

FROM BUST TO BOOM

The Gulf War threatens to re-kindle international arms sales.

BY CHRIS SMITH

THE GULF WAR HAS EMERGED AT A CRUCIAL juncture for the international political system and the global trade in arms. The short-lived post-Cold War, pre-Gulf War era presented nations with a rare but brief opportunity to consider how best to exploit a new and less threatening security environment. However, any positive outcomes are undoubtedly threatened by a major war, the technical and political lessons of which will be closely watched. The coalition forces cannot lose the war – in the coming months Saddam Hussein will be forced out of Kuwait, his capacity to wage war will be destroyed and he is unlikely to survive the political chaos and disintegration in Iraq that will result. Yet, pundits are already questioning the allies' ability to win the peace – a goal more important than a return to the *status quo ante*.

Over the past fifteen years, Arab and Israeli forces have been allowed to increase their military capabilities to awesome levels by playing off the Soviet Union against the United States, by manipulating the divisions between Western allies, notably West Germany, France and the United States, and by individual firms exploiting loopholes in national controls over defence exports. Partly as a result, regional security problems and power struggles have assumed new dimensions since the 1973 Yom Kippur war – conventional forces are much stronger and long-range missiles have been acquired, as may have chemical and nuclear weapons to go with them.

A REDUCTION OR STABILIZATION OF MILITARY capability is pointless on its own, particularly if, by definition, it is imposed from the outside. President Jimmy Carter attempted and failed to achieve this in the late 1970s when he pledged that the US would not be the first country to introduce new technologies into volatile areas. There is simply too much economic and political pull within the Middle East, too many new suppliers outside Europe and North America, and national controls over defence sales remain too weak. Clearly, reducing or controlling military capability in this region can only come through altering patterns of both supply and demand.

While much may change in the future, there are already signs that arms sales will retain their primary role in Middle Eastern affairs. The Pentagon has already laid contingency plans to increase the military capability of Kuwait, Saudi Arabia and the Gulf states, together with an allied peacekeeping force if Saddam Hussein is only partially defeated.¹

The inevitable surge in the future demand for defence equipment throughout the Middle East will have mixed fortunes for the major suppliers. While California and Massachusetts quietly rejoice, a recent French report has claimed that "we will soon be reduced to gathering the crumbs swept aside by our trans-atlantic allies."² In particular, the *Patriot* anti-missile missile and the *Tornado* ground-attack aircraft have both performed extremely well.

As with the French *Exocet* anti-ship missile following the Falklands War, "combat proven" status works veritable wonders for future sales. On Wall Street, the price of a share of Raytheon, the manufacturer of the *Patriot* missile, rose \$ 4.50 the first trading day after its initial combat success, and export orders for the *Patriot* are expected to reach \$ 2 billion next year. Similarly, the *Tomahawk* cruise missile now has a new lease on life.³ Destined for cancellation in 1992 prior to the war, production will now presumably be extended. The success or failure of the *Challenger* tank in the ground war will likely decide whether Britain remains a tank producer in the future.

During a period when the international defence market is severely depressed, when oil costs look set to rise above pre-2 August invasion levels to cover the costs of both war and peace, and when the main combatants will be looking to arms exports to reduce the economic costs of rearmament, the temptation to continue to use military means to suppress political problems will be strong.

IN LATE 1989, MIKHAIL GORBACHEV DID MORE than allow the liberation of Eastern Europe, he

also threw in the Soviet towel and with it, most political claims to superpower status. These actions brought a collapse of the contest which had determined the shape of the post-WWII world. The benefits of a new era of détente have been quick to manifest themselves, particularly in Europe. Nuclear and conventional arms control, the disintegration of the Warsaw Pact, the unification of Germany and additional opportunities to exploit the Single European Act have opened a new and promising chapter in European history and, potentially, for the Third World as well.

SOUTH ASIA AND PARTS OF AFRICA HAVE ALSO benefited; in mid-1990, growing tension between Pakistan and India over Kashmir failed to develop into a full-scale conflict in part because both superpowers decided that armed conflict was in the interests of neither. While regional, ethnic and religious problems persist and are invariably exacerbated by failures in economic development, the new emphasis on resolving conflicts and a tendency on the part of the major powers to avoid meddling in the internal affairs of weaker countries for Cold War purposes is a significant and positive change.

On defence questions, equally profound changes are on the horizon. In Europe, the Soviet Union and the United States there is a growing acknowledgement that distinct political and fiscal limits have been reached regarding what had been an open-ended commitment to the pursuit of advanced military technology. The end of the Cold War offers an opportunity to pursue both the conversion of defence production and the partial dismantling of national defence bases.

Although the French remain somewhat equivocal, most European defence enterprises now recognize that the long-term future lies in cost sharing and co-production arrangements. Prior to and during the build-up to the Gulf conflict, the US Congress was busy cutting billions out of the US defence budget in a desperate effort to address the nation's economic problems, most notably the federal deficit. Much the same was true in the Soviet

1. For Your Eyes Only, 24 December 1990.

2. Defence Marketing International, 16 November 1990.

3. The Independent, "US Defence Industry on a High," 26 January 1991.