ARMS TRANSFERS AND MAJOR POWER COMPETITION IN LATIN AMERICA

Roman D. Ortiz

Summary

This article analyzes the penetration of Russia and the People's Republic of China (PRC) in the Latin American arms market, paying special attention to the causes that allowed both countries to increase their sales in the period 2007-2016, as well as the factors that limited the number of recipient countries and the type of equipment delivered. It also analyzes the collapse of military exports from Moscow and Beijing to Latin America during the last five years. Based on this trajectory and the effects of the war in Ukraine, it is concluded that the prospects for the Russian and Chinese defense industries are markedly different. While Moscow could see its presence in the Latin American market disappear irreversibly, Beijing is likely to take advantage of several factors in its favor to increase its sales to the region in the coming years. This increase in arms transfers from the PRC to Latin America could have a substantial impact on the hemispheric geopolitical balances. To this end, the analysis of the evolution of the Latin American defense market, as well as Russian and Chinese military exports, has been based on information on arms transfers from the database of the Stockholm International Peace Research Institute (SIPRI).

Keywords: *Arms transfers, arms sales, defense industry, Latin America, United States, Europe, China, Russia.*

Introduction: Business and Policy on Military Equipment Transfers

The sale of military equipment has always been more than just a business. Behind every arms transfer, there are economic interests, but also strategic bets. The purchase of a weapon system by a country's armed forces creates deep and long-lasting ties with the manufacturer of the weapon system. The receiver is obligated to absorb to some extent the

doctrine of use of the equipment developed by the supplier and is chained to it by the maintenance needs of the system. In addition, the delivery of war materiel creates a bridge over which it is simple, almost inevitable, to expand cooperation from strictly technical areas such as training or logistics to more political areas such as the development of multinational exercises or diplomatic collaboration. In fact, the links created by arms purchases are so deep that relations between supplier and recipient tend to be perpetuated over time to the extent that it is much easier to renew military equipment from the same source than to undertake a change that is always costly and with uncertain results. In other words, arms sales are privileged ways to forge relationships on which to build alliances and delimit areas of influence.

This combination of political and strategic factors has determined the evolution of arms transfers to Latin America. Historically, major powers have used the supply of arms to Latin American governments as an instrument to gain influence in the region. With this background, the reconfiguration of the international scenario, the result of the rivalry between the United States, Russia, and the People's Republic of China (PRC), has fueled changes in the sales patterns of military equipment in Latin America. More specifically, Moscow and Beijing have sought to become major suppliers of military equipment to the continent's armed forces as part of their attempts to erode Washington's hegemony. In the context of the spiraling tension created by the crises in Ukraine and Taiwan, it is key to assess the extent to which Russia and China have been successful in these efforts, what prospects their attempts to conquer the Latin American arms market have, and what consequences they may have for hemispheric security.

During the Cold War, Washington's hegemony in the Hemisphere maintained the region as a market reserved for Western arms suppliers, while transfers of Soviet military equipment were limited to its few Latin American allies -Cuba from the 60s and Nicaragua during the 80s- with some exceptions such as the large acquisitions of land and air equipment

by the Peruvian military government of General Juan Velasco Alvarado in the 1970s. In this context, the United States and Europe assumed different roles. While the United States remained mainly a supplier of equipment for internal security tasks – helicopters, transport planes, armored vehicles, etc. – most Latin American capitals turned to European suppliers to acquire external defense means, a way to guarantee a certain degree of strategic autonomy from the hegemonic power of the continent. Consequently, the Latin American navies turned to Germany and Italy to equip themselves with submarines, corvettes, and frigates. For their part, the armies were equipped with tanks and artillery from France, Germany, and Italy. Finally, the region's air forces found in the French aircraft industry a key supplier of fighter bombers.

This distribution of the Latin American market between Washington and European capitals was not perfect. On occasion, Washington made significant transfers of military equipment intended for the external defense of its Latin American partners, but these were exceptions justified by specific strategic or political circumstances. This was the case with the sale of F-16 fighter bombers to Venezuela in the early 80s, and to Chile in the late 90s. In the first case, it was an attempt to offer Caracas the means to defend its oil fields against the threat of MiG-23s delivered to Cuba by the Soviet Union, while, in the second, it sought to cement an alliance with the newly restored Chilean democracy. However, these cases did not break the general pattern of a market where most large weapons systems were of European origin.

Evolution of the Sale of Military Equipment to Latin America (*)

Exporter	1990-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016	2017-2021
Russia	525	191	603	445	2302	1854	7
China	6	27	0	27	251	451	1
Israel	49	238	142	389	512	207	112
Europe	1181	1772	2322	2489	2865	1795	1192
USA	358	972	2188	1151	1110	1424	663
Other	220	822	1218	754	1478	1116	1167
TOTAL	2339	4022	6473	5255	8518	6847	3142

(*) The figures are millions of units of "Trend-Indicator Value" (TIV).[1]

Source: *Stockholm International Peace Research Institute* and own elaboration

In any case, a series of political and economic factors led to a significant reduction of the Latin American military market in the late 80s. The change was driven by the end of the military dictatorships that had ruled since the 60s, and the progressive restoration of democracy in the region. The new civil administrations came to power with a new political agenda that included reducing the influence of the military to prevent possible coup adventures, reducing public spending to shore up economic stability, and expanding social programs to meet the demands of new voters. All these elements combined to impose a drastic reduction in defense spending and, consequently, a fall in arms purchases. Gone are periods like 1980 when

1 The arms transfer figures used in this article come from Stockholm International Peace Research Institute, "Importer/Exporter TIV Tables", *SIPRI* (Sweden), https://armstrade.sipri.org/armstrade/page/values.php. SIPRI uses a unit of measure of the volume of transfers of military equipment referred to as the "Trend Indicator Value" (*Trend-Indicator Value TIV*). The calculation is based on the cost of production per unit of several major weapons systems. The unit does not measure the financial value of arms transactions but measures the military capacity transferred with a shipment. This makes it possible to assess the military potential delivered in a sale and compare this with successive transfers over time or with deliveries made by other countries to other destinations. The main merit of the TIVs They are homogeneous units that allow comparing the sales made by different suppliers to different receivers over time. More details on the definition of TIVs in Stockholm International Peace Research Institute, "Sources and Methods", *SIPRI* (Sweden) https://www.sipri.org/databases/armstransfers/sources-and-methods

the Latin American military market reached a value of 2,915 million TIVs. By 1990, equipment purchases by the Latin American armed forces had fallen by nearly two-thirds to 1.11 billion TIVs. The figure is particularly small if one remembers that, in the same year, Saudi Arabia had acquired arms worth 2.043 billion and Turkey 1.251 million.

Percentage of Market Share of Major Arms Exporters to Latin America

Exporter	1990-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016	2017-2021
Russia	22.45%	4.75%	9.32%	8.47%	27.03%	27.08%	0.22%
China	0.26%	0.67%	0.00%	0.51%	2.95%	6.59%	0.03%
Israel	2.09%	5.92%	2.19%	7.40%	6.01%	3.02%	3.56%
Europe	50.49%	44.06%	35.87%	47.36%	33.63%	26.22%	37.94%
USA	15.31%	24.17%	33.80%	21.90%	13.03%	20.80%	21.10%
Other	9.41%	20.44%	18.82%	14.35%	17.35%	16.30%	37.14%

Source: *Stockholm International Peace Research Institute* and own elaboration

In the context of this reduction in the Latin American arms market, Western suppliers, and in particular European suppliers, had a dominant position. In fact, by 1990, the main suppliers of military equipment from the old continent provided control of 51.44 % of the supply of weapons to the region, a figure that shot up to 62.16 % if the equipment supplied by the United States (9.46 %) and Israel (1.08 %) were added.[2] Faced with this enormous commercial weight, the then Soviet Union had a theoretically important presence (32.97 % of the total market), but with serious fragilities. 74 % of its military transfers (272 million TIVs out of a total of 366) were acquired by its only two client states in the region (Cuba and Nicaragua) that received it as part of the Kremlin's strategic support and, consequently, were not obligated to make monetary payments for any

2 A "main European supplier" is defined in this article as the sum of sales made by Germany, Spain, France, Italy, the United Kingdom, and Sweden. The decision to choose this group of countries as the main European supplier group lies in the size of their respective market shares in the global arms trade.

amount close to the commercial value of that weaponry. In other words, it was a niche market occupied by political will, with no possibility of being financially sustainable.

The Penetration of the Russian Defense Industry: Myth and Reality

This lack of financial rationality in Moscow's arms transfers became apparent after the collapse of the Soviet regime in 1991 and the end of the East-West confrontation. Without the incentive of competition with the West and with a dire economic situation, Russia – as a successor state to the USSR – canceled the donations of military equipment it had made to its Western Hemisphere partners during the Cold War. On their part, former pro-Soviet allies in the region lacked the resources and interest to pay for the weapons they previously received free of charge from the Kremlin. Thus, by 1992, Cuba and Nicaragua had closed as destinations for Russian weapons and the only active customer in the region was Peru, which maintained a commercial relationship with its Moscow suppliers since the agreement of General Velasco Alvarado more than two decades ago. The result was that sales of Russian military equipment to the region plummeted from the aforementioned 366 million TIVs to just 27 million, just 4.46 % of the regional market.

While Moscow's market share was reduced to a minimum, the combined sales of the large European suppliers, the United States and Israel climbed to 67.93 %. This massive Western dominance reflected several factors associated with the end of the Cold War. On the one hand, Western defense industries operated in an environment absent of competitors because of Russia's political, economic, and social morass and the absence of any other rivals who might take their place. Suffice it to recall that, in 1992, the PRC's sales to Latin America were reduced to the delivery of equipment to Peru and Bolivia worth 18 million TIVs, 2.98 % of total arms imports to the region. On the other hand, the US and European military equipment enjoyed an excellent image of effectiveness that had increased after the triumph of the international coalition over Iraq in the first Gulf War. Finally, Western

companies and governments showed renewed commercial aggressiveness to seek new export markets in response to cuts in domestic military demand in the wake of reductions in defense budgets at the end of the Cold War.

The dominance of Western defense industries continued in the following years. The share of the regional market in the hands of the European producers and their US and Israeli equivalents remained at 74.14 % in the period 1992-1996, experienced a slight decrease in the five-year period 1997-2001 (71.87 %), and shot up to 76.67 % in the 2002-2006 period. In other words, more than three-quarters of the weaponry acquired by Latin American governments came from Western military industries. In this sense, all the major weapons programs developed by the armed forces of the region came from this group of countries. Such was the case with the transfer of U.S. helicopters to Colombia to support its counterinsurgency and counternarcotics campaign that totaled 15 Bell-212/UH-1N, 42 UH-1H Huey-2, and 30 UH-60 *Blackhawks* between 2000 and 2003 alone. The same can be said of several aircraft acquisitions, including 12 Airbus C-295 transport aircraft, 12 Mirage 2000 fighter-bombers, and 8 AS-532U2 Cougar transport helicopters, made by Brazil in the period between 2002 and 2009. Also, within this same category, we must mention the investment made by the Chilean government for the acquisition of 10 American F-16C Block 50/52 fighter-bombers, as well as the renovation of its entire armored fleet with 172 main Leopard-2A4 battle tanks and 266 Marder-1A3 infantry fighting vehicles of German origin, all between 2006 and 2011.

Against the backdrop of this Western dominance, Russian defense exports began a slow recovery. During the deep crisis unleashed by the collapse of the Soviet system, Russian arms exports to Latin America sank to 191 million TIVs between 1992 and 1996 (barely 4.75 % of regional purchases). However, this collapse seemed to slow down during the five-year period 1997-2001 when sales in the Russian Federation experienced a recovery to 603 million (9.32 % of the total). This commercial effort reaped some successes in attempts to move the Kremlin's defense industry beyond the traditional customer states to which it had supplied weapons during the Cold War and

which, at present, lacked purchasing power. Thus, the Moscow aeronautical industry sold a package of 8 SU-29AR aerobatic aircraft to the Argentine air force in 1997, whose operational life would only extend until 2005.[3] Russia also transferred Igla man-portable air defense missiles (MANPADS) to Brazil in 1994, and to Ecuador in 1998. However, it was the sales of Mi-8/Mi-17 helicopters to Peru, Venezuela, Ecuador, Colombia, and Mexico – more than 80 new and second-hand aircraft – that, above all, kept Russia as a player with some relevance in the Latin American military market. In any case, these commercial successes were not enough to bring Russian arms transfers back to the volumes they had had during the Cold War. The Kremlin seemed doomed to play a very secondary role as a supplier of military equipment to the Hemisphere.

Behind Russian attempts to regain space in the Latin American military market were some factors that have to do with the role of the defense industry in the economy of post-Soviet Russia.[4] The collapse of the USSR implied the collapse of much of its industrial structure because of poor management, lack of competitiveness, widespread corruption, and the absence of commercial and financial sustainability. In the context of this debacle, the defense industry remained an exception for its better management and superior quality of its products, far above its civilian counterpart. It also became a key support for sustaining Russia's research and development capacity, directly inherited from the former Soviet Union. On the other hand, from a social perspective, military production became one of the few niches of Russian industry capable of generating well-paid jobs and, consequently, making possible the survival of the middle classes that would give stability to the new Russian republic. Consequently, maintaining a robust defense sector became not only a strategic but also an economic and political priority.

3 Juan José Roldán, "La Fuerza Aérea Argentina subasta sus aviones acrobáticos Sukhoi Su-29", *Military Zone* (May 5, 2021), https://www.zona-militar.com/2021/05/05/la-fuerza-aerea-argentina-subasta-sus-aviones-acrobaticos-sukhoi-su-29/

4 Richard Connolly and Cecilie Sendstad, "Russia's Role as an Arms Exporter", *Chatham House* (March 20, 2017), https://www.chathamhouse.org/2017/03/russias-role-arms-exporter?4TXRR%2CO7Z7AR%2CI8JoP%2C=

However, the maintenance of the military production sector required a renewed boost to arms exports. The end of the USSR and the ensuing economic crisis had forced a radical reduction of the Russian armed forces and the defense budgets that sustained them. Consequently, the Russian defense industry could not rely on the domestic market to survive; On the contrary, it needed to multiply its exports for commercial purposes. This partially explains the efforts to increase sales to Latin America. However, the need to increase export earnings is not the only explanation behind the boost in sales to Latin America. At the end of the 90s, the commercial eyes of the Russian defense industry were set on other latitudes. While transferring arms to Latin America equivalent to 69 million TIVs in 2000, Moscow's sales reached 642 million TIVs to India, 341 million to Iran, and 241 million to Algeria in the same year.

From this perspective, the Latin American market was extraordinarily small but strategically attractive for other reasons. The reactivation of the transfer of Russian arms to Latin America since the late 90s was part of a bid to recover Moscow's international weight that emerged under the name of "Primakov doctrine" after the name of the Russian Foreign Minister of the time, Yevgeny Primakov. According to this view, Russia's security depended on the emergence of a multipolar world in which its *great-power status* was recognized, and America's power limited. The implications of these proposals were expressed by Primakov himself during a trip to Latin America in 1997 when he expressed his opposition to granting Washington the right to enjoy special influence over the region. "After the Cold War," said the Kremlin's foreign policy chief, "the concept of 'sphere of interest' has become outdated. Russia has no intention of abandoning its position in the global arena and Latin American countries are our key partners." In this way, Russia saw its arms transfers to the region as a tool not only to obtain economic benefits but, mainly, strategic returns.[5]

5 IPS, "Russia-Latin America: Primakov Trip Shows Strong Interest in Region", *Inter Press Service News* (Moscow: May 28, 1996), https://www.ipsnews.net/1996/05/russia-latin-america-primakov-trip-shows-strong-interest-in-region/

Russia's bid to increase its military sales to Latin America seemed to have been bearing fruit since the mid-2000s. Compared to the low sales made between 2002 and 2006, just 445 million TIVs, Russian exports multiplied by five in the following five years to reach 2,302 million, remaining at 1,854 million during the following five years. This increase was due to the growth in military demand in the region. In fact, arms imports from Latin American states went from representing 5,255 million TIVs in the period 2002-2006 to 8,518 million in the five-year period 2007-2011, and subsequently remaining at 6,847 during the 2012-2016 stage. In other words, the growth of Russian exports to the region was aided by an expansion of the market. But, in addition, Moscow's market share also grew within the region's total arms purchases. Thus, the Kremlin went from representing 8.47 % during the years 2002-2006 to 27.03 % between 2007-2011, and then 27.08 % between 2012-2016. Consequently, it was not only a question of growing Russian sales dragged down by the expansion of the Latin American market but also that the Russian defense industry increased its share of the total equipment acquired by the region.

In theory, it was an unmitigated commercial victory: Latin Americans preferred Russian weapons to European or North American ones, whose manufacturers had lost space during the period analyzed. However, a closer look introduces important nuances to this apparent success. Undoubtedly, this sales growth included agreements with non-regular Moscow customers, such as the sale of 12 Mi-35 attack helicopters to Brazil in 2009.[6] But the bulk of the expansion of Russian military sales to Latin America during that period was the reflection of purchases from a single customer: Venezuela. Of the 4.156 million TIVs sold by Moscow in the period 2007-2016, Caracas was the destination of 3.498 million. In other words, 84.16 % of Russian arms transfers during that stage were purchased by Venezuela.

6 Augustus Caesar Dall'AgnolBoris Perius Zabolotsky and Fabiano Mielniczuk, "The Return of the Bear? Russian Military Engagement in Latin America. The Case of Brazil", *Army University Press* (March-April 2019), https://www.armyupress.army.mil/Journals/Military-Review/English-Edition-Archives/Mar-Apr-2019/128-Russia-LATAM/

This opportunity for the growth of Russian arms exports was the result exclusively of a series of considerably exceptional political and economic conditions. On the one hand, the coming to power in Venezuela of a leader like Hugo Chávez, who professed a sharp anti-American sentiment and raised the project of turning his country into a military power. On the other hand, Washington's decision to respond to Caracas' hostility with an arms embargo that was subsequently followed by most major European exporters and deprived the Venezuelan armed forces of the flow of spare parts they needed to sustain an arsenal almost entirely of Western origin. Finally, an oil bonanza provided the Venezuelan government with a substantial flow of resources to finance the complete re-equipment of its military apparatus. The result was the arrival of Russian equipment that had never been transferred to Latin American countries, such as 24 Su-30MK fighter-bombers, 12 BM-9A52 Smerch multiple rocket launchers, and 3 S-300VM/SA-23 anti-aircraft missile systems.

The strong dependence on Russian arms sales of the Venezuelan market during the period 2007-2016 should be seen as a demonstration that the penetration of Russian weapons in the region was not due so much to its technical attractiveness or its price but, rather, to the existence of a political understanding with Moscow that made systems of this origin more attractive than their Western equivalents. This trend is even clearer if we consider the case of another of Russia's main customers: Nicaragua. During the period indicated, Managua acquired weapons from the Kremlin for an equivalent of 128 million TIVs (3.07 % of total Russian sales), a very important figure for a small country. The fact that Moscow was the recipient of purchases of that volume can only be explained because it had the political confidence of President Daniel Ortega, a former ally of the USSR in the 80s, when he headed the Sandinista regime that ruled Nicaragua. As a result, much of Russia's expansion of arms sales to Latin America was not the result of its team's increased competitiveness but, above all, of the Kremlin's ability to make new friends or draw on those with whom it had collaborated during the Cold War.

The other key component of expanding Russian arms sales was a series of deals for the transfer of Mi-17 helicopters, a system Moscow had previously sold to several Latin American countries and enjoyed a reputation for its combination of robustness, reliability, and low cost.[7] In fact, in the period 2007-2016, Moscow delivered different variants of this aircraft to Argentina (2), Colombia (9), Ecuador (2), Mexico (4), and Peru (30), in addition to an additional package to Venezuela (18). Thus, if sales to Venezuela and transfers of Mi-17 helicopters are left aside, the supply of Russian military material to Latin America in the period 2007-2016 is marginal. Consequently, the supposed commercial success of Russian armaments in Latin America was reduced to one country (Venezuela) and one system (the Mi-17 helicopter), a base too narrow to become a starting point for solid and lasting market penetration.

The Rise of the People's Republic of China as an Arms Supplier

The PRC's military sales to Latin America present a completely different trajectory. Beijing was largely absent from the Latin American market until the early 2000s. Between 1990 and 2002, its sales were practically testimonial. During those years, the defense industry supplied its Latin American customers with the equivalent of 33 million TIVs, 0.25 % of all weapons acquired by governments in the region. The only notable transfers were the sale of HN-5A man-portable air defense missiles to Ecuador in 1994, and to Bolivia in 1995. The United States had always been reluctant to transfer these systems because of the risk they could pose to civil aviation if they fell into the hands of terrorists willing to use them to shoot down a passenger plane.[8] However, Beijing had no problem handing them over to Quito and La Paz, revealing one of its key trade tactics: selling without

7 HH, "Russian helicopter fleet posts solid growth in Latin America", *Helihub* (March 27, 2014) https://helihub.com/2014/03/27/russian-helicopter-fleet-posts-solid-growth-in-latin-america/

8 In the case of the missiles delivered to Bolivia, the United States government reached a commitment with the Bolivian military high command to send these systems abroad for deactivation as a precautionary measure to avoid the risk that they could fall into the hands of terrorists. This agreement generated a political scandal in Bolivia in WT, "Removal of missiles roils U.S.-Bolivia Ties", *The Washington Times* (December 22, 2005), https://www.washingtontimes.com/news/2005/dec/22/20051222-121716-8988r/

political restrictions on the potential use of the weaponry, and without worrying about possible subsequent consequences. A way of operating that imitated the behavior of the Russian military industry in its effort to conquer international markets after the Soviet collapse. In fact, Moscow would follow China's lead when it comes to man-portable air defense missiles when it would transfer a package of 2,000 systems of the same Igla-S category to Venezuela in 2012. The conditions and restrictions for the delivery of this armament were the same as those of its Chinese equivalent: none.

Starting from such a low level, expansion into Latin American defense markets initially served Beijing little. During the period 2002-2006, the PRC only added another 27 million TIVs of sales. The almost total lack of Chinese presence in the Latin American market is easier to understand if one considers that the Chinese defense industry had limited export capacity in that period. While it is true that Beijing transferred only the equivalent of 20 million ICTs to Latin America in 2006, it should also be taken into consideration that its total arms exports that year were 663 million TIVs. In other words, Latin America represented a small market (3 % of Chinese military sales) for an equally small exporter. That said, Beijing's defense industry reaped some significant success, not so much because of the amount of equipment exported but because of its characteristics. Thus, in the period 2005-2006, the PRC agreed to the delivery of 10 JYL-1 aerial surveillance radars to Venezuela, a significant step in Beijing's efforts to penetrate the region's military electronics market.

Without reaching the figures of its Russian equivalents, the Chinese defense industry undertook a significant expansion of its exports to Latin America in the period 2007-2016. In that sense, in the first five years, sales of the Chinese defense industry jumped to 251 million TIVs and continued to climb to 451 million in the following five years. These figures remained modest (2.95 % of the total market in 2007-2011 and 6.59 % in the period 2012-2016) but represented a spectacular expansion if the starting point is taken into account. The 451 million 2011-2016 TIVs sold in 2016 represented a 16-fold increase from the meager 2002-2007 sales.

In addition to the quantities, the customer base and the sophistication of the transferred products also experienced a certain expansion.[9] Of course, Beijing continued to benefit from the Chavista regime's hunger for military equipment. Therefore, China became the main supplier of armored equipment to the Venezuelan Marine Corps with the delivery of ZBL-09/VN-1 and ZBD-05/VN-18 infantry fighting vehicles, as well as ZTD-05/VN-16 light tanks. It also equipped the Venezuelan National Guard with 121 VN-4 armored vehicles that would become infamous during the popular protests of the Chavista regime in 2017. In terms of aerial material, however, the PRC's sales to Venezuela made the greatest qualitative leap. Beijing transferred 27 K-8 Karakorum training and light attack aircraft to Caracas, as well as PL-5E short-range air-to-air missiles to equip them. In addition, the Venezuelan Air Force incorporated 8 Shaanxi Y-8 transport aircraft.

In parallel, the PRC extended the list of its Latin American clients beyond the Bolivarian regime. The most prominent case was Bolivia which acquired 6 K-8WB Karakorum training and light attack aircraft, as well as 6 H-425 (Z-9) helicopters, which gave Beijing a decisive weight in the equipment and training of its Air Force.[10] Another particularly noteworthy equipment transfer was the delivery to Trinidad and Tobago of a Type-718 deep-sea ocean-size patrol boat.[11] In this way, although with smaller figures, Beijing penetrated two segments of the Latin American defense market normally reserved for Western countries, air, and naval equipment.

As in the case of Russia, an important part of the commercial successes of the Chinese defense industry was associated with an effort to occupy niche markets created by governments that had decided to displace their Western suppliers for ideological reasons. This was the case of the purchase of Chinese radars by the Venezuelan Armed Forces, which was little motivated

9 Allan Nixon, "China's Growing Arms Sales to Latin America", *The Diplomat* (August 24, 2016) https://thediplomat.com/2016/08/chinas-growing-arms-sales-to-latin-america/

10 TW, "The first Chinese helicopter H425 for Bolivia", *Top War* (February 3, 2014), https://en.topwar.ru/39264-pervyy-kitayskiy-vertolet-h425-dlya-bolivii.html

11 Trinidad Express, "Chinese vessel coming to Trinidad", *Jamaica Observer* (February 25, 2014), https://www.jamaicaobserver.com/news/Chinese-vessel-coming-to-Trinidad/

by their quality, and mostly by the desire of the Caracas regime to show off its anti-American position, opening the door to the PRC in an area as sensitive as the control of airspace. This same logic is behind the purchases of planes and helicopters by the government of Evo Morales in Bolivia, which included the incorporation of the PRC as a supplier of military equipment as part of an effort to cut the historical ties of the Bolivian Armed Forces with the United States. Thus, it was political affinities that opened opportunities in the field of military equipment sales.

In contrast to this inclination to support the sale of military equipment based on political coincidences, China chose to keep its economic expansion in Latin America and the activities of its defense industry separate. In other words, Beijing appeared to give up using the leverage provided by its trade ties to the region to push for the purchase of its war products. Beijing's big trading partners chose to ignore their defense industry as a potential supplier to their armed forces. This was the case of Chile, which had already made China its main foreign market in 2016 (26.98 % of its exports), without committing to any military purchases. The same can be said of Brazil, which had also elevated the PRC to the category of first trading partner that same year (20.01 % of its exports) but avoided the acquisition of weapons from this source. Thus, in the period 2007-2016, the PRC maintained its growing economic influence and the aspirations of its defense industry in Latin America as two separate efforts.

In any case, the penetration of the Chinese defense industry in the region has faced significant problems. Legal issues have sometimes arisen as a result of low-quality equipment delivered by the PRC. This was the case of the contract signed between the government of Ecuador and the Chinese company CETC for the purchase of a package of airspace control radars YLC-2 and YLC-18. The systems never worked, and the contract was terminated by the Ecuadorian government, leading to a legal battle with the

supplier company.[12] Mention can also be made of the purchase of 27 Norinco Type 90B multiple rocket launchers by the Peruvian Army, which was placed under investigation by the Ministry of Defense of that country when significant failures were discovered in the systems received.[13] Similarly, several contracts have been questioned for corruption problems. This was the case, for example, of the contract to supply helicopters to Bolivia which resulted in the prosecution of the air force commander responsible for this purchase.[14]

These quality deficiencies and accusations of corruption are not unique to Chinese military sales but extend to the activities of the Russian defense industry as well. Without a doubt, the most notorious case is the failed construction of a factory in Venezuela to produce Kalashnikov AK-103 assault rifles. In 2006, the Russian military export agency Rosoboronexport, the Venezuelan Ministry of Defense, and the Venezuelan Anonymous Company of Military Industries (the Venezuelan state defense company) signed an agreement for the establishment of two factories, one for the manufacture of rifles and the other for the corresponding ammunition. However, the project was mired in a tangle of corruption that resulted in heavy economic losses for the Chavista regime and made it impossible to complete the project.[15] The story of the so-called Multipurpose Helicopter Maintenance and Repair Center, a facility intended to maintain the rotary-wing fleet sold by Moscow to Venezuela, bears some similarities to the case of the

12 EU Redacción, " Empresa china CETC que vendió radares pide $ 280 millones a Ecuador ", *The Universe* (November 7, 2016), https://www.eluniverso.com/noticias/2016/11/07/nota/5892721/empresa-que-vendio-radares-pide-280-millones-estado/.

13 Peter Watson, " Perú investiga la adquisición de los lanzadores múltiples Norinco a China ", *Infodefense* (January 5, 2017), https://www.infodefensa.com/texto-diario/mostrar/3079068/peru-investiga-adquisicion-lanzadores-multiples-norinco-china.

14 Carlos E. Hernández, " Imputan a un general boliviano por la compra de helicópteros chinos para el Ejercito," *Infodefense* (January 13, 2020), https://www.infodefensa.com/texto-diario/mostrar/3127880/imputan-general-boliviano-compra-helicopteros-chinos-ejercito.

15 Sergey Denisentsev, "Russian-Venezuelan Defense Cooperation", *Center for Naval Analyses* (May 6, 2019) https://www.cna.org/reports/2019/06/russia-venezuela-defense-cooperation and also: Daniel Gómez, ""¿Qué pasa con las fábricas de fusiles Kalashnikov que Rusia construye en Venezuela?", *To the Navio* (November 1, 2021), https://alnavio.es/que-pasa-con-las-fabricas-de-fusiles-kalashnikov-que-rusia-construye-en-venezuela/

rifle factory. Following the signing of an agreement for its establishment in 2006, the project suffered a long list of delays and postponements. In March 2019, Rosoboronexport announced the inauguration of a center for the use of simulators in the training of Venezuelan pilots.[16] However, at that time, maintenance facilities remained incomplete judging by the statements of the deputy general manager of the Russian Helicopters group, Igor Chechikov, who promised that they would be ready during the year.[17] It is unclear whether Russian Helicopters have been able to complete the project, but certainly, a substantial part of the Venezuelan helicopter fleet showed clear symptoms of a complete lack of maintenance in June of that same year.[18]

This combination of incompetence and corruption has been a powerful barrier for both Russia and China to consolidate their control over a substantial part of the Latin American defense market. However, another factor has curbed the penetration of Russian and Chinese defense industries: the deep roots of Western military models in the Latin American armed forces and the enormous difficulties in breaking these ties and replacing them with concepts imported from Moscow or Beijing. As already mentioned, the acquisition of military equipment always brings with it changes in training and doctrine. In other words, arms purchases should not be seen as mere changes in material means, but necessarily bring about modifications of the military system. As a result, a radical change in suppliers of military equipment often involves a transformation of the profile of the armed forces, including their training, force structure, and doctrine. Such change is always a process of uncertain outcomes, even

16 AFP, " Rusia anunció apertura de centro de pilotaje de helicópteros en Venezuela," *The National* (March 29, 2019), https://www.elnacional.com/venezuela/politica/rusia-anuncio-apertura-centro-pilotaje-helicopteros-venezuela_276980/.

17 Carlos E. Hernandez, " Russian Helicopters abrirá su centro de mantenimiento en Venezuela este año," *Infodefense* (April 5, 2019), https://www.infodefensa.com/texto-diario/mostrar/3129740/russian-helicopters-abrira-centro-mantenimiento-venezuela-ano.

18 Sebastiana Barraez, "Rusia están abandonados como chatarra ", *Infobae* (June 2, 2019), https://www.infobae.com/america/venezuela/2019/06/02/los-principales-helicopteros-que-venezuela-le-compro-a-rusia-estan-abandonados-como-chatarra/.

when significant resources and strong political support are available. In this sense, the case of Venezuela under the Chavista regime provides important lessons. Despite the Caracas government's bid to break its ties with the United States and the investment of an overwhelming amount of resources, the Venezuelan Armed Forces were not able to complete the transition from a military model with Western equipment and doctrine to a "Bolivarian" one that would amalgamate Cuban military experience and the massive injection of Russian and Chinese equipment. The current military capabilities of Bolivarian Venezuela are a shadow of those of the democratic regime that preceded it.

Undoubtedly, corruption, misrule, and the economic debacle of the Chavista regime explain much of the failure of Venezuela's military transformation. However, it is key to take into consideration that the effort to move a military apparatus like Venezuela's, beyond its Western traditions, towards a "revolutionary model" was an adventure with little chance of success. The new air and armored systems from Russia and China forced the Venezuelan Armed Forces not only to learn the management of systems based on a philosophy and technique different from the Western one but also to conceive a structure of forces and a doctrine according to the new equipment. There are few historical examples of successful change of this nature and -beyond the problems of mismanagement and corruption- the lack of a solid plan to comprehensively address the technological, organic, and doctrinal dimensions of the process of change made it almost impossible for the military transformation undertaken by the Chavista regime to culminate with any degree of success.

The barriers represented by the Western military traditions of the Latin American armed forces to absorb equipment of Russian or Chinese origin are cemented both by a history of close ties with the United States and Europe and by a network of defense cooperation woven by Washington during the Cold War and that has continued active after its end. The effort promoted by the U.S. Southern Command to maintain training programs and joint exercises has become a way to keep alive a common military knowledge

that connects Latin American defense apparatuses with their American and European counterparts. Maintaining common views on missions, force structures and doctrines makes it much easier for the region's armed forces to bet on integrating teams of Western origin instead of their Russian or Chinese equivalents. Without purchasable cooperation channels, the defense industries of Moscow and Beijing face barriers to entry into the region that not only slowed their growth possibilities during the first decades of this century but will continue to do so until their respective governments are unable to develop their own military collaboration mechanisms with which to promote and sustain their arms sales.

The Great Adjustment: Moscow, Beijing, and the Latin American Military Market after the Ukraine War

The growth of Russian and Chinese military sales to Latin America suffered an abrupt slowdown in the period 2017-2021, going from 2,305 million TIVs in the previous five-year period to only 8 million. Several contextual factors help explain this collapse. On the one hand, at the end of 2014, the cycle of high raw materials that had allowed high levels of public spending to Latin American countries and, consequently, had facilitated the expansion of the region's defense budgets came to an end. On the other hand, the outbreak of the COVID-19 pandemic in 2020 increased pressure on public finances while paralyzing trade, two other factors that further reduced the dynamism of the defense market. In addition, purchases made in previous periods seemed to saturate – to some extent – the demand of the Latin American armed forces. Together, these factors explain why the Latin American military market shrank substantially, falling from 6,847 million TIVs in the 2012-2016 period to only 3,142 million in the 2017-2021 stage, a cut of 54.11 %.

In any case, this general market decline does not in itself explain the collapse of Russian and Chinese sales. Amid these cuts, Western countries were able to maintain significant market shares. For example, the United States transferred equipment equivalent to 663 million TIVs (21.10 % of the total

market) while its European partners transferred an estimated equipment volume of 1,192 million (37.94 % of total sales to the region). On the contrary, the market shares of Russia and China fell to a negligible 0.22 % and 0.03 % respectively. Such a collapse has a lot to do with the very limitations of Moscow's and Beijing's defense industries.

For starters, Russian exports suffered substantially from the loss of their two key recipients in the region, Venezuela and Nicaragua. Sales of the former were reduced to zero and those of the latter were limited to 7 million TIVs. This simultaneous closure of both markets is easier to explain if one considers that the economies of these two countries were closely connected to the extent that the Nicaraguan regime was a major recipient of Venezuelan economic assistance. Consequently, when the economy of the Chavista regime collapsed, the finances of the Ortega government soon suffered. The result is that both countries quickly lost interest in continuing their rearmament programs. The case of the PRC bears similarities to that of Russia. The bulk of Beijing's sales were dependent on the health of the Venezuelan and Bolivian markets. If the first was exhausted with the economic turmoil of the Chavista regime, the second was not immune to the political upheaval sown by the fall of President Evo Morales in 2019 and his replacement by President Jeanine Añez, whose mandate until 2020 was characterized by her desire to approach the United States and the lack of interest in strengthening military relations with China.

In this context, the possibilities of Moscow and Beijing to find new Latin American customers to compensate for the closure of the markets of Venezuela, Nicaragua, and Bolivia were practically nil. These difficulties in winning new customers were the inevitable consequence of the weight of politics in Moscow and Beijing's business in the Hemisphere. The commercial successes of both countries' defense industries were driven much more by the affinities of some Latin American governments with Russian and Chinese diplomacy than by the quality of their products. Based on these sympathies, it became easier for Moscow and Beijing to transfer systems that were less capable than their Western counterparts and were

more difficult to integrate into the region's defensive apparatuses. The appeal of these weapons was not their technical performance but their value as an instrument to break the ties of the armed forces with the United States. The problem is that, once the region's anti-American regimes lost their appetite for more weapons (due to a lack of resources or lack of strategic interest), Russia and China found it almost impossible to find new buyers among governments whose interest was not to distance themselves from Washington but simply to have the most appropriate equipment to meet their security needs.

Of course, other factors contributed to the debacle of Russian and Chinese sales in Latin America in the period 2017-2021. U.S. and European Union sanctions on the Kremlin over the annexation of Crimea made it an outlawed and unreliable supplier. However, it was above all the dependence of sales on the existence of political affinities with client countries that became an obstacle to expanding transfers of military equipment beyond the diplomatic partners of Russia and China. The main attraction of Moscow and Beijing's weaponry was not technical but political. Consequently, selling it to governments that saw no merit in approaching these capitals and distancing themselves from Washington became extremely difficult.

Based on this scenario, the outbreak of Russia's invasion of Ukraine and tensions between Washington and Beijing over Taiwan have shocked the region's military market. In principle, Russian and Chinese arms producers cannot expect anything good from this new situation. Western countries' massive sanctions against Russia make it extremely difficult for Latin American countries to bear the political costs and financial and technological risks of getting involved in the purchase of military equipment of this precedence. Without being in the same situation, the deterioration of relations between Washington and Beijing promises to increase the political costs in relations with the United States for those countries that choose to acquire Chinese military equipment. In addition, the success of Western military equipment in Ukraine reduces the attractiveness of buying war materiel from another source. In that sense, the absolute dominance of the

US and European defense industries in the Latin American market could be guaranteed for the near future. However, several factors could substantially alter these prospects.

For starters, most of the region has taken a political turn with the emergence of leftist governments that promote a foreign policy that is divergent and sometimes directly opposed to U.S. interests. Given the significant importance of political factors in Latin American governments choosing to buy Russian and Chinese weapons, it seems reasonable to think that some of these governments would prefer to turn to non-Western suppliers as a way of asserting their independence from Washington. It is possible, for example, that the new Colombian administration of President Gustavo Petro may sympathetically view the acquisition of military equipment from sources other than the United States to distance itself from the traditional alignment of the Colombian Armed Forces with their U.S. counterparts.

So far, there are already some examples of how changes in the political orientation of governments led to revisions in military procurement policy. This was the case in Argentina, where the replacement of the center-right government of President Mauricio Macri by the Peronist administration of Alberto Fernández led to the paralysis of the agreement to buy 27 US Stryker M1126 armored vehicles and the opening of talks for the acquisition of 88 Chinese ZBL09s. The talks have also extended to the possible purchase of JF-17 fighter bombers to renew Argentina's obsolete military fleet.[19] This opportunity for the Chinese aircraft industry has been greatly facilitated by the fact that the UK has systematically blocked Buenos Aires' previous attempts to obtain aircraft from Western suppliers. In any case, if this sale were closed, it would represent a qualitative leap in the type of military equipment supplied by Beijing to its Latin American customers and would

19 Eduardo Menegazzi, "China ofreció a la Argentina tanques y aviones que ya no usan sus Fuerzas Armadas ", *Infobae* (January 23, 2021), https://www.infobae.com/politica/2021/01/23/china-ofrece-a-la-argentina-tanques-y-aviones-que-ya-no-usan-sus-fuerzas-armadas/ and also: MP, "China strongly Lobbying To sell jet Fighters to Argentina", *MercoPress. South Atlantic News Agency* (February 10, 2022), https://en.mercopress.com/2022/02/10/china-strongly-lobbying-to-sell-jet-fighters-to-argentina

make China the dominant supplier of the Argentine Air Force. This kind of shift from traditional Western suppliers to Russia or China could be repeated in other cases.

In this regard, the sharp differences that separate Russia and China in seizing these opportunities must be highlighted. Moscow faces crushing international sanctions because of its war of aggression in Ukraine that are creating significant difficulties for it to properly sustain the equipment it previously transferred to its Latin American customers, leaving aside the possibility of embarking on new sales. On the other hand, while it is clear that the latest series of tensions between Washington and Beijing guarantees that the United States will not look favorably on any significant sale of military equipment by the PRC in Latin America, the truth is that the Chinese defense industry does not face international sanctions and, therefore, It remains an option formally open to those countries of the region interested.

An additional factor that plays into Beijing's favor in the competition for the Latin American defense market is that sales from its military industry are only one part — and not the largest — of a much broader effort by the PRC to gain influence in Latin America. Indeed, China's commercial penetration in Latin America has preceded and reached greater depth than its interests in the regional defense market, which are more recent and still very limited. This marks a huge difference from Moscow, whose entry into the region has relied mainly on the activities of its defense industry and, to a lesser extent, its energy sector. Therefore, its presence in the region is more fragile and promises to weaken further as the aforementioned international sanctions erode these two pillars of the Russian presence in Latin America.

In addition, China's growing influence on the continent offers Beijing a wide range of opportunities to use diplomatic and commercial tools to support the penetration of its defense industry. As previously mentioned, traditionally, the PRC has preferred to keep political-economic relations separate and search for opportunities for the sale of military equipment. However, some isolated

episode seems to indicate that this separation could blur in the future and give way to an explicit use of political or commercial levers to gain advantages in the field of military sales. In this sense, the episode of the renewal of the Argentine government's permission for the PRC to use a satellite control base located in Neuquén was a reminder of how economic interests can weigh on security decisions. After having rejected the agreement for the installation of such a base, signed by President Cristina Kirchner in 2014, the center-right administration of Mauricio Macri agreed, in 2018, to extend the presence of the Chinese facility until 2064.[20] Undoubtedly, President Macri's decision was conditioned by the fact that China was a fundamental client of the Argentine agricultural sector, key to the economic sustainability of the country and the political future of the president.

In parallel, the PRC is building a network of relationships with the region's armed forces that will make it easier for commercial offerings from its defense industry to be accepted.[21] In fact, Beijing has launched a program that offers officers of the Latin American armed forces the possibility of luxury stays with their families in the PRC to attend military education programs.[22] These are activities inspired by the International Military Training and Education (IMET) program of the United States. Certainly, Beijing is still a long way from building the ties that the U.S. military enjoys with its counterparts in the region. However, as this type of contact spreads over time, Beijing will

20 Erin Watson-Lynn, "The gravity of China's space base in Argentina", *Lowy Institute* (June 9, 2020), https://www.lowyinstitute.org/the-interpreter/gravity-china-s-space-base-argentina; LPO, " Trump presiona a Macri para que cierre la base espacial de China en Neuquén," *The Policy Online* (16 April 2019), https://www.lapoliticaonline.com/nota/118765-trump-presiona-a-macri-para-que-cierre-la-base-espacial-de-china-en-neuquen/ and LMN, " El permiso a la base china fue ratificado por Macri hasta el año 2064", *The Morning Neuquen* (December 3, 2018), https://www.lmneuquen.com/el-permiso-la-base-china-fue-ratificado-macri-el-ano-2064-n615315

21 Evan Ellis, "Chinese Security Engagement in Latin America", *Centro de Estudios Estratégicos del Ejército del Perú* (November 19, 2020), https://www.csis.org/analysis/chinese-security-engagement-latin-america; Caroline Houck, "Beijing Has Started Giving Latin American Generals 'Lavish,' All-Expenses-Paid Trips to China," *Defense One* (February 15, 2018), https://www.defenseone.com/threats/2018/02/beijing-has-started-giving-latin-american-generals-lavish-all-expense-trips-china/146040/

22 Caroline Houck, "Beijing Has Started Giving Latin American Generals 'Lavish,' All-Expenses-Paid Trips to China," Defense One (February 15, 2018), https://www.defenseone.com/threats/2018/02 / beijing-has-started-giving-latin-american-generals-lavish-all-expense-trips-china/146040/

gradually be able to count on a network of Latin American officials receptive to its interests and open to listening to the proposals of its defense industry.

In that context, the outlook for the Russian and Chinese defense industries in Latin America may be substantially different. The share of the Latin American defense market lost by Moscow in the period 2017-2021 could ultimately prove irrecoverable. The possibilities of the Russian defense industry to regain its presence in the region will be seriously limited not only by the barriers created by international sanctions but also because, in addition, the entire Russian industrial infrastructure will have to concentrate on covering the enormous losses of material experienced by its Russian Armed Forces in the campaign in Ukraine. This need will become more urgent and overwhelming the longer the current war continues.

Faced with this scenario, the PRC may find an opportunity not only to recover the space lost in the Latin American defense market during the past years but also to substantially expand its role as an arms supplier to the region. A first favorable factor for the Chinese military industry is that blocking the supply of Russian weapons to the region will leave countries like Venezuela and Nicaragua without their main and – in some cases – sole supplier, creating a vacuum that Beijing can fill. At the same time, some of the Latin American governments that have shifted to the left -Chile, Colombia, etc.- could bet on opening to the purchase of Chinese military equipment. This increase in the penetration of Beijing's defense industry would be facilitated both by its growing political-economic influence in the region and by the collaborative ties that the Chinese People's Liberation Army is building with its Latin American counterparts.

Conclusion: A disputed market

The relative success with which the United States and Europe have defended their hegemony as suppliers of military equipment to Latin America over the past three decades could fuel a false sense of complacency. Despite the fears raised by the entry of the Chinese and, above all, the Russian defense

industry into the region in the period 2012–2021, the truth is that the collapse of its sales in recent years shows how fragile its penetration was. Moscow and Beijing were only able to develop relations of a certain level with a few countries (Venezuela, Bolivia, Nicaragua), in most cases based more on political affinities than on the actual attractiveness of their defense products. With a few very few exceptions, such as the Mi-17 helicopters exported by Russia, the few countries that chose to buy military equipment from Moscow or Beijing did so not because of its goodness, but because of their willingness to separate from Washington. With these markets closed due to economic or political problems, the commercial penetration of the Russian and Chinese military industries vanished with them.

In any case, the regaining hegemony of Western military equipment suppliers could be a temporary phenomenon. While the impact of the Ukraine war and Western sanctions on the Russian defense industry promise to eliminate it as a serious competitor in Latin America, this does not seem to be the case for the PRC. Beijing counts on its political and economic influence over Latin American governments and the network of military relationships it is building in the region as fulcrums to regain its lost position in the Latin American defense market and aspire to become one of its main suppliers. This race is likely to start with the replacement of Russia as the main supplier of countries such as Venezuela or Nicaragua. Beijing could then aim to expand its sales to other countries. The talks on transferring fighter bombers and armored vehicles to Argentina are a sign of where the PRC's ambitions are heading.

It is tempting to consider the evolution of the Latin American defense market as a marginal issue, of interest only to some arms companies, Latin American defense ministries always constrained by a lack of resources, and a few academics versed in the most cryptic part of security. Nothing would be more misleading. Indeed, if the United States and its European partners lose weight as suppliers of military equipment to the Latin American armed forces to the PRC, the region will have taken a decisive step toward its geopolitical fragmentation and increased risks of conflict. If Beijing becomes the main

supplier to some Latin American countries, it will use this position to assert its control over its foreign and security policy. This political-military influence, coupled with its economic preponderance, will create the conditions for the emergence of a sphere of influence that will fracture the Hemisphere, limit Washington's ability to promote democracy and prosperity in the region and increase the risk of military friction within the continent.

This outcome is not inevitable but ensuring that it does not become a reality requires the United States to contain China's expansion in the Hemisphere. To do this, Washington must compete with Beijing in several key areas of regional security, including the supply of military equipment and technical assistance required to address the legitimate defense needs of Latin American democracies.

About the author:

Román D. Ortiz – *William J. Perry Center for Hemispheric Defense Studies / Center for International Security of the Francisco de Vitoria University*

He has more than 30 years of experience as an academic and consultant on security and defense issues. He is an adjunct professor at the William J. Perry Center for Hemispheric Defense Studies at the National Defense University (United States) and an analyst at the Center for International Security at the Francisco de Vitoria University (Spain). Between 2010 and 2014, he was an advisor to the Colombian Minister of Defense. During that period, he contributed his knowledge to the planning and execution of the military campaign "Sword of Honor." In addition, he participated in studies for the transformation of the Colombian armed forces to adapt them to the new strategic scenario created by the peace agreement with the FARC guerrillas. He has developed projects for USAID on rural security and advised humanitarian NGOs on stabilization operations. He has also advised on the design of security sector reform processes in several Latin American countries. He holds a PhD (Laude) in Political Science from the Instituto Universitario Ortega y Gasset – Universidad Complutense (Madrid). His publications include articles in Foreign Affairs, Studies in Conflict and Terrorism, and other academic journals.