



Globalized Weaponry

By Tamar Gabelnick and Anna Rich, Federation of American Scientists

During the cold war the U.S. government exempted the conventional weapons trade from its general advocacy of free trade. U.S. arms exports were restricted to preserve national security, and the U.S. worked closely with allies to limit conventional arms proliferation. But the Clinton administration took advantage of the change in the global security environment to reverse many self-imposed barriers on arms exports. Financial gain and competition—not national or global security—are now the dominant values governing arms exports in today's global marketplace.

National security concerns still get some lip service, but the proliferation of arms transfers tells an entirely different story.

At least 154 out of 190 independent countries will get contracts for or deliveries of American arms in fiscal year 2000, according to the U.S. government. From 1995-97, U.S.-based firms profited from a 55% share of the global arms market (up from roughly a third during the cold war), exporting four times more than its closest competitor (Britain). U.S. arms deliveries have also increased

in absolute terms—from \$23 billion in 1987 to almost \$32 billion in 1997. Like McDonald's and Coca-Cola, American arms have penetrated the world market.

Declining global demand for weapons since the cold war's end makes U.S. dominance of the arms trade all the more remarkable. Three factors explain American defense manufacturers' ability to grab a larger piece of a shrinking pie: 1) a sophisticated technological base (thanks to high U.S. defense procurement and government investment in R&D); 2) governmental promotion of and financial support for arms exports; and 3) industry willingness to provide extra incentives to make a sale. Consequently, the U.S. arms industry has neither cut production significantly nor converted to civilian products despite lower U.S. arms purchases.

In a 1995 Presidential Decision Directive, the Clinton administration expressly stated for the first time that supporting U.S. economic interests was an important policy consideration when making arms transfer decisions. The government's rationale is that foreign sales maintain defense-related skills and infrastructure in the U.S. at a time of reduced U.S. government arms procurement, thereby creating lower per-unit costs for U.S. weapons procurement while also promoting "interoperability" with allies for joint operations. This conventional wisdom, however, is rarely

supported by hard analysis. The General Accounting Office, for instance, has questioned the per-unit cost savings supposedly derived from arms exports, and allies can achieve interoperability without purchasing only U.S. equipment.

In today's global economy, the U.S. government (in particular the Pentagon) has become an advocate for U.S. companies interested in exporting arms. During the 1990s the Defense Technology Security Administration (DSB), the agency responsible for strategic evaluation of arms exports, was moved from its traditional position in the Pentagon's policy division to Acquisition, Technology and Logistics, the directorate devoted to reducing costs for U.S. arms procurement. The overarching goal has shifted from control for national security reasons to export promotion. In addition, the Arms Transfer Policy Review Group, a new committee responsible for rendering decisions about controversial arms sales, is also supposed to "champion" arms industry concerns. The Secretary of Defense himself serves as an unofficial sales representative for U.S. industry, routinely promoting U.S. arms sales on foreign visits.

As a result of this new market orientation for decisions about arms transfers, the U.S. government has proved willing to export increasingly sophisticated weaponry to an ever-widening group of countries. The U.S. has introduced new arms technology into highly charged regions like the Middle East and the Aegean, and is helping Taiwan further its arms race with China. U.S. weapons manufacturers can now count on a large export market (regardless of the sensitivity of the technology)—sometimes before the weapons are produced for American use. For example, the United Arab Emirates (UAE) just finalized a deal to buy 80 F-16s that will have better range, radar, and targeting accuracy than those used by the U.S. Air Force.

To seal arms sales agreements, exporters must often provide importing countries with a share of production, thereby further contributing to global arms proliferation by increasing the number of producers. These production-sharing, or offset, arrangements can include local assembly work, subcontracting agreements, joint weapons development, and technology transfers. In today's buyers' market, offsets may exceed 100% of the value of the weapons, and may include greater access to U.S. technology and demands for blanket re-export rights. U.S. firms—though not their employees—have embraced this globalization of arms production. Turkey and South Korea now produce F-16 fighter jets for their own use, and Turkey has so far produced 46 jets for export to Egypt, over the protests of Lockheed-Martin workers. The prevalence of offsets, which send jobs and production overseas, undercuts the argument that arms sales significantly benefit the U.S. economy.

Key Points

- U.S. arms export policy was established to protect national security, but has become increasingly focused on commercial interests.
- Excess arms production capacity and reduced demand make sales in the post-cold war global arms bazaar highly competitive.
- U.S. weapons sales and production are being globalized.

Problems With Current U.S. Policy

The U.S. government intends to take advantage of the global economy to carve out an even larger market share for U.S. arms. Apparently, the plan is not merely to maintain existing levels of commercialism but to further weaken the arms export control system.

The Pentagon and U.S. defense industry claim that far-reaching reforms are needed to keep pace with a globalized economy, to increase Europe's defense capabilities, to ensure continued U.S. access to the European arms market, and to increase the likelihood of trans-Atlantic industrial mergers. The U.S. arms industry complains that the cumbersome U.S. export-licensing process hinders exports to—and joint projects with—European allies. The Clinton administration—eager to be receptive to industry interests—has approved a series of reforms to revamp the export process, announced at the May NATO ministerial. They include exempting certain allies from arms export licensing requirements, allowing a single “program license” to cover an entire major weapons system sale, speeding up the licensing process for NATO members, and loosening restrictions on the resale of U.S. weapons to third parties. The underlying objective? To sell more weapons, more quickly.

This rush to globalize arms production and sales ignores the grave humanitarian and strategic consequences of global weapons proliferation. Already, profit motives in the military industry have resulted in arms export decisions that contravene such U.S. foreign policy goals as preserving stability and promoting human rights and democracy. In this “profit-over-pragmatism” logic, Israel may receive up to \$17 billion worth of free U.S. weapons for signing a peace accord with Syria; Colombia is about to receive almost \$1 billion worth of arms to fight leftist insurgents in the name of reducing drug consumption in the U.S.; and Turkey's failure to reduce human rights abuses or to negotiate an end to its 15-year-old conflict with Kurdish rebels may soon be rewarded with a \$4 billion attack helicopter sale. Recent reforms weakening export controls will further this trend by focusing on the supposed economic benefits of increased arms sales instead of the associated human costs.

Changes that reduce the government's oversight of weapons sales—such as export license exemptions and program licenses—open the door for unscrupulous exporters and recipients to increase their exploitation of export laws. The U.S. weapons industry does not have a good record of self-policing; Lockheed Martin, Boeing, and other major exporters have recently been indicted for violation of export controls in connection with sales to China.

Thus far the only country that has been granted a blanket exemption from export licensing has been Canada. But the U.S. government suspended this exemption in 1999 because Canadian firms transferred U.S. military technology to Iran and China. The UK and Australia, next in line for blanket exemptions, pose even greater risks for diversion or unauthorized re-exports. Small arms exports to the UK already had to be suspended in 1999 because of suspected diversion, and the lack of physical controls over trade among EU states makes it difficult to develop an export policy for the UK in isolation from other EU states.

The U.S. claims it will require recipient countries to improve their own export controls in exchange for the special licensing privileges. But current U.S. market dominance may cause other states to view the reform process as a rigged game and refuse to participate. Moreover, without strong voices in the administration calling for restraint, and with the Pentagon impatient to implement the new reforms, initially stringent requirements may get watered down over time. The United States has already demonstrated an alarming lack of influence over the export policies of even our close allies. For example, only two NATO members officially recognize the U.S. government's prerogative to authorize re-exports of U.S.-origin arms, and official Australian policy explicitly notes that U.S. regulations on re-exports of U.S. arms are “not recognized in Australian law.”

Proponents of reforms to facilitate arms exports have also failed to address the political implications of granting privileged status to close allies and NATO members. By opening the door to special exemptions for certain states or accelerated service for NATO members, the U.S. government subjects itself to intense political pressure to extend favors to as many purchasers as possible. Moreover, not all NATO members have proved worthy of this privileged status, either because they have no proven track record on re-exports (the new Central European NATO members) or because they have a history of using U.S. weaponry to repress minorities and threaten neighbors (Turkey).

Decisions made today about loosening controls on arms exports and offset arms production will shape the military industry of tomorrow. The current proposed export reforms will usher in an era of transnational mergers of defense corporations. Indeed, the Pentagon's Defense Science Board (DSB) Task Force on Globalization and Security called upon the Pentagon to “facilitate” such consolidation in its December 1999 final report. Numerous joint projects and proposals for increased cooperation with European and Asian defense companies are already in the works.

These trends could create a transnational defense industry accountable to none but its shareholders. Recent consolidation of the U.S. military industry created a few giant companies whose agendas and interests carry enormous sway in debates about military spending and export control, while doing little to lower costs or reduce production capacity. Transnational mega-mergers could further increase the power of defense companies, again shifting control away from governments toward private industry. Transnational defense companies would be eager to market their arms to many different countries, and could take advantage of the current lack of consensus about export controls by encouraging the lowest common standards among exporting nations.

Key Problems

- Profit-driven arms exports into conflict areas or to repressive governments fuel arms races and rights abuses.
 - The Clinton administration has loosened export restrictions when greater scrutiny is needed.
 - Proposed export reforms will lead to further loss of control over conventional arms proliferation.
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Toward a New Foreign Policy

The Defense Science Board's final report predicts a dire scenario for the future: "with few exceptions, advanced conventional weapons will be available to anyone who can afford them." The DSB's conclusion is to give up, telling the Pentagon to stop worrying about protecting American technological capabilities, because "clinging to a failing policy of export controls" could "limit the

Key Recommendations

- The U.S. government should be cautious and skeptical as it considers export reforms.
- The U.S. government should base its arms export policies on promotion of human rights, democracy, and peace, not economic considerations.
- The U.S. government should work toward a strong international consensus on limiting the arms trade.

special influence the U.S. might otherwise accrue as a global provider and supporter of military equipment and services." Yet with concerted effort, the assumption of a highly militarized future in which the U.S. must sell arms to buy influence can be altered. The first step would be to increase the U.S. government's own standards for arms exports. No export reforms should be adopted unless they can be guaranteed to strengthen U.S. control over arms proliferation. In addition, the U.S. should adopt a policy of broad and consistent export restraints to reduce the political costs of denying a particular arms sale and to give the U.S. government the moral authority to encourage restraint by other states. Rep. Cynthia McKinney (D-GA) has proposed a U.S. "code of conduct" for arms transfers, which would restrict arms sales to countries that are non-democratic, aggressors, human rights abusers, or not open about their military spending. Such a code would effectively address the real security threats that conventional arms proliferation pose by preventing arms sales to those countries most likely to misuse them. If applied fairly and consistently, a code of conduct would be a more neutral and just export control system than the current case-by-case decision-making process.

Second, U.S. export controls must not only be strong, but shared. The cold war consensus on limiting conventional arms exports to common enemies has been lost, and an effective new regime has yet to take its place. Transnational weapons development and production will require states to make more joint decisions on exports of these co-developed arms. To avoid the

temptation to adopt the weakest criteria, the international community urgently needs to adopt strict common standards for arms transfers. The U.S. government was given a congressional mandate in fall 1999 to develop a multilateral code of conduct on arms transfers, using criteria similar to McKinney's code.

Valuable precedents already exist on which to build a future international consensus. In May 1998, the European Union agreed to a common set of principles for arms transfers, including human rights and regional stability. Member states promised to inform each other of sales denials based on these criteria and to consult each other if planning to undercut such denials. Several Eastern European states, Canada, and the U.S. have endorsed the EU Code principles. Other major exporters will need additional incentives to practice restraint: Russia's conventional arms industry needs some of the same attention the U.S. government is giving to address the risk of nuclear proliferation, and China needs to see conventional arms control as the international norm that must be adopted for international acceptance.

More broadly, America needs to get its priorities straight with regard to arms exports. Alleged economic benefits of arms exports should never be allowed to outweigh the risk that those weapons might be used in human rights abuses or accelerate a destabilizing arms race. The next administration can take the first step by developing a new presidential directive on arms exports that excludes Clinton's reference to "the impact on U.S. industry and the defense industrial base." It should also reduce the financial and marketing support for U.S. weapons sales, shifting these funds into more constructive export markets.

Exporting more arms is the easy way to deal with the arms industry's overcapacity. But the U.S. government is creating serious problems by promoting exports as the solution. A better approach is to create a responsible arms export policy, and to cut back U.S. arms production where necessary. With some encouragement from its constituents, the next administration may muster the political will to get this done.

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Publications

Lora Lumpe and Jeff Donarski, *The Arms Trade Revealed: A Guide for Investigators and Activists* (Washington, DC: Federation of American Scientists Fund, 1998).

Ann R. Markusen and Sean S. Costigan, eds., *Arming the Future: A Defense Industry for the 21st Century* (New York: Council on Foreign Relations Press, 1999).

Websites

Arms Transfer Working Group

<http://www.fas.org/asmp/atwg/index.html>

Export "Reform" Information and Critique

<http://www.fas.org/asmp/campaigns/control.html>

Defense Security Cooperation Agency, Security Cooperation Reinvention

<http://www.dsca.osd.mil/programs/reinvention/reinvention.htm>

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