

Arms, Money, and Security: Southeast Asia's Growing Importance as an Arms Market

Bitzinger, Richard A.; Maharani, Curie

2008

Bitzinger, R. A. & Maharani, C. (2008). Arms, Money, and Security: Southeast Asia's Growing Importance as an Arms Market. (RSIS Commentaries, No. 043). RSIS Commentaries. Singapore: Nanyang Technological University.

<https://hdl.handle.net/10356/82584>

Nanyang Technological University

Downloaded on 20 Jul 2024 14:05:30 SGT



**S. RAJARATNAM SCHOOL
OF INTERNATIONAL STUDIES**
A Graduate School of Nanyang Technological University

RSIS COMMENTARIES

RSIS Commentaries are intended to provide timely and, where appropriate, policy relevant background and analysis of contemporary developments. The views of the authors are their own and do not represent the official position of the S.Rajaratnam School of International Studies, NTU. These commentaries may be reproduced electronically or in print with prior permission from RSIS. Due recognition must be given to the author or authors and RSIS. Please email: RSISPublication@ntu.edu.sg or call 6790 6982 to speak to the Editor RSIS Commentaries, Yang Razali Kassim.

Arms, Money, and Security: Southeast Asia's Growing Importance as an Arms Market

Richard A. Bitzinger and Curie Maharani

8 April 2008

Due to its openness and recent growth, Southeast Asia is an increasingly critical market for arms exporters. At the same time, however, it is reasonable to question whether these arms purchases directly serve military requirements and whether they may unintentionally increase the "security dilemma" in the region.

The first Singapore Airshow ended successfully in mid-February with more than US\$13 billion worth of sales being concluded. Although most of those deals were for commercial aircraft and had been long expected, the underlying point remains valid: Southeast Asia (SEA) is a growing and increasingly important market for sophisticated – and increasingly lethal – military and aerospace systems. The question arising from is development is whether this growth is a good thing for regional security? In particular, do such arms purchases inadvertently heighten the regional "security dilemma" by compounding insecurities, rather than delivering defense and deterrence?

A Competitive Market

While it is true that the Southeast Asian arms market is relatively small – collectively worth only around US\$2 billion to US\$3 billion annually – two points stand out that make this market noteworthy.

First, when it comes to arms sales, SEA is one of the more truly open and competitive markets. All the major arms exporting nations – the United States, Russia, Britain, France, even Sweden and China – have successfully sold weapons to the region. When this diverse purchasing is compared to China or India – who mostly buy from Russia – or to Japan, South Korea, or Taiwan – who are basically captive markets of the US defense industry – this distinction becomes even more remarkable.

Moreover, illustrative of the open arms market in SEA, Thailand at the Singapore Airshow announced its purchase of six Swedish-made Gripen fourth-generation fighter jets along with airborne early warning (AEW) aircraft at a cost of US\$600 million. The Thai air force could eventually buy up to 40

Gripens. At the same time, Thailand has purchased antiship cruise missiles from China, self-propelled artillery from France, and assault rifles from Israel.

This same sort of eclecticism when it comes to arms purchases can be found throughout the SEA. Malaysia has bought tanks from Poland, Su-30 fighter jets from Russia, multiple rocket launchers from Brazil, submarines from France, and corvettes from Germany. Indonesia, armed with a US\$1 billion export credit from Russia, is buying Su-27 and Su-30 fighters, submarines, attack helicopters, corvettes, and land systems.

Even Singapore casts a wide net when it comes to arms imports. While it decided to buy 24 F-15SG combat aircraft from the United States, it has also acquired Swedish *Sjöormen* and *Västergötland* submarines, French *Lafayette* frigates, German Leopard 2A4 tanks, and surface-to-air missiles from Russia and Israel.

A Growing Market

Secondly, besides being a competitive market, the Southeast Asian arms market is a growing market. Since the depths of the Asian Financial Crisis of the late 1990s, regional economies – and, in turn, regional defense spending – have rebounded robustly. For example, after the 2006 coup, the Thai military junta approved a 34 percent increase in the 2007 defense budget and a further 24 percent rise in 2008. In November 2007, the military proposed a new ten-year, 317 billion baht (US\$9.8 billion) modernization program, starting in 2009, which would push defense spending from 1.58 percent of GDP to 2 percent by 2014.

Other countries in the region have experienced similar growth in defense spending according to data provided by the Stockholm International Peace Research Institute (SIPRI). Malaysia's military budget has grown more than 75 percent between 2000 and 2006, from US\$1.7 billion to US\$3 billion (in constant 2005 dollars). Indonesian defense spending over the same period went from US\$2.2 billion to US\$3.7 billion, a 68 percent increase – and this figure does not include weapons purchases using export credits. Finally, Singapore's defense budget rose 24 percent, from US\$4.6 billion in 2000, to US\$5.7 billion in 2006; in 2008, Singapore's military budget will total S\$10.5 billion (US\$7.5 billion). Obviously, Southeast Asia's militaries have much more money to spend on new weapons systems – a fact that has not escaped the world's arms manufacturers.

The Political Economy of Arms Buying: Arms Races and Offsets

With so many high-tech weapon systems being procured by so many Southeast Asian countries, it is no wonder that the notion of a regional arms race has been posited by many defense analysts.

Although there is nothing new with this trend, it is nevertheless appropriate to ask whether purchases of such a relatively large number of advanced weapons by a large number of regional actors within a relatively short amount of time could be destabilizing. This questioning is particularly apropos when this arming occurs within a regional dynamic of considerable internal change (such as the democratization process in Indonesia, or the new political landscape in Malaysia) and existing external exacerbations (such as the often-armed dispute between Malaysia and Indonesia over the Ambalat sea block).

Additionally, Southeast Asian military modernization has been criticized in the past for its lack of relevance to strategic imperatives and capability shortfalls. Increasingly, one of the justifications for the procurement of high-tech weapons is the expectation that these deals come with other tangible and intangible economic benefits. In the past, for example, Indonesia, Malaysia, and Thailand extensively used countertrade in defense procurement in order to mitigate foreign currency outflows or to gain foreign markets for domestically manufactured goods and commodities, such as rice, palm oil and

even dried fruits.

Lately, however, these countries – and even Singapore – have also demanded direct offsets, involving the transfer of soft and hard technologies to kick-start local defense industries or to utilize spin-off imported technologies for their civil/commercial sectors. Such efforts only call to attention a more fundamental question as to whether these procurements are driven by actual military requirements or by the potential offset benefits they may accrue.

Again, we get back the core issue: do these countries actually require these increasingly sophisticated armaments? Nation-states, of course, have the right to maintain an armed force with sufficient capabilities to meet perceived requirements. At the same time, however, such arms purchases, even if not constituting an arms race per se, could still unintentionally have a deleterious impact on regional security. In particular, continued purchasing of advanced weapon platforms may contribute to a classical “security dilemma”– a situation whereby actions taken by a state can actually undermine the security and stability that they were meant to increase. In this case, arms acquisitions by one state, even if it has no desire to threaten its neighbors, can often lead to anxieties and insecurities being felt by nearby states. Reciprocal responses by neighboring states to “regain” security by buying their own advanced weapons often only raise regional tensions further. Even if such tit-for-tat arms purchases do not lead to conflict, they can reinforce mutual insecurities and suspicions. In the end, the only actors who may benefit from increased arms sales to the region may be the sellers..

Richard A. Bitzinger is a Senior Fellow with the Military Studies Programme at the S. Rajaratnam School of International Studies, Nanyang Technological University; he has been writing on Asian defense issues for more than 15 years. Curie Maharani is a researcher at RSIS.