WHY STATES BUY AND SELL ARMS

Suppliers

Arms exports have been justified as providing a range of political, economic and military benefits to suppliers. These can be broken down as follows:

Political benefits

- provide influence over leaders and elites in recipient countries
- symbolize a commitment to a client's security and stability
- exclude other suppliers from having influence
- help a client regime protect itself against internal threats
- provide leverage to pursue diplomatic objectives
- create a regional balance of power
- maintain a regional presence

Economic benefits

- provide foreign exchange, and help the balance of payments
- reduce weapons costs for one's own military
- maintain employment in defence industries
- recover research and development costs
- stimulate industrial development

Military benefits

- act as a *quid pro quo* for military bases or privileges
- substitute for direct military involvement
- test new weapons systems
- help allies maintain defences against a common threat

Not all suppliers seek the same mix of benefits from their arms transfer relationships. For first-tier states the "economic" benefits of arms sales do not loom large. Both the United States and the Soviet Union produce the entire range of modern weapons and have a huge domestic military market that absorbs most of the arms produced. Exports are thus only a small proportion of total production and neither superpower depends heavily on the revenue generated from arms sales to protect jobs or reduce the costs of weapons for their own forces. In fact, they supply large quantities of weapons "free" as grants or with low-interest loans. In 1985, the United States guaranteed loans for more than $5 billion of its arms sales in 1985, and the Soviet Union signed a $1.7 billion deal with India with a loan at a 2.5 percent interest rate.

This willingness to subsidize arms sales means that first-tier suppliers are more concerned with the political and military benefits that come from arms transfer relationships. Arms sales are part of the global struggle for influence between the United States and the Soviet Union, and part of the measure of international success or failure. Countless examples can be found of pressure being applied to clients to support specific or general superpower policies, ranging from votes in the United Nations, to better trade relations, to ceasefire proposals in wars. On the military side, both superpowers have explicitly linked arms transfers to the opening or maintenance of military bases, to joint military exercises, or to the pre-positioning of supplies that can be used in time of crisis. Egypt, Mozambique, Somalia and the Philippines have all been pressured in this way by the superpowers.

Second-tier suppliers' motives are different, as they are trapped in a difficult struggle to maintain independent defence industries. Britain and France, the two most prominent producers, manufacture top-of-the-line weapons in all major categories (aircraft, land vehicles, missiles, naval craft), but do not have a large enough domestic market to keep the costs of individual items down. The research and development costs of a jet fighter, for example, are enormous, and must be spread evenly over the total number of fighters produced. Thus the cost of each plane decreases as more are built: it is much less expensive *per plane* to build 1000 fighters than to build only 100. This gives the United States and Soviet Union, with their huge internal demand, a comparative cost advantage. Since neither the British nor the French air forces are large enough to purchase all the fighters that have to be built to keep the price down, both states are virtually forced to pursue aggressively arms exports. The French Dassault company, which produces *Mirage* fighter planes, regularly exports more than 60 percent of its products. Dependence on exports is so great that one French defence minister instructed the military to "take export potential into account when choosing military equipment" — a clear case of the tail wagging the dog.

The same dilemma presents itself to all lesser second-tier producers, regardless of their products. The result is that these suppliers cannot afford to be as selective about which customers to supply, cannot afford to supply many arms on a grant or low-cost loan basis, and therefore cannot attempt to extract additional political benefits from the relationship. Although these suppliers (especially the French) are often accused of designing their arms transfer policy around crude economic considerations, one must realize that behind the perceived economic benefits lies a *political* consideration: the need to maintain an independent national defence industry to guarantee sovereignty and autonomy. As the American commitment to Western Europe becomes less and less certain, European NATO states are more conscious of this need, and thus the arms trade with the Third World becomes linked to East-West relations in another way.

Third-tier producers have diverse motives for selling arms. The "pariah" state producers (South Africa, Taiwan, Israel) export arms simply to offset the cost of independent industries that are developed initially for political reasons.