

These changes in the domestic political context for discussions of conventional proliferation have been paralleled by a change in the international control context. With a few notable exceptions (such as the COCOM), conventional proliferation was constrained mainly through unilateral or informal multilateral efforts. Today, however, discussions to constrain conventional proliferation have themselves "proliferated," in such forums as the Organization for Security and Cooperation in Europe, the Organization of American States, the Permanent Five members of the Security Council, or the European Union. The development of specific practical measures to constrain conventional proliferation is, however, proving difficult.

Current initiatives will be discussed fully in chapter six, but it is worth noting here the two major conceptual difficulties faced by multilateral efforts: the *free-rider* and *lowest common denominator* problems. With respect to the problem of *free riders* who take advantage of more restricted policies to increase their export opportunities, the depolitization of the arms trade and intense commercial competition mean that "efforts by an individual country to implement new and more effective regulations will be strongly resisted by that country's private sector...unless these regulations are reciprocated by other countries."¹ On the other hand, when multilateral agreements can be reached, they can often be forced to the level of the *lowest common denominator*, which might even result in overall less restrictive policies than before policy coordination and harmonization occurs. Both of these pose serious problems for efforts to constrain conventional proliferation that will be discussed in more detail below.

Perhaps most importantly, the radical drop in the arms trade, combined with the changing nature of global defence production, has sharpened the economic trade-offs many states must make when balancing their policies for constraining conventional proliferation against other factors, such as possessing a defence industrial base, an advanced high-technology sector, or preserving employment. The rest of this chapter sketches how some of these concerns are manifest, by exploring the global economic and industrial context of the arms trade.

The Global Economic and Industrial Context: Demand and Supply Factors

States can obtain the means of their self-defence either through domestic arms production, or by acquiring weapons abroad. There are, however, only a handful of nations that could in principle meet all of their military equipment requirements through domestic manufacture, and even fewer that can do so in quantities that make economic sense. During and since the Cold War, only the United States and the Soviet Union came close to military "self-sufficiency." For most industrialized states, including Canada, arms are acquired through a combination of domestic production and imports (often of crucial items). Sweden, for example, which produces an advanced fighter (the JAS-39), depends on more 12 foreign subcontractors for critical components and technologies, making it particularly sensitive to any supply restrictions.² Hence supply-side policies to constrain conventional proliferation that have an impact on a nation's survival become complex and difficult to apply, which mitigates against overly-simplistic approaches to arms control. Finally, the vast

¹ Wolfgang Reinicke, "Cooperative Security and the Political Economy of Nonproliferation," in Janne Nolan, ed., *Global Engagement*, (Washington: The Brookings Institution, 1994), 180.

² Richard A. Bitzinger, "The Globalization of the Arms Industry: The Next Proliferation Challenge," *International Security*, 19:2 (Fall 1994), 184. One obvious solution to this is the transfer of technical drawings and specifications so that the critical components can be manufactured by domestic suppliers should the need arise. This raises a host of other issues concerning licensing, proprietary rights, the transfer of sensitive technology and competitiveness that are not dealt with easily.