RSIS S. RAJARATNAM SCHOOL OF INTERNATIONAL STUDIES
Nanyang Technological University

RSIS COMMENTARY

www.rsis.edu.sg No. 144 – 26 June 2015

Southeast Asia's Arms Market: Growing 'Commoditisation'?

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Synopsis

If arms sales are increasingly a commodity business, governed mainly by price, it could increase regional militaries' access to advanced military equipment and technologies. Still, other factors affect any true "commoditisation" of the regional arms market.

Commentary

IS THE global arms market, and in particular, arms sales to Southeast Asia, becoming increasingly "commoditised"? Commoditisation refers to an economic situation in which there exists an almost total lack of meaningful differentiation between competing products, and when they are instead sold almost entirely on the basis of price.

Commoditised products are characterised by standardised, common technology or attributes, rather than brand or capabilities uniqueness, resulting in basically a price-based competition. If arms sales to the region are increasingly a commodity business, therefore, it would result in the expanded access of Southeast Asian nations to advanced military equipment and technology.

The Southeast Asian arms market

The Southeast Asian arms market is unique in many ways. While it is relatively small – collectively worth only US$2 billion to US$3 billion annually, according to data put out by the Stockholm International Peace Research Institute (SIPRI) – it is a rapidly growing market and one of the more truly open and competitive markets when it comes to arms sales (compared to India, which traditionally have bought arms mainly from the Soviet Union/Russia, or to Japan or South Korea, are more or less captive markets of the U.S. defence industry).

These factors are especially important, given the "buyer's market" in arms that has existed since the end of the Cold War. As their military procurement budgets have fallen, the traditional leading arms producers in North America and Europe have increasingly gone abroad in search of new markets to compensate for shrinking ones at home.

European defence firms such as BAE Systems, Saab, and Thales currently earn up to three-quarters of their revenues from overseas sales. The Russian arms industry is believed to rely on exports for up to 90 percent of its income. At the same time, other weapons-producing states are emerging as competitive arms exporters. The Israeli defence industry typically exports more than 75 percent of its output, while countries such as China, Ukraine, and South Korea have all become aggressive marketers of armaments.

Arms exports have not only become critical to the survival of most arms producers, the global arms market has become saturated with highly motivated sellers. Consequently, supplier restraint has been replaced by a readiness to sell just about every type of conventional weapon system available to Southeast Asia. No potential sale is too insignificant to be passed over, and sellers are ready to deal when it comes to price.

Patterns of arms transfers to Southeast Asia

As a result, some of the most advanced weapons systems have proliferated to the region, and from a broad variety of suppliers. Russia has sold Su-30 fighter jets to Indonesia, Malaysia, and Vietnam; additionally, Indonesia is acquiring 24 ex-USAF F-16 fighters from the United States. The Philippines has ordered 12 FA-50 fighters from South Korea, while Thailand has bought 12 Gripen fighter jets from Sweden.

Meanwhile, regional navies have acquired submarines from France, Germany, South Korea, Russia, and Sweden, as well as surface combatants from China, France, Germany, the Netherlands, Russia, South Korea, and the United Kingdom.

Southeast Asian ground forces show even more eclecticism when it comes to arms acquisitions. The Malaysian army operates tanks from Poland; armoured vehicles from the United Kingdom, South Korea, and Turkey; multiple-rocket launchers (MRLs) from Brazil; howitzers from South Africa; antitank weapons from Pakistan, Russia, France, Spain, and the US; and surface-to-air missiles (SAMs) from Russia, China, Pakistan, and the UK. Indonesia's TNI is outfitted with tanks from Germany; armoured vehicles from France and South Korea; antitank weapons from Russia, Sweden, and the US; SAMs from China, France, and Sweden; and it has ordered MRLs from Brazil.

Consequently, no single arms supplier dominates the overall Southeast Asian arms market. In fact, no arms exporter holds more than 10 percent of the market for the past decade, according to SIPRI data; the only exception is Russia, with a whopping 44 percent – but that is due solely to huge sales to just one country - Vietnam.

Commoditisation: Caveats and Cautions

From these patterns of recent arms transfers, one might infer that the Southeast Asian arms market is becoming increasingly commoditised. The fact that most individual Southeast Asian militaries possess a diverse array of weapons systems acquired from a relatively wide range of supplier states would suggest that the capabilities of competing weapons systems are judged to be relatively equal, and that therefore price is the primary driver behind the arms acquisitions process.

In general, this might be true, or is increasingly so. Commoditisation may certainly have helped new suppliers, such as Brazil, Poland, and South Korea, break into the Southeast Asian arms market. It may also explain how Russia has been able to find expanded opportunities for arms exports to the region, particularly of its fighter jets.

Nevertheless, even given relatively equal capabilities, price alone does not always have the greatest impact on weapon acquisition. A host of other motivations can and do affect arms-purchase decision-making, including reliability, after-sales support (spare parts and upgrades), technology transfers and offsets (such as licensed-production arrangements), and even bribery.

The vexing issue

In addition, countries may acquire weapons from a particular supplier in order to achieve specific political¬/military goals, such as boosting alliances, promoting military interoperability, or forging closer bilateral relations; conversely, a country may choose to diversify its arms purchases in order to signal that it does not wish to be too reliant on one supplier. For political reasons, some nations will always refuse to buy weapons from certain suppliers, no matter how cheap or how capable (e.g., the Philippines and Vietnam will probably never acquire arms from China, nor Malaysia from Israel).

Consequently, the Southeast Asian arms market may be considered only partially commoditised: price, and not branding, may increasingly drive arms acquisition decision-making, but other factors still wield considerable influence.

Whether a commoditised market or not, the fact remains that regional militaries are rapidly acquiring the means by which to significantly upgrade and modernise their warfighting capabilities. At the end of the day, this is the issue that vexes future regional security and stability.

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