



Emerging Suppliers: How Industry is Transforming the Conventional Arms Trade

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By Kenneth Boutin

SYNOPSIS

The international arms transfer system is co-evolving with the global defence-industrial landscape. Transnational industrial integration is supporting the emergence of new arms suppliers, altering arms transfer relationships, and facilitating the diffusion of advanced arms. The techno-nationalist imperatives of deepening strategic competition will moderate but are unlikely to reverse this structural shift.

COMMENTARY

The established state-centric analytical framework for conventional arms transfers needs to be reconsidered in light of the post-Cold War structural transformation of the global defence-industrial landscape. Economic imperatives are driving the restructuring of defence-industrial processes, particularly in high-technology sectors such as information and communications technology and aerospace, which are characterised by challenging research and development (R&D) and production requirements.

The spiralling R&D and production demands of advanced arms encourage the pursuit of industrial efficiencies through a focus on core activities and the outsourcing of non-core functions to capability partners. This often takes the form of project-specific or long-term collaboration with offshore capability partners.

Transnational industrial processes first emerged in civil industry but gradually extended to the defence sector. While national security considerations generally impede the transnational integration of defence industries, strong official support for this trend developed where political authorities were concerned about the viability of critical industries and saw them as a means of offsetting rising defence R&D and

production costs. Official support has been forthcoming both in emerging industrial states with ambitious defence-industrial programmes, such as the Republic of Korea (South Korea), and established arms producers such as the United States.

The transformation of the industrial landscape is reconfiguring arms development and production in many developed, emerging industrial, and developing states. Transnational defence-industrial processes are facilitating the emergence and development of new arms producers through their effect of supporting local high-technology industrial development. For example, contribution to high-value-added offshore arms production programmes provided an important foundation for the emergence of Türkiye and South Korea as important exporters of advanced arms.

The contemporary global defence-industrial landscape is characterised by fragmented arms development and production processes. The global hierarchy of arms producers is far less clearly defined as a result. The defence industries of many arms producers are embedded in global innovation and production networks defined by complex functional relationships and extensive interdependence.

Even major arms producers such as China and Russia, which have traditionally prioritised defence-industrial self-reliance and were reluctant to draw on offshore capability partners, now import key production inputs. China, for example, has played a decisive role as a supplier of production inputs and machinery to Russia following the sanctions imposed in response to the escalation of the Russo-Ukrainian War in 2022.

The Impact on the Arms Transfer System

The evolving defence-industrial landscape has significant consequences for the volume and pattern of arms transfers. The structural transformation outlined above is expanding the ranks of arms-exporting states, transforming arms transfer relationships, and facilitating the diffusion of advanced arms.

Deepening transnational arms R&D and production processes are generating increasing flows of arms, arms-related technologies, and production inputs such as components and sub-components. Significantly, polities that have not in the past figured prominently as arms exporters are major contributors to these flows. The Democratic People's Republic of Korea (North Korea) and Taiwan, for example, have emerged as important suppliers of missile components and integrated circuits, respectively.

The importance of emerging arms suppliers has increased in concert with their defence-industrial development, which has positioned them to participate in the international arms transfer system in more substantial ways, independently or in collaboration with established producers. The growing importance of emerging arms suppliers is attested by their success in supplementing or even supplanting established suppliers in particular niches of the international arms market. Türkiye's emergence as a supplier of uncrewed aerial vehicles such as the *Bayraktar* to Ukraine and other states provides a representative example.

The more complex arms transfer patterns produced by the transformed defence-industrial landscape represent a clear departure from the established model. Arms transfers now involve extensive transfers of arms and arms-related production inputs from emerging suppliers to established suppliers, alongside transfers of arms and production inputs from established suppliers. Arms transfers are also less unidirectional; production inputs such as components and sub-components may be re-exported multiple times, including back to their original producers, over the course of transnational arms production processes.

The structure of the contemporary international arms transfer system is far less hierarchical than in the past as a result. While it remains the case that some states can produce and transfer more advanced arms than others, reliance on offshore capability partners renders establishing the relative importance of suppliers a far more complex exercise. The international distribution of arms transfer capabilities is not as straightforward as is suggested by the export of complete systems due to uneven national capabilities and reliance on offshore capability partners.

Transnational arms development and production are contributing to the diffusion of advanced arms through their effect of strengthening the basis for local arms production and post-transfer support. Transnational processes are gradually expanding the ranks of the states which can transfer advanced arms and enable their operation in the absence of post-transfer support from original suppliers.

Significantly, emerging suppliers may be less constrained by general arms transfer norms than established suppliers. This is demonstrated by North Korea's failure to adhere to expected norms of arms transfer restraint and its emergence as a "supplier of last resort" to states that are subject to international sanctions.

Strategic Competition and the Arms Transfer System

The security imperatives of strategic competition have significant implications for the international arms transfer system. The Russo-Ukrainian War and heightened international tensions between the United States and China underscore the importance of the resilience deriving from sovereign defence-industrial capabilities and secure supply chains.

The contemporary defence-industrial landscape is antithetical to strengthening techno-nationalist imperatives. Growing concern in several states is reflected in "inshoring" or "reshoring" initiatives designed to promote defence-industrial localisation and in the pursuit of supply chain security through defence-industrial collaboration with trusted partner states. Close international defence-industrial collaboration can be expected to develop within "approved communities". These will align with security communities where these exist, such as the European Union's European Defence Industry Programme.

The impact of the securitisation of high-technology industrial processes will be limited, however. National security concerns in many states will serve to moderate

the international trade in arms components and sub-components, but in most cases are unlikely to result in a return to the situation that prevailed during the Cold War.

The imperatives of efficiency in an environment of spiralling R&D and production costs and concerns over the sustainability of critical industries generally will help to sustain official support for collaborative defence-industrial processes. This will provide the basis for the emergence and development of new arms-exporting states, facilitating the continued diffusion of advanced arms in an environment of heightened strategic competition.

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