

The authors' views are their own and do not represent the official position of the Institute of Defence and Strategic Studies of the S. Rajaratnam School of International Studies, NTU. These commentaries may be reproduced with prior permission from RSIS and due recognition to the authors and RSIS. Please email to Editor IDSS Paper at RSISPublications@ntu.edu.sg.

No. 027/2022 dated 8 April 2022

A Hard Sell: Russian Arms Exports to Asia Following the Invasion of Ukraine

Richard A Bitzinger and Kenneth Boutin

SYNOPSIS

Russia's importance as an arms supplier to Asian states likely will decline in the short term as a result of Russia's arms requirements, the sanctions imposed following its invasion of Ukraine, and the perceived poor performance of Russian arms in this conflict. This could provide greater scope for competing arms suppliers, including China, to export to the region.

COMMENTARY

Russia's invasion of Ukraine is likely to have an adverse effect on its arms exports to Asia. Russia's diminished arms export capacity and potential have significant implications for the Asian arms market.

Russia's arms industry long has depended on exports, and particularly exports to Asia. According to the Stockholm International Peace Research Institute (SIPRI), Moscow's two biggest arms customers are India and China; altogether, more than 61 percent of Russian arms sales between 2017 and 2021 went to Asia and Oceania.

China has in recent years mainly acquired turboprops from Russia for its indigenous fighter jets (particularly the J-10 and J-20, underscoring China's continuing problem with developing jet engines of adequate performance). Beijing also has bought S-400 air defence systems, helicopters, and naval guns from Moscow.

While India has sought to diversify the sources from which it procures arms, in part because of concerns about the capabilities offered by some Russian arms, it remains a major customer for Russian arms. Recent years have seen India procure MiG-29

and Su-30 fighter aircraft, T-90 tanks, warships, and antiship missile systems from Russia.



Malaysian MiG-29s at the 2012 Singapore Airshow. Will Russia's apparently dismal performance in the Ukraine War create difficulties for Asian air forces in replacing obsolescent Russian military equipment? *The appearance of U.S. Department of Defense (DoD) visual information does not imply or constitute DoD endorsement.*

Southeast Asia has also been a particularly profitable market for Russia arms producers, which have exported Su-27 or Su-30 fighter aircraft to Indonesia, Malaysia, and Vietnam, and MiG-29 fighters and Yak-130 trainer jets to Myanmar. Other sales include air-to-air missiles, antiship missiles, and helicopters.

The Availability of Russian Arms

Moscow clearly does not want to lose access to the lucrative East Asian arms market. A number of factors deriving from the conflict in Ukraine and the international response it has generated now threaten Russian arms exports, however. How enduring these effects prove largely will be determined by how international sanctions develop and how effective they prove in the face of Russian efforts to overcome their effects.

Russian arms losses in Ukraine, including of combat aircraft, helicopters, air defence systems and tanks, are such that the Russian government will need to devote significant production capacity to replenishing its arsenal, unless it is prepared to prioritise exports in the interest of generating export revenue. This will reduce Russia's capacity to produce arms for export. The level of support Russia is prepared to provide for arms previously exported while it is engaged in Ukraine may serve as an important indicator of how determined it is to export arms.

Russia's arms production dilemma will be exacerbated by sanctions targeting the defence-industrial sector that have been imposed by Western states in the wake of its invasion of Ukraine. Although the Russian defence industry is far more insular than its Western counterparts, Russian arms production draws on inputs such as microelectronics from offshore suppliers. If, as expected, the sanctions being imposed by key suppliers such as the United States and Taiwan affect the supply of critical production inputs such as semiconductors, this will reduce Russia's arms production capacity, perhaps significantly.

Much will depend on the effectiveness of the sanctions that are being imposed on Russia. Russia is less vulnerable to sanctions as a result of measures it implemented in response to the sanctions imposed on it following its seizure of the Crimea in 2014 and will endeavour to offset the effects of this new round of sanctions. Russia's scope for countering sanctions will be limited by the breadth of sanctions and the limited pool of alternative suppliers, however. Russia reportedly has sought the assistance of China and other states in overcoming sanctions, but the American government has signalled its intention to impose secondary sanctions or otherwise punish states that assist Russia in circumventing sanctions.

The Demand for Russian Arms

In addition to the factors discussed above, Russian arms exports will be affected by three demand-related issues: international censure, the disappointing performance of Russian military equipment in the Ukraine war, and Russia's restricted access to the international finance and banking system.

Countries are likely to be wary about purchasing Russian arms, given the international opprobrium that Moscow has earned. This likely will be reinforced by the increased likelihood that the United States will apply the Countering America's Adversaries Through Sanctions Act (CAATSA) of 2017, in an effort to discourage states from purchasing Russian arms. CAATSA provides for the imposition of sanctions on states involved in defence transactions with Russia, though the American government exercises considerable discretion in its application. American determination to impose a high economic cost on Russia following its invasion of Ukraine makes it highly likely that CAATSA will be resorted to as a means of discouraging orders for Russian arms, though this likely will continue to be decided on a case-by-case basis.

Second, Russia's lacklustre military performance in Ukraine is likely to have an adverse reputational impact on Russian arms. The apparent failure of Russian arms to deliver military success is likely to discourage purchases by new and existing customers alike, complicating its efforts to generate export revenue and extend its influence.

Third, sanctions also will impact on the demand for Russian arms exports. General restrictions on Russian access to the Society for Worldwide Interbank Financial Telecommunication (SWIFT) cooperative international payments facility will render it more difficult to arrange payment for Russian arms. The need to resort to less efficient and probably more costly payment mechanisms, such as the Chinese-led Cross-Border Interbank Payment System (CIPS), will decrease the attractiveness of Russian arms.

The Long-Term Consequences

Russia's diminished arms export capacity and potential provide considerable scope for competing suppliers to supplant it as an arms supplier to Asian states. Other competitors, such as China and the United States, could exploit the vacuum created by Russia's absence. The strong regional demand for combat aircraft could be met by European aerospace firms, for example. Of its existing customer base, India is most likely to remain as a reliable consumer of Russian arms. Russia's particular attributes as an arms supplier mean that it likely will continue to feature as an important supplier of arms to Asian states over the long term, however.

The loss of arms sales to Asia could be catastrophic for Russia's defence industry. This would deprive defence producers of a source of funds that has helped to compensate for Russian government underfunding of defence R&D.

Richard A. Bitzinger is a Visiting Senior Fellow with RSIS, and Kenneth Boutin is an independent researcher focusing on the political economy of security. They contributed this Paper to the Military Transformations Programme, Institute of Defence and Strategic Studies, RSIS.