



**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 (+65) 6790 6982 to speak to the Editor RSIS Commentaries, Yang Razali Kassim.

No. 232/2012 dated 21 December 2012

ASEAN Defence Industrial Collaboration: Getting to Yes

By Kogila Balakrishnan and Richard A. Bitzinger

Synopsis

The ASEAN Defence Industry Collaboration (ADIC) was founded two years ago on the assumption that it would develop meaningful technological and industrial collaboration in the defence and security sectors. This cooperation has not yet materialised. It is timely to review the stumbling blocks and suggest possible solutions.

Commentary

THE ASEAN Defence Industry Collaboration (ADIC) initiative signed in May 2011 at the Fifth ASEAN Defence Ministers Meeting in Jakarta, seems to be making little headway. The pace of progress is slow. There is a need to review the whole exercise so as to identify the possible stumbling blocks. Indeed, the time may have come for ASEAN to look at other models of defence industrial collaboration. At the top of the list is the European Defence Agency (EDA). But first, some context.

A toothless ADIC?

ADIC was established to enhance defence industrial inter-dependence within ASEAN and thereby to foster indigenisation and technological independence when it comes to local armaments production. ASEAN currently procures almost 90 per cent of its defence products and services from overseas suppliers, mainly the United States and Western Europe.

ADIC is primarily aimed at reducing this outflow of hard currency from ASEAN; creating the economies of scale for defence products and services produced by ASEAN members states; creating and securing highly skilled labour force, especially in the defence and aerospace sector; and enhancing the defence industrial supply chain network within ASEAN. Ultimately, the goal of ADIC is to create a more comprehensive and consolidated defence and security environment within South East Asia.

ADIC is focused mainly on initiatives to promote collaborative defence projects, support each other's defence and aerospace trade shows and exhibitions, increase regional competitiveness in various dual-use sectors that could have a "spin-on" effect on local armaments production, and in general assist the development and growth of ASEAN's defence industry. ADIC collaboration revolves around education and training in the defence industrial sector, regional partnerships, joint ventures and co-production, cooperative research and development, and joint promotion of military equipment in sales and marketing.

Nevertheless, in the almost two years since ADIC was formed, there has been little progress so far in promoting regional armaments collaboration. This is partly due to the lack of complementarity among ASEAN arms industries. Some countries, such as Singapore, possess quite a sophisticated defence industry, but most other ASEAN states have the capacity to produce little but relatively basic armaments. Moreover, most ASEAN governments and militaries remain suspicious about sharing technologies or loosening protectionist controls over their national defence industries.

Given these considerations, the member states decided to keep ADIC flexible, non-binding, and voluntary. Consequently, ADIC is essentially a consultative entity, lacking enforcement powers, and currently not even funded by the ASEAN Secretariat.

Embracing the European model

While a path has been paved for partnering in the defence industrial sector, the overall goal of ADIC is floundering on implementation issues, the most obvious being a lack of willingness on the part of member states to fully commit to the cause. The challenge, therefore, is developing effective treatments required for ADIC to manage within an environment of competing intra-regional security and socio-economic interests, including scepticism and a lack of trust.

One possible model can be found in Europe. The European Union (EU) has strived for over a half century to create a single defence and security industry market. The EU has long believed that collaborative arms programmes – such as the A400M transport aircraft and the Eurofighter Typhoon multirole combat aircraft – will help regional defence industries rationalise and consolidate towards greater effectiveness and cost-efficiency, eventually creating a more competitive European defence industrial base. This would not only enhance the intra-European arms trade, but promote overseas arms sales as well.

To this end, the EU has established a number of institutions and organisations – such as the European Defence Agency (EDA) – to promote pan-European defence industrial cooperation, co-production, and joint acquisition.

To be sure, movement toward a single European defence market has been slower than desired, and protectionism surrounding national arms industries has remained high, even after 50 years of effort. Nevertheless, over the long run the EU has made significant progress in this regard.

ADIC: a way forward

There is a way forward for ADIC, but it requires strong committed leadership on the part of government, industry, and universities. Member nations need to appreciate ADIC's crucial potential role in promoting advanced technology sectors within ASEAN. It should therefore consider developing a dedicated platform like EDA by which to champion the ADIC cause.

This institution could underwrite joint research and education in defence industry and technology issues. Grants and scholarship could also be made available through ADIC for collaborative research projects, with a view towards commercialisation. Focus should be given to pilot projects based on joint production of equipment and services, concentrated on addressing issues related to humanitarian assistance, disaster relief, and cyber-security.

Overall, ADIC has the potential to move ASEAN members away from import dependence toward a more unified and stronger defence industrial and technological base. Over the long term, ADIC will contribute towards greater defence and security solidarity and economic prosperity among ASEAN member states.

Kogila Balakrishnan is a Principal Fellow at WMG Warwick University. Richard A. Bitzinger is a Senior Fellow and Coordinator of the Military Transformations Programme at the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University.