, Singapore, Malaysia and India, Thailand is using offsets to develop selected indigenous defence-industrial capability. Although defence offsets are not the panacea to defence industrial deficiencies, they can, if managed correctly, provide high-value engineering work streams, skill enhancement, as well as industrial sustainability through local participation in OEM (Original Equipment Manufacturer) international supply chains.

Saab, the Gripen manufacturer, argues that offset is "an essential part of doing business" and this has been reflected in every Gripen export deal to date, covering South Africa, Hungary and Czech. For instance, in the South African Gripen sale, Saab is committed to an offset package worth US\$8.7 bil across a 14-year period (1999-2012), and thus far it has provided US\$ 5.3 bil worth of economic benefits to South Africa.

The downside of what appears a Gripen export success story is that all of these foreign deals have subsequently been mired by alleged malpractice and corruption. This is a pity, not just for Sweden, having spent decades cultivating an international image of probity and peace through neutrality, but also for its offset programmes tied to the Gripen sales.

The offset programmes in South Africa, Hungary and Czech have proved innovative and effective, creating jobs and business activities in a range of diversified areas. Although murmurings have already surfaced regarding the manner in which the deal was put together, the Thai offset package looks interesting because it reportedly goes beyond pilot training and spares provision, to include access to high technology. Given the advanced countries' reluctance to release high technology, such access seems unlikely. But if it were true, then that would be a Thai coup of an altogether different kind.

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