



# Executive Summary

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## EMERGING POWERS AND FUTURE THREATS: IMPLICATIONS FOR THE U.S. AND GLOBAL DEFENSE INDUSTRY

Terrence R. Guay

One defining phenomenon of the 21st century to date is the ascent of new countries in the global economic, political, and security environment. While the so-called BRICS (Brazil, Russia, India, China, and South Africa) receive most of the attention in business, government, security, and media circles, several other countries have become influential regional—if not yet global—players, including Indonesia, Mexico, Nigeria, and Turkey. The prominence of these and other countries reflects the economic changes, investment opportunities, and future potential of some of the world's largest countries (in population). Clearly, this is a different global environment than existed just 30 years ago, before the fall of the Berlin Wall and the end of the Cold War. As long as these countries continue to experience healthy economic growth, and avoid the negative effects of war, it is likely that the relative global economic position of the United States will decline over the next few decades. To the extent that economic power translates into political and military power, the United States will be faced with multi-dimensional challenges in the years to come.

Given this multipolar global environment, this Letort Paper evaluates the implications for the U.S. and global defense industries. At one level, the rise of new powers is leading to an expansion in the global distribution of armaments production. Enhanced general industrial sophistication is spilling over to more specialized defense-related industries, which is enhancing the military capabilities of these countries. While this has progressed furthest in China, India and Brazil have developed stronger defense industrial bases than those that existed just a decade ago. At another level, the addition of new countries and companies in the global arms market presents serious challenges to the United States in two significant ways.

First, this addition enhances the military capabilities of other countries (especially in the Middle East) who import weapons systems, thereby posing additional challenges to U.S. security interests. It also has the potential to strengthen nonstate actors, like terrorist groups, who purchase armaments directly from countries or acquire them on the battlefield from defeated national militaries.

The second challenge relates to the economic importance that armaments exports play in reducing the per-unit cost of weapons. The United States relies heavily on export markets to produce economies of scale, thereby lowering the acquisition costs for the Department of Defense (DoD). In the current period of uncertainty over funding levels for future defense budgets, weapons acquisition costs (and, therefore, exports) become critical. However, the same economics of armaments production applies globally: BRICS and other countries reduce weapons acquisition costs for their militaries by increasing arms exports, too. Consequently, it is becoming increasingly likely that the global arms trade will become even more competitive in the coming decades, with implications for the U.S. defense industrial base, U.S. Army, and other military branches.

This Letort Paper starts out with an overview of global arms production and trade. From there, the direction turns to BRICS and Turkey, with an overview of each country's most significant current issues, termed "macro-variables." The purpose is to provide the political, economic, and social context that has aided the rising global influence of these countries, and the challenges they will be facing in the near term. The six countries analyzed in this Letort Paper represent the primary non-Western (that is, not the United States or Western and Central European) countries that are active in either importing or

exporting weapons or both, and either currently have or hold the conditions to develop a vibrant defense industrial base over the next decade or two. This evaluation is followed by an overview of each country's defense industrial base, with an assessment of their capabilities and economic orientation regarding domestic versus global sales and, at the international level, the likely recipients based on the global interests of these countries.

Four recommendations are made to address the developments in these six countries. First, the United States must maintain its global dominance in the defense sector, which will face challenges in light of budgetary constraints in the coming years. Second, the United States should seek to build industrial alliances with allies, especially Europe, Japan, South Korea, India, and possibly Turkey. Third, the United States needs to minimize technology transfers to likely industry rivals, although this may be difficult, given commercial pressures in the aerospace sector. Finally, the United States needs to continue to use weapons exports to achieve political objectives, especially in Africa and Latin America, where China is seeking similar goals.

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