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Asia's Arms Bazaar: Growing Market for China, US

By Richard A. Bitzinger

Synopsis

Recent data shows that Asia is now the world's biggest arms market; moreover, the region is increasingly demanding more sophisticated types of weapons. This is good news for Chinese and US defence firms, who are the largest suppliers of arms to Asia.

Commentary

THE STOCKHOLM International Peace Research Institute (SIPRI) recently released its data on the global arms trade for 2017, and it is big news for Asia as a whole, and for China and the United States in particular.

In the first place, SIPRI confirms that Asia (including the Indian subcontinent and Oceania) has remained the world's single largest arms market for the past decade. According to the Institute, Asia accounted for a plurality (42 percent) of all international arms transfers for the period 2013-2017, easily outpacing the Middle East (the world's other large arms market) at 32 percent. While its market share was down slightly from 2008-2012 (when it took 46 percent), Asian arms transfers were actually up during the more recent period, as globally arms exports have increased.

Asian Arms Buys: Boosting the US

Some of the world's largest arms buyers are in Asia. According to SIPRI, during the period 2013-2017, five of the ten biggest arms importers were in the region: India, China, Indonesia, Australia, and Pakistan. Vietnam, South Korea, and Taiwan were among the top 15 largest arms importers. India, in fact, alone accounted for 12 percent of all arms transfers during this period, maintaining its position as the world's largest arms buyer for the past several years (just ahead of Saudi Arabia). Indian arms imports increased by 24 percent between the periods 2008-2012 and 2013-2017.

All these arms purchases have been enabled by a continuing upward trend in military spending in the region. According to SIPRI, defence expenditures in Asia and Oceania in 2017 was up 3.6 percent over 2016 and 59 percent higher than a decade earlier. So there is plenty of money available for new weaponry.

Two of the biggest beneficiaries of this rise in Asian arms imports are the United States and China. According to SIPRI data, the US captured 34 percent of the global arms market for the period 2013-2017, easily beating Russia, the world's second largest arms exporter (which took only a 22 percent share). US arms transfers in 2017 were the highest in nearly 20 years. Moreover, US exports of arms grew by one-quarter between 2008-2012 and 2013-2017, further widening the gap between it and all other arms exporters.

Asia accounted for one-third of all US arms exports during the period 2013-2017. Its biggest customers in the region were Australia and Taiwan. While Russia still leads the US in overall arms sales to Asia (accounting for 34 percent of all transfers to the region), the US has stolen business from Russia's traditional customers.

In India, for example, which accounted for 35 percent of all Russian arms exports during 2013-2017, the US has become New Delhi's second largest weapons supplier. In fact, between 2008-2012 and 2013-2017, Indian arms purchases from the US increased by 557 percent! Indonesia, which bought fighter jets from Moscow, is also diversifying its arms suppliers, to the benefit of Washington.

China: The New Big Supplier

China is also benefiting from the uptick in Asian arms transfers. China's exports of major arms grew by 38 percent between 2008-2012 and 2013-2017, and it captured 5.7 percent of the global arms market during the latter period (although this was only good enough for fifth place, behind the US, Russia, France, and Germany).

Most of Beijing's biggest weapons buyers are in Asia, and during the period 2013-2017, the region accounted for 72 percent of all Chinese arms transfers. The two biggest buyers were Pakistan and Bangladesh, which together bought over half of all Chinese arms exports. Pakistan, in fact, now buys around 70 percent of its arms from China.

Beijing has chalked up some impressive overseas sales, including deals to export eight *Yuan*-class submarines to Pakistan and three to Thailand. China has also sold tanks to Myanmar and antiship cruise missiles to Indonesia, as well as armed drones to Iraq, Saudi Arabia, the United Arab Emirates, Nigeria, and Egypt.

At the same time China is starting to scale back its imports of arms, as its domestic defence industries continue to improve and develop and produce globally competitive military systems. This is particularly bad news, in the long run, for Russia, which presently accounts for the bulk of all Chinese arms purchases.

What Will the Next Five Years Hold?

Of course, sales are always about the future, not the past. For the Asian arms market, however, the next five years will likely resemble the past five. Regional tensions in the Indian subcontinent, in the South China Sea and across the Taiwan Strait, and particularly in and around the Korean peninsula will continue to drive increases in defence spending, which will in turn will continue to impact regional arms acquisitions.

Asia, therefore, will continue to crave the newest and most advanced armaments of all types. In particular, we should see steady purchases of modern fighter jets, air defence systems, and navy ships. We should in particular see an uptick in sales of weapons systems that were hitherto rarely found in Asian militaries, such as advanced submarines and precision-guided air-to-ground munitions.

These trends in arms purchases make Asia a continuing “must have” market for the world’s leading – and aspiring – arms exporters. *That* in turn will require that the world’s leading arms manufacturers – many of whom depend heavily upon overseas sales for their survival – will have to continue to come up with products that will meet the increasingly stringent demands of their Asian customers.

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