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## **Brazil's Re-emerging Arms Industry: The Challenges Ahead**

*By Richard A. Bitzinger*

### **Synopsis**

*Brazil's defence industry is experiencing a mini-comeback. However, it faces tough decisions in creating an economically and technologically competitive arms-producing capability.*

### **Commentary**

BRAZIL'S ARMS industry is re-emerging from the doldrums and may soon join other upstart weapons producers in giving traditional arms suppliers some serious competition in the global arms market, at least in certain areas.

It used to be said of Brazil that it was "the country of the future and it always will be". This snide but depressingly true observation was particularly accurate when it came to the country's outsized ambitions for its defence industry, as many armament programmes were brashly instigated and, in due course, came to naught.

### **Expansion and collapse**

Beginning in the 1960s, Brazil plowed billions of dollars into creating a domestic arms industry. Under the rallying cry of "security and development," the country pursued an aggressive defence industrialisation strategy, establishing companies like Embraer (to produce military aircraft), and producing a wide range of armaments. In particular, these weapons were produced not only to meet the needs of the Brazilian military, but to be sold overseas as well.

Initially, this export-led strategy paid off. Brazil exported hundreds of its Tucano turboprop primary trainer aircraft, as well as its ASTROS-II multiple rocket launcher (MRL). In particular, by the late 1980s Brazil had emerged as the world's largest exporter of wheeled armoured vehicles. At one point in the 1980s, Brazil was the sixth largest arms exporter in the world.

By the early 1990s, however, Brazil's defence industry was in shambles. The end of the Iran-Iraq War meant the loss of two of its biggest customers. More critically, Brazil's arms producers, buoyed by their earlier successes, expanded into areas where their expertise was lacking and the competition was much stiffer; this included jet aircraft (the AMX strike fighter), tanks, missiles, and space-launch

vehicles.

Few of these ambitious programmes ever amounted to much, however. Democratisation, demilitarisation, and economic recession forced cuts in Brazilian defence spending, leading to slashed procurement. At the same time, arms exports sagged. By the turn of the century, much of the country's arms industry was bankrupt, and defence-industrial output was a fraction of its peak.

### **Rebirth of the Brazilian arms industry**

Fast forward 20 years and Brazil's defence industry appears to be booming again. Embraer is one of the most successful aerospace companies in the world – admittedly, mostly based on sales of its highly popular commercial jets, but its military division has been flourishing as well.

Its *Super Tucano* ground attack aircraft has been acquired by at least ten air forces, including the US Air Force (which also wants to use it to equip Afghan forces for counter-insurgency operations).

In addition, Embraer has begun development of a medium-size military transport plane, the KC-390; several South American countries are partnering on the KC-390, and the first prototype is expected to fly within a year.

Other defence sectors are also roaring back. Brazil recently completed sales of its ASTROS-II to Malaysia and Indonesia, and it has supplied air-to-air missiles to several air forces. Brazil's arms industries are also developing additional weapons systems for export, including a land-attack cruise missile, a GPS-guided artillery rocket, and antiship and anti-radiation missiles. Overall, Brazil's defence industry is increasingly sophisticated, boosting its arms-export potential.

### **Tough decisions ahead**

Nevertheless, despite some recent successes, Brazil still faces considerable hurdles to crafting a technologically adroit and economically sustainable arms industry that can battle it out in the global arms market. The competition is fierce, especially from large, well-established arms producers in the United States and Western Europe. Vying head-to-head with these giants is probably not the way to go.

Rather, Brazil might take a cue from smaller arms-producing states – such as Singapore or Israel – and attempt to occupy a few high-tech niches where the competition is not great and where a smaller state can leverage its comparative advantage, i.e., cost, availability, etc.

In this regard, Brazil may choose to continue to build on its successes when it comes to military aircraft, artillery rocket systems, and a few other types of weaponry, but accept that other sectors, such as the global missile business, saturated as it is with competing suppliers, might not be a good sector to enter.

The country also has to decide whether its arms industry is going to be primarily for domestic use – i.e., meeting the needs of Brazil's military – or oriented mainly toward export. Even if it is the former, the country still needs to think seriously about picking winners and losers in the armaments game. In particular, Brazil – like other countries in its situation – needs to seriously link its arms-production goals to its most pressing requirements. In other words, it should ask itself, is it building the weapons it needs, or the weapons it can?

Brazil is not alone in facing these challenges, of course. Many other smaller arms-producing states – such as Singapore, Indonesia, South Korea – face similar problems with finding their forte in the global arms business. As the global arms market becomes more competitive, however, these countries will face increasingly tough decisions when it comes to creating economically and technologically competitive defence industries.

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