- The problem of the impact of arms acquisitions and military spending on social and economic development must be tackled through international development assistance policies (bilateral and multilateral), and through strategies that build governmental capacities and promote civil society.

Of course, real-world problems do not come so neatly packaged, and these three clusters of problems and potential solutions are interrelated in complex ways in particular regional or global situations. Hence some effort needs to be devoted to developing comprehensive or "umbrella" multilateral frameworks within which the more specific problems of conventional proliferation can be addressed.

The Changing Global Economic Context

Paradoxically, increased attention to the problem of conventional proliferation coincides with a precipitous drop in the global arms trade. From a high of more than $70 billion a year (1993 $U.S. dollars) in the late 1980s, the annual arms trade is now worth about $22 billion. Similarly, global arms *production* has declined from more than $260 billion a year to less than $200 billion. Chapter three of the report discusses in detail the following issues:

- The six dominant suppliers (United States, France, Russia, Britain, Germany, China) accounted for *91 percent* of the world's arms exports. Five of these states are permanent members of the United Nations Security Council, and their role as custodians of "international peace and security" can and does conflict with their economic interests in arms exports.
- most major suppliers depend on exports *not* for their overall contribution to the economy (which is usually minimal), but because they sustain a high-technology defence industrial base in light of declining domestic arms procurement.
- Although only eight states can produce the entire range of advanced major weapons systems, more than 25 can produce and export some advanced systems or components. Up to 69 states (and 300 firms) can produce small arms and ammunition.
- the covert weapons trade is worth about $1-2 billion a year (five to ten percent of total transfers). Most of this is the light weapons and small arms used in local conflicts.
- the defence industry is restructuring and "globalizing"; this internationalization makes a multilateral approach to conventional proliferation indispensable.
- technological transformations are changing the relationship between military and civilian innovation (with *spin-offs* from defence being supplemented by *spin-ons* from civilian production), and increasing the desire of states for access to technology for civilian economic development.

Canada's Role in Global Arms Production and Trade

Canada is neither a major, nor an insignificant, player in global arms production or trade. Several facts and figures (presented in detail in chapter four) situate Canada's position:

Defence Production

- Canada produces more than $3 billion a year in military goods, placing it among the top ten producers of arms and products used for military purposes.