

EXECUTIVE SUMMARY

The dramatic increase in the conventional arms trade that has occurred in the past two decades has sparked many attempts to understand better the motivations governing suppliers' and recipients' participation in the international arms transfer system. Nearly \$29,000 million worth of arms changed hands in 1985, and the contribution of these transactions to increased international peace and security was not always evident.

Participants in a conference on this subject sponsored by the Canadian Institute for International Peace and Security first noted that the *nature* of the arms trade had changed in recent years. More trade was conducted through semi-official and unofficial channels — the so-called “grey” and “black” arms markets. This change suggests that the overall level of trade has *not* dropped, as official statistics (which cover the “white” or “opaque” market) would at first glance suggest.

Discussion of the motives driving states to supply arms produced a picture of three “tiers” of suppliers. The first tier includes the United States and Soviet Union, which together accounted for about 55 percent of the total value of arms transferred in 1983. Although one can detect an increasing awareness of the economic benefits derived from arms transfers, the primary motivation behind the superpowers' arms transfers remains political. Arms transfers cement relationships and provide a certain amount of political influence. The precise balance between economic and political motivations was debated, with some analysts arguing that economic considerations grew in importance in the 1970s and 1980s.

Second tier states (industrialized states such as Britain, France, and Canada) were much more driven by economic considerations. The constraints of a small domestic market, coupled with the perceived need to stay at the forefront of weapons production technology, creates intense pressure to export arms. Within this group, however, one can distinguish a number of states (Sweden, Japan, Switzerland, Germany and Canada) that follow more “restrictive” policies for political reasons, albeit with varying degrees of success.

The third tier includes the emerging Third World arms suppliers such as Israel, Brazil, Egypt and India. Aggressive marketing of products is the hallmark of these states and the pursuit of exports appears connected to an overall strategy of “military-led industrialization.” Although in many cases the decision to produce arms is sparked by an experience with supply difficulties (examples being Israel, Taiwan, South Africa and Chile), arms production comes to be seen as a sign of