

East meets West on weapons and conflict



Stop Wapenhandel, November 2014

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Stop Wapenhandel is an independent foundation researching and campaigning against arms trade and arms production.

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Introduction

The European Network Against Arms Trade [started to work on arms trade to Southeast Asia](#) in 1994, when it was campaigning, together with Indonesian activists, against arms export to Indonesia, at that time a military dictatorship.

The first publication contained a quote of François Heisbourg, at that time CEO of Matra military missile company (now MBDA). He observed that the increasing arms budgets in South East Asia showed great similarity with that of Europe at the eve of World War I.

Twenty years later, April 2014, David Pilling wrote in the [Financial Times](#):

“Almost every Asian nation is building up its capacity in the air and on the sea. The people of the region must hope that it is a complete waste of money,”

Both quotes express the fear that the arms build-up in Asia contributes to the risk of armed conflict. In his article- 'Asia follows China into an old-fashioned arms race' – Pilling argues, like many observers do, that the trend of increasing arms budgets will gather pace in the coming years. His article was published after the release of [Military Expenditure 2013 figures](#) by the renowned Stockholm International Peace Research Institute (SIPRI), which also highlighted the growth of Asia's military budgets.

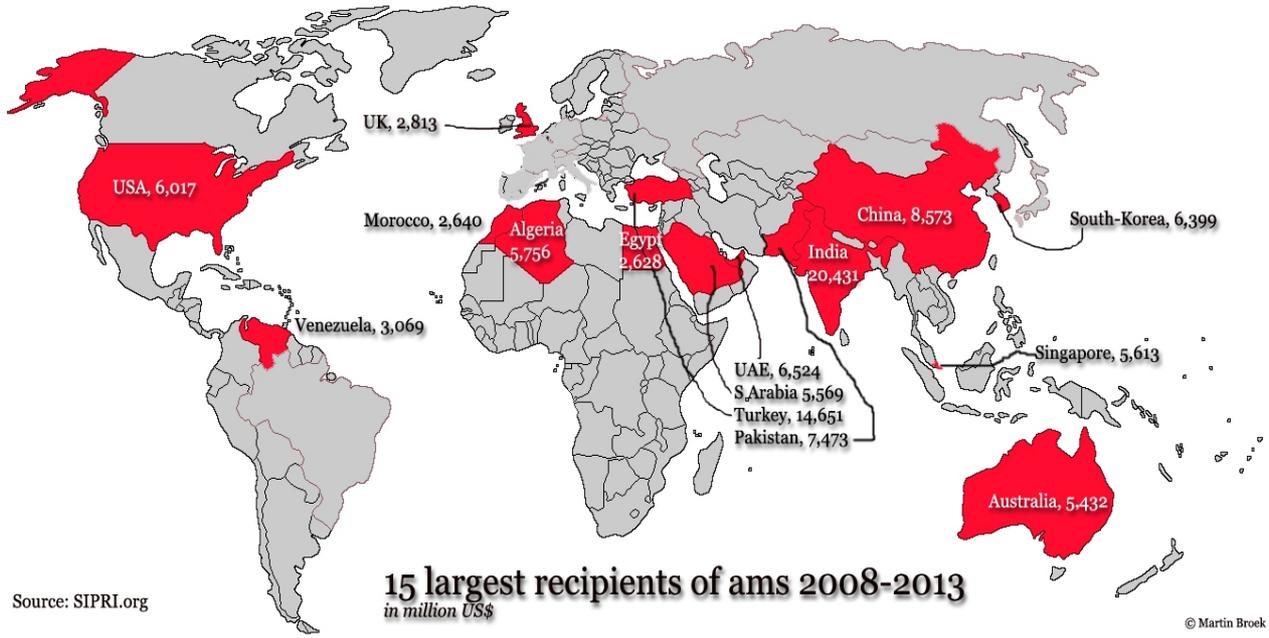


The International Institute of Strategic Studies' (IISS) in London estimated, based on 2012 figures, that the Asian defence expenditure is exceeding that of Europe. (See e.g. The European Union As A Security Actor: View From India, Eurasia Review, August 26, 2014.) Due to the present economic crisis, the European budgets are declining, while those in Asia continue to grow. Looking in a more political way at the figures however, one notices that most big Asian spenders belong to the Western sphere of influence: Australia, Japan, Turkey and South-Korea. And as the European Union is still responsible for 16% of military spending and the US even for 37%, the big military spending is still taking place in the West, not in Asia. Based on spending figures one must conclude that Western military superiority is still unchallenged.

Military spending by world region in 2013		
<i>(in billion U.S. dollars)</i>		
<u>Regio</u>	value	Up/down 2012-2013
North America	657,0	↓ 7.8%
Central and Western Europe	312,0	↓ 2.4%
East Asia	282,0	↑ 5.3%
Middle East	150,0	↑ 4.0%
Eastern Europe	98.5	↑ 5.3%
South America	67.4	↑ 1.6%
Central and South Asia	63.7	↑ 5.0%
Southeast Asia	35.9	↑ 5.0%
Sub-Saharan Africa	26.2	↑ 7.3%
Oceania	25.9	↓ 3.2%
North Africa	18.7	↑ 9.6%
Central America / Caribbean	9.6	↑ 6.0%
Source: SIPRI		

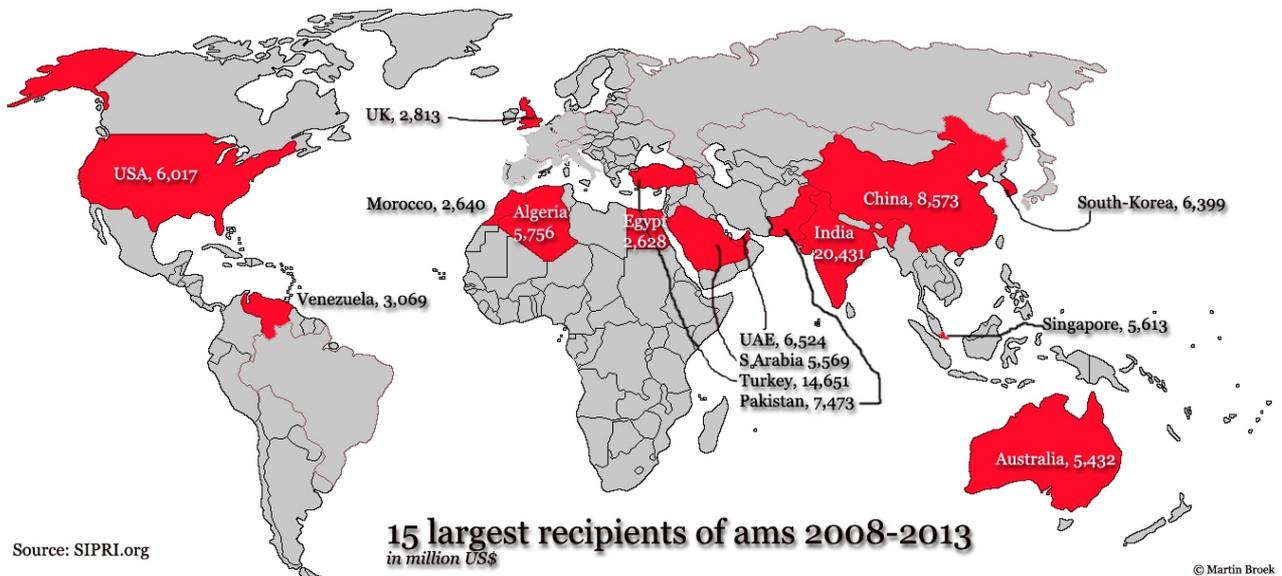
Moreover, a division by region instead of continent gives a more balanced view. In green, the regions with declining military budgets in 2013. However in absolute spending figures Europe and the US are still the main military spenders. We have to wait for the 2014 and beyond figures to see if this trend continues. In reaction to the conflicts between Russia and Ukraine on the one hand and the situation in Iraq/Syria on the other hand the trend might reverse into the direction of larger military budgets again. One sees this debate on the political and military level gaining speed. The fact that the UK government recently announced to spend [£3.5 billion](#) on armoured vehicles in the next three years while also warning about the dangers of "prioritising social welfare" is an example of where the debate is going. Governments are willing to sacrifice social security (the right of access to nutrition, health care and education) to military security.

Arms Trade



Growing military budgets will benefit military companies. Of the fifteen largest military companies nine are US-based and five are located in Western Europe. Russia has only one military company among the top-fifteen.

Roughly a quarter of the military budgets are spend on arms acquisitions, which makes over 400 billion US\$. The rest of the budget is spend on issues such as soldiers wages (50%), fuel, buildings, repair and overhaul etc. Of the 400 billion on arms, roughly one fifth is imported and makes up the global international arms trade. SIPRI gives a value of US\$ 43 billion for 2011, but due to the incompleteness of available figures it states that: "However, the true figure is likely to be higher."



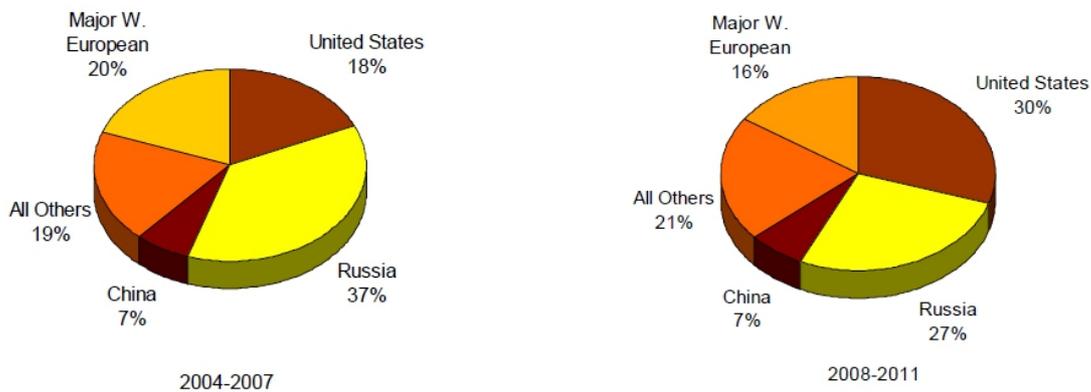
When looking into the most recent figures as provided by the US [Congressional Research Service \(CRS\) for 2011](#): "The value of all arms transfer agreements worldwide (to both developed and developing nations) in 2011 was \$85.3 billion. This was an extraordinary increase in arms agreements values (91.7%) over the 2010 total of \$44.5 billion. This total in 2011 is by far the highest worldwide arms agreements total since 2004." In this year 2011, the US has exported its largest amount ever for a single year in the history of the U.S. arms export program: \$66.3 billion. Three quarters of the total global arms trade comes from the US. Followed by Russia with \$4.8 billion in arms trade agreements in 2011.

But the trend is that regional arms producers itself get a share in production of weapons. Indonesia e.g. has the policy that Indonesian firms must control at least 51 per cent of a joint defence project, and the other 49 per cent can be in the hands of its foreign counterpart (2012 Defence Industry Law). The law is part of Indonesia's strategy to provide the country with a strong defence industry by 2024. The policy is financially backed by 100 trillion rupiah (\$8.25 billion) since 2010, Indonesia's defence-industry has reached this year 40 per cent of what is considered lowest essential level, according to [Timbul Siahaan, the Indonesian director general for defence potential](#).

The so-called Grimett-report of CRS also shows that the three major arms suppliers to Asia are Russia, the US and Western Europe.

Conventional Arms Transfers to Developing Nations, 2004-2011

Figure 6. Arms Transfer Agreements With Developing Nations in Asia
(supplier percentage of value)
(excludes Japan, Australia, and New Zealand)



Source: U.S. government.

2008 2013	2007 2012	Country	2008	2009	2010	2011	2012	2013	Total
1	1	India	1867	1996	2897	3566	4524	5581	20431
2	2	China	1992	1453	943	1020	1631	1534	8573
3	4	Pakistan	1047	1210	2201	1051	962	1002	7473
4	9	UAE	749	560	605	1213	1154	2245	6524
5	3	South Korea (ROK)	1647	815	1242	1469	1039	188	6399
6	5	United States	944	973	1113	1014	1215	759	6017
7	6	Algeria	1529	1065	808	1135	877	342	5756
8	7	Singapore	1174	1522	1018	933	824	142	5613
9	11	Saudi Arabia	339	733	986	1160	866	1486	5569
10	8	Australia	405	756	1489	1585	894	303	5432
11	10	Turkey	675	733	469	642	1528	604	4651
12	13	Venezuela	743	358	208	594	691	476	3069
13	14	United Kingdom	529	389	503	355	599	438	2813
14	20	Morocco	46	39	296	1411	807	43	2640
15	16	Egypt	336	159	686	635	312	501	2628
16	15	Malaysia	508	1512	421	5	47	113	2606
17	17	Iraq	380	402	453	658	504	203	2600
18	12	Greece	516	1225	648	77	33	66	2564
19	24	Vietnam	172	62	152	1018	758	369	2531
20	25	Afghanistan	152	346	377	672	579	216	2344

Table: SIPRI database major recipients of arms 2008-2013

The ranking of SIPRI shows that of the 20 major recipients of arms in the period 2008-2013, the first three were Asian, notably 1) India, 2) China and 3) Pakistan. Singapore ranked 8, Malaysia ranked 16 and Vietnam ranked 19, all three are South East Asian countries.

A case study: Cam Song military shipyard

To give some insight in the world of arms trade we will have a closer look at an example of trade between the Netherlands and Vietnam. Just 100 kilometres east from Hanoi, at Cam Song, the biggest Dutch naval shipbuilder has established a Dutch-Vietnamese wharf joint venture. As soon as the wharf was established, it started to build small vessels for the Australian navy. But more important are the plans to build [four major surface vessels](#) for the Vietnam navy, equipped with 8x MBDA Exocet surface target missiles and 12x MBDA MICA VL surface-to-air missiles. Although often described as patrol vessels for coast guard duties, these ships have much more capabilities than just for patrols; notably when armed with these missiles these are full scale warships. Two of the ships will be build in the Netherlands, the other two in Vietnam. It is a win-win for both owners for which Vietnam will pay an estimated € 700 á 800 million. Although the price of the ships is kept secret so far, it can be deduced from the size of the ships and recent comparable sales to Morocco and Indonesia. The deal will most likely include technology transfers; no arms deal is thinkable without that nowadays. So far, no arms export license is applied for by the Netherlands seller, probably due to difficulties in providing finance for this major arms transfer. The four ships are a clear example of regional naval build-up.

The Netherlands is not the only country doing military business with Hanoi. In the autumn of 2014, the United States eased its arms embargo on Vietnam. The decision prompted reaction by some republican US-senators urging President Obama to rethink his decision to ease a decades-old arms embargo and instead condition US arms sales to Vietnam upon specific progress to Vietnam's human rights record. But the message is mixed with other interests. They also want to see Vietnam beefed-up against China "In their letter to the President, the senators expressed support for U.S. efforts to help improve Vietnam's maritime defence capabilities given China's aggressive territorial claims." Arms exports may be authorized in the best interests of U.S. foreign policy, national security, and human rights concerns on a case-by-case basis when in support of maritime security and domain awareness, states the [Final rule](#). Human Rights and Power politics go hand-in-hand here.

This brings us to the issue of territorial disputes around the Paracels and Spratlys, to which these naval build-ups seem to be a response. These disputes are big issue in South East Asia, but not well-known in Europe (apart from some scholars). One can legitimately ask the question why there should be such a military build-up when diplomatic solutions can lower the tension, as is shown by [the recent agreement between Vietnam and China](#).

One can even ask if these military build-ups do not endanger more peaceful solutions such as diplomacy. Those questions are rarely asked but to ask them might be in the interest of the people of South East Asia.

Another main Dutch arms producer, Thales Netherlands, is not only involved in the Vietnam deal, but is at the same time working with the Chinese supposed enemy. The Dutch company is supplying the radar and command, control, and communication systems for Chinese build warships to be sold to Algeria (a €21 million or US\$28 million deal). On the [website of renowned military publisher IHS Jane's](#) is stated: "To mitigate concerns about possible industrial espionage in China, Thales will install sensitive components and software only after the vessels have been delivered to Algeria." But it is undeniable that the cooperation between Thales Nederland and China Shipbuilding is strengthening the latter and is profitable for both. The cooperation sands the barriers of the [EU military embargo on China](#).

Two major Dutch arms producers are supporting two parties in the same conflict on the Spratlys. Armed forces and governments on one side of the globe and arms companies on the other side stress that the military 'solution' to a conflict is the sensible way, more effective than any other, more sustainable solution. One can wonder if it is about peace and security or about profit and power.

Arms trade campaigning

NGO's in Europe campaigning on arms trade mostly focus on corruption in arms deals, the relation between arms trade and human rights violations and the abuse of scarce resources in the country of destination for expensive arms contracts. Most campaigners and researchers on arms trade consider South East Asia as a region for specialists. The raising military export to the region however demands more attention.



Source data from the Official Journal of the European Union annual reports on the European Union Code of Conduct on Arms Exports.

One way in getting more influence as a campaigner is just to publicize the facts. Here under a screen shot of the European Network Against Arms Trade [database, based](#) on the fairly inaccessible official annual EU reports on arms sales. Information in this database can be filtered for year, weapon type and country of origin or destination. It is a easy tool for a quick overview. In the example data have been selected on year 2012 and country of destination China.

Final remark

The arms trade is a push market, where companies work hard to get new costumers convinced of the need of the newest, most expensive technology. South East Asia is a very profitable region for European arms companies. People should worry for the peace in South East Asia, as Financial Times journalist Pillings was quoted at the beginning of this article. Arms races generally do not contribute to peace and security, on the contrary.