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GLOBAL DEFENCE INDUSTRY AND THE ASIA-PACIFIC REGION

A thesis presented in partial fulfilment of the requirements for the degree of
Master of Defence Studies
at Massey University, Manawatu, New Zealand

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2012
ABSTRACT

Defence industries have become an essential component of nations’ security. This dynamic sector has experienced constant transformations since the Second World War. In recent years large national and transnational defence firms have emerged through processes of mergers and acquisitions; dual-use technologies are becoming crucial in the development of modern weapons systems; and the phenomenon of globalisation is increasing the production interdependence among nations.

These new trends, however, have not altered the hierarchical structure of the global defence industry, where a reduced group of nations have a dominant role in the production, innovation and transfer of weapons systems. The decline of their domestic markets has spurred exportation strategies resulting in an increasingly competitive global arms market. The latter may facilitate some nations to develop their defence industrial bases through the transfer of technology associated with weapons systems imports; however may also exacerbate the security dilemma and the proliferation of weapons, producing a detrimental impact on regional stability. Both problems may be ameliorated through cooperative security initiatives such as arms control, and confidence and security building measures.

The study of defence industries has generally been approached from an economic perspective, relating to nations’ military spending and arms trade. The less commonly used security approach addresses the security threats that stimulate
the development of arms industries and the potential effects that these may have on the security dilemma.

The present study examines the global defence industry and the relations between the major arms producers and importers, the implications of the global defence industry on the security dilemma; and the prospects of arms control policies in the prevention of arms proliferation. The Asia-Pacific region is used to centre the analysis through four case studies: Singapore, Indonesia, South Korea and China, as the defence industries and military capabilities of these nations are currently experiencing substantial development, supported by the rapid growth of their economies. A comparative analysis demonstrates a lack of commitment to collective security strategies within the Asia-Pacific region which is resulting in the proliferation of arms and potentiating the effects of the security dilemma, with major implications for regional and global security.
ACKNOWLEDGEMENTS

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<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AEW</td>
<td>Early-warning radar Aircraft</td>
</tr>
<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>AWACS</td>
<td>Airborne warning and control systems</td>
</tr>
<tr>
<td>BW</td>
<td>Biological weapons</td>
</tr>
<tr>
<td>BWC</td>
<td>Biological Weapons Convention</td>
</tr>
<tr>
<td>CADMID</td>
<td>Cycle of defence acquisition and management: Concept, Assessment, Demonstration, Manufacture, In-Service and Disposal</td>
</tr>
<tr>
<td>CWC</td>
<td>Chemical Weapons Convention</td>
</tr>
<tr>
<td>CCWC</td>
<td>Convention on Certain Conventional Weapons</td>
</tr>
<tr>
<td>CCM</td>
<td>Convention on Cluster Munitions</td>
</tr>
<tr>
<td>C2</td>
<td>Command and Control</td>
</tr>
<tr>
<td>C3</td>
<td>Command, Control and Communications</td>
</tr>
<tr>
<td>C4ISR</td>
<td>Command and Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance</td>
</tr>
<tr>
<td>CTBT</td>
<td>Comprehensive Nuclear-Test Ban</td>
</tr>
<tr>
<td>DIB</td>
<td>Defence industrial base</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>DPRK</td>
<td>Korean People's Democratic Republic</td>
</tr>
<tr>
<td>M&amp;As</td>
<td>Mergers and acquisitions</td>
</tr>
<tr>
<td>MNCs</td>
<td>Multinational corporations</td>
</tr>
<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organisation</td>
</tr>
<tr>
<td>NPT</td>
<td>Non-Proliferation of Nuclear Weapons Treaty</td>
</tr>
<tr>
<td>PMO</td>
<td>Programme manager's office</td>
</tr>
<tr>
<td>ROK</td>
<td>Republic of Korea</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and development</td>
</tr>
<tr>
<td>SALW</td>
<td>Small arms and light weapons</td>
</tr>
<tr>
<td>DAPA</td>
<td>South Korean Defence Acquisition and Programme Administration</td>
</tr>
<tr>
<td>DIDC</td>
<td>South Korean Defence Industry Development Council</td>
</tr>
<tr>
<td>SEATO</td>
<td>Southeast Asia Treaty Organisation</td>
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</table>
SALT  Strategic Arms Limitation Talks
SIPRI  Stockholm International Peace Research Institute
U.S.S.R.  Union of Soviet Socialist Republics
SAM  Surface-to-air missile
CFE  Treaty on Conventional Arms Forces in Europe
U.N.  United Nations
UNCTAD  United Nations Conference on Trade and Development
UNRCA  United Nations Register of Conventional Arms
U.S.A. (U.S.)  United States of America
UAVs  Unmanned aerial vehicles
DoD  U.S. Department of Defence
DoC  U.S. Department of Commerce
WMD  Weapons of Mass Destruction