

This shift in emphasis was also conditioned by an erosion of the superpowers' traditional markets, as major customers (such as Egypt, or the Latin American states) sought to diversify their sources of arms supply to reduce the political restrictions or costs that came with purchasing weapons from either superpower.

More significantly, the global economic impact of the oil price rise was a vast expansion of credit and lending to the Third World. Many of these loans translated, directly or indirectly, into increased spending on the military and arms purchases. This extended beyond the wealthy oil-producing states, and it permitted lesser suppliers such as Britain and France to expand their arms sales efforts considerably, as arms were less frequently supplied on concessionary terms by the United States and the Soviet Union.

In the third phase (1980 to today), according to Mr. Smith, economic considerations still predominated over foreign policy aspects of arms transfers. Although the superpowers continued to sign concessionary deals with major customers (such as India and Syria for the Soviet Union, Egypt and Israel for the United States), the pressures of competition have eroded the political restraints under which the United States and Soviet Union previously operated.

The contention that these economic motives dominate American and Soviet calculations was disputed by one questioner. For example, Egypt received arms from the United States that it could not pay for, while Saudi Arabia was refused arms it could easily afford. It was not at all surprising that the superpowers require payment from those clients who can afford it. He also pointed out that a shift from aid to sales did not necessarily imply that political considerations had greatly declined in importance.

## **2. What motivates middle-tier states such as Britain, France, and Canada to supply arms?**

The question of the benefits of arms transfers for middle-tier states such as Canada was addressed by Mr. Smith; by the discussant for his paper, Mr. John Killick; and by many of the questioners.

As Mr. Smith pointed out, British and French policy makers perceived an active arms sales programme to be crucial in maintaining an autonomous defence industrial base in their countries. Arms sales relieved the burden of defence expenditure first, through economies of scale in production and second, through the balance of payments