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The Role of Mid-Sized Suppliers In  
International Arms Transfers; West  
Germany In The 1980's.

by

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The Role of Mid-Sized Suppliers In International  
Arms Transfers: West Germany In The 1980's.

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DRAFT - NOT FOR QUOTATION

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inclusions and conclusions remain the author's responsibility.

## The Role of Mid-Sized Suppliers in International Arms Transfers: West Germany in the 1980's

Kant's imperative requires the politician not to be an opportunist but conscientiously to acquaint himself with all interests affected by and all consequences of his decisions, and to weigh them up conscientiously.

Let us take, for instance the current discussion on the export of arms. Here a number of different interests overlap in an extremely complicated manner and they all have to be considered in relation to one another. There are our own interests, the interest of others, and our own interest in foreign interests. . . . Since they are hard to assess it is not easy to weigh them up against one another! And should anyone say that here we have to make a choice between oil and our morals then he has not given the matter enough thought. The crux of the matter, as with many other political problems, is the very fact that both differing and even conflicting assessments and solutions can undoubtedly be morally justified.

--Helmut Schmidt, addressing the Congress  
on "Kant in Our Time," Ebert Foundation,  
Bonn (March 12, 1981).

### INTRODUCTION

Apart from a somewhat non-Kantian use of Kant's categorical imperative, Chancellor Schmidt's litany of factors which complicate action in the practical politics of arms transfers indicates a set of dilemmas faced particularly by leaders of moderately powerful states. Schmidt spoke in the context of growing economic problems and temptations to partake of the lucrative international arms trade, yet spoke for a country which, for various reasons mostly having to do with its international status, had resolved to restrict its participation in that trade. He went on in his presentation to note that the sale of arms overseas to reduce domestic unemployment could, in some interpretations, be labelled morally right just as well as morally wrong, that West Germany would probably continue to be restrictive about such sales, and that arms sales would continue but not as a means of stimulating



employment. In other words, in a very non-categorical imperative typical of hard-pressed political practitioners, Herr Schmidt promised to keep his options as open as possible.

Most of the recent headlines, both media and scholarly, about the international arms traffic have dealt with jousting by the two superpowers for top supplier position, and the emergence of a new breed of Third World arms producers, such as Israel, Argentina, and Brazil. The long-standing and still active role of mid-sized suppliers -- mainly of the European Community -- has been less closely watched. Yet these states face a unique blend of incentives and pressures which bear careful scrutiny, since as a group in 1980 they accounted for approximately 28% of total world arms supplies (the US had 25% and the USSR 34% that year by comparison),<sup>1</sup> and mount extremely active sales promotions. In certain regions, such as Africa, mid-sized suppliers dominate segments of the market and make use of political ties left over from colonial days. They also offer the readiest alternative source of sophisticated military equipment for customers worried about over-dependence on the superpowers. Clearly then these suppliers can affect the outbreak and outcome of wars in areas as diverse as the Persian Gulf, Straits of Molucca, and Beagle Channel.

Before going further to account for the unique political and market environment faced by mid-sized suppliers, it is necessary to define that category more carefully. Basically, the term "mid-sized supplier" will be used to refer to industrially developed states producing heavy and highly advanced weapons, seriously seeking to sell these weapons abroad, but not able to sustain production in all types of military equipment with a purely domestic market. Currently the U.S. and U.S.S.R. are the only states able to sustain across-the-board military production through domestic defense

procurement, given the soaring costs of research, development, and production; and it is becoming increasingly difficult even for them to do so. The pressure on mid-sized arms producing states is even more intense, given their smaller domestic armed force procurement, and continuing desires to stay in as many aspects of the weapons business as possible. The basic assumption is that economies of scale in weapons production occur with at least somewhat extended production runs, and that production design teams are a valuable national asset which must be kept together and functioning through contract awards.

A list of today's mid-sized suppliers would include, in order of export of major weapons systems to the Third World:<sup>2</sup> France; Italy; the United Kingdom; the Federal Republic of Germany; and Sweden. Smaller producers (those not producing heavy and/or technologically advanced systems for export) which could develop to join this group include among others, China, the German Democratic Republic, Poland, Czechoslovakia, Brazil, Argentina, Israel, Japan, South Africa, Australia, Taiwan, and Belgium.

Mid-sized suppliers promote arms exports for many of the same reasons as the superpowers, but for other reasons as well. As do the superpowers, many of them seek a measure of foreign influence over recipient states or in key regions such as the Persian Gulf. A number of studies have concluded that such influence can be fleeting and ephemeral at best,<sup>3</sup> but the bolstering of friendly regimes and fostering of friendly relations with client states is still a notable British, French, and German interest. Mid-sized suppliers also share with their larger competitors economic and security interests in keeping design teams busy and generating longer production runs to ease military procurement cost and supply problems. However, arms exports may be overrated as a cost-reduction device, since marginal cost savings can often be achieved through pooled alliance procurement (as in NATO) rather than through



Third World exports. Research also has shown that rather than facilitating military procurement by the exporting state, arms exports frequently substitute for domestic orders when budget problems limit procurement.<sup>4</sup>

Domestic concerns ranging from economic to moral controversies also affect both large and mid-sized powers' arms sales policies. Domestic employment is one overriding interest, although the number of jobs created through arms exports has been remarkably low -- an estimated 80,000 jobs in Britain and 45,000 jobs in West Germany for example in the early 1980's.<sup>5</sup> While all suppliers seek a return to the treasury and improved balance of payments through weapons exports, the degree of benefit achieved has varied depending upon the country's competitive position in the market. Britain has seen little direct return to the exchequer, for example, since government levies (designed to recoup government R and D expenditures) are allowed to vary to make exported arms more competitive in price.<sup>6</sup> Concerns about the wisdom and ethics of extensive weapons exports also affect domestic politics to varying degrees in different periods, including controversies about U.N. embargoes, unauthorized third party weapon retransfers, violation of purchase contract terms, bribery, supplies to repressive regimes, and arms to fuel foreign wars.

Partly in order to avoid both domestic and foreign policy embarrassments and conflicts, arms exporting states, no matter what the size, generally also seek to control and regulate sales through licensing procedures. This provides information about where arms are purportedly going, and affords the opportunity to deny arms sales on a variety of criteria, including the release of sensitive technological information, and worries about use of weapons against exporters' interests.

There are also key differences between perspectives of large and mid-sized arms exporters, some of which reflect the latter's concerns about keeping up with the pacesetters and ahead of the "up and comers." As noted in the definition of mid-sized supplier, their domestic markets cannot sustain necessary R and D expenses and the high cost of today's sophisticated weapons systems. Therefore, they use arms exports and various forms of foreign collaboration -- co-production arrangements, subcontracting for superpower arms manufacturers, pooled procurement of equipment -- to maintain military production capabilities. These states are also subject to severe competition from the superpowers, which offer a wider range of products, at least in the U.S. case produced by a wide variety of manufacturers. Mid-sized suppliers generally can support only one major weapons producer per category of weapon, and have consolidated firms to eliminate unprofitable producers. The goods offered by superpowers are generally more thoroughly battle tested, backed by more extensive service and training facilities, and cheaper because of economies of scale and credit incentives.

Therefore, the mid-sized group will seek certain niches in the market, generally not competing directly with the superpowers but offering more tailored types of equipment to specific types of customers (Italy's fast light patrol boats, for instance). They might try to achieve heavy penetration of only a limited part of the market, through exclusive relationships with certain clients or with states to which the major powers are reluctant to ship arms. The mid-sized producers end up more frequently competing with each other in foreign sales than with the superpowers, since they essentially search out the same niches with similar types of weapons systems.

Because some mid-sized exporters will also seek greater political and military autonomy from the superpowers than will others, the degree of their



consultation with superpowers on arms production and transfers will vary. Britain has maintained relatively close consultation with Washington on Middle Eastern, as opposed to Latin American sales; France has adopted a decidedly independent approach. Since the primary mid-sized suppliers are American allies, they are also subject to American political and military pressures, especially regarding alliance procurement decisions. In the case of West Germany, dependence on U.S. forces fosters special receptivity to imports of U.S. arms. Allies respond by pushing for "two-way streets" in procurement decisions, i.e., U.S. decisions to purchase European arms in compensation for NATO purchases of U.S. systems.

Since the mid-sized states are also subject to greater dependence on outside sources of raw materials than are the superpowers, they will turn to arms marketing as a remedy for trade imbalances and to facilitate relations, sometimes even "special relations," with Third World raw material exporters. In recent years the intense pressure to sell arms for these reasons has lessened somewhat, with the opening of alternate energy sources in the North Sea and among non-OPEC producers, and with the advent of nuclear power generation in some European countries.

Given differing advantages and disadvantages, mid-sized states pursue somewhat different strategies than larger or smaller arms producers, while often differing in strategies among themselves as well. Types of responses adopted include:

Specialization -- for example as Sweden has become committed to aircraft design and production (even to the point of filling in with extensive domestic orders if foreign contracts cannot be won);

Concerted government-industry export partnerships -- as in the complex French agencies designed to promote foreign sales of various types of military equipment;<sup>7</sup>

Efforts to restrict exports to avoid political embarrassment -- as with German and Swedish reluctance to sell to war torn areas;

The use of nationalized or semi-nationalized production or marketing concerns to maintain government control of sales and avoid overidentification of government in weapons exports -- as in the British case, albeit mixed with desires to dispose of less profitable nationalized firms;

Co-production agreements with other mid-sized suppliers, to assure each partner a share of production and marketing, and to promote greater economies of scale; British, French, Italian, and German producers have all collaborated in various combinations, especially in aircraft production and with mixed results in terms of bottlenecks, cost-overruns and marketing success;

Cultivation of special clients, often in former colonies (France in Africa; U.K. in the Persian Gulf and with Kenya, Australia, and less successfully, India);

Cultivation of "special relations" with superpowers, as in the not very well balanced U.K.-U.S. and West German-U.S. two way purchase agreements for aircraft, submarines, training equipment, and parts;

Utilization of alliance ties to facilitate sales as against non-allied competitors -- as in the stiff competition for the "deal of the century" in reequipping NATO's airforces among U.S., French, and Swedish competitors.

Nowhere is the complexity and conflict of mid-sized supplier interests better demonstrated than in the Iran-Iraq war since 1980. A number of suppliers had intimate dealings with the former Iranian government under the Shah, and were initially sent scrambling for substitute arms customers when he fell. As Iraq gravitated from its former heavy dependence on the USSR, France and Britain moved to fill the void. Along with strictly economic interests, however, mid-sized suppliers had considerable security stakes when war broke out, in the continued supply of oil and the maintenance of friendly client regimes. Therefore, Britain also moved to increase its military supply role with a number of smaller Gulf states (notably Kuwait, Oman, and the UAE) and with Jordan, and to bolster its Saudi airforce supply contract. With high oil prices, the Federal Republic also was tempted to respond to Saudi overtures about purchase of the well-regarded Leopard II tank and other infantry equipment. This, of course, conflicted with existing German export restraints



and traditionally difficult relations with Israel. With recently growing fears about an Iranian victory in the Gulf, the mixture of political and economic concern has sparked a new round of military supply arrangements between France and Iraq, controversy about British arms for both Iran and Iraq, new Saudi and Jordanian requests for arms, and renewed U.S. interest in supplying the area directly.

All of this, of course, has fueled rather than curtailed the fighting, has further enraged Iranian leaders, who have threatened to disrupt oil shipments if French-supplied equipment enables Iraq to attack oil depots, and has been accompanied by remarkably little diplomatic effort to promote a negotiated settlement. In fact, the sequence of military commitments could escalate for the mid-sized suppliers if Iran were to attempt closure of the Hormuz Straits (an admittedly difficult and economically suicidal feat), as British as well as American fleets cruise nearby.

#### The Particular Focus of German Policy

Each mid-sized supplier, then, faces similar pressures, but tends to react somewhat distinctly because of varying traditional interests and experiences in the arms business. Some suppliers lack expertise in certain production areas (as in aircraft engine production); others have stressed nationalized vs. private ownership of armories; still others are more or less immune to political and ethical controversies regarding the sale of destructive equipment overseas.

The Federal Republic of Germany's responses to the international arms market and domestic arms interests have been especially complicated and subtle. Highly efficient German military production had been short-circuited both economically and politically by the Second World War, and arms production remains a controversial issue because of domestic opposition and international



suspensions. Yet at least in certain categories of production, particularly land based infantry equipment, German equipment continues to excel, and through collaborative endeavors with NATO partners, German industry has once again honed high technology capabilities, as in aircraft production.

The Federal Republic reentered the arms export business only slowly, with belated government involvement. Exports in the 1950's were confined mainly to surplus equipment. Unlike Britain and France, West Germany retained few if any traditional arms clients after World War II, and recreated its arms production capacity gradually, content to subcontract for or replicate under license U.S. production through the early 1960's. As the Bundeswehr grew modestly, arms exports were purportedly calibrated only at modest levels to provide a national security base and to fit U.S. regulations about retransfers of licensed production.<sup>8</sup> Corresponding to a general German tendency to non-assertiveness in international affairs and emphasis on economic modernization during those years, Bonn established NATO's most clearly articulated limits on arms exports (neutrals such as Sweden have since articulated similar restraints).

These limits derived from German constitutional provisions and supplementary legislation to implement those provisions and prevent abuses. The Federal Constitution prohibits the manufacture, transport, and marketing of weapons of war except with the permission of the Federal Government. As the volume of German weapons production increased, and embarrassing incidents, such as German ships running arms to Algeria during the French-Algerian war, occurred in the early 1960's, two additional laws were promulgated. One, the War Weapons Control Act, involved creation of a munitions list, periodically revised, to specify weapons subject to Federal export control. The other, the Foreign Trade Act, supplemented the list by integrating the NATO-COCOM

classifications of strategic goods which could not be released for fear of East bloc acquisition. Yet West Germany's devotion to free trade principles was also written into the law, so that particular license refusals could be appealed to an administrative court (none have been). Thus, the Federal Republic went far toward subjecting administration of arms export controls to judicial scrutiny, and the conflict between commercial export interests and arms control advocates began quite early.

One additional set of potential restrictions derives from the Federal Republic's membership in the Western European Union, whose Paris Agreements of 1954 contained German undertakings not to produce nuclear, chemical, or biological weapons and not to build weapons such as warships above a specified size limit. While WEU provisions have not been applied to German arms sales, they constitute a limit on the types of weapons produced and available for export.<sup>9</sup>

The Federal Republic was not unique among arms exporters in applying controls and creating restricted weapons lists, nor for that matter in administering the controls through consultation among foreign affairs, defense, and economic ministries. But Bonn has indulged in considerably less overt governmental promotion of arms exports than other Western states. There is as yet no German equivalent of the British Defence Sales Organization, the U.S. Foreign Military Sales program, or French governmental-business export societies.<sup>10</sup> The Bonn government reacted to the growth of German arms industries and established laws to control and even restrict exports.

For a time beginning in 1961 arms transfers were considered important adjuncts to West German foreign policy, especially in promoting the legitimacy of the state vis à vis the GDR. Yet military assistance to African states and Israel paid few political dividends, and along with embarrassing retransfers



of arms to warring parties such as India and Pakistan, provoked opposition among states bordering the recipients. Such incidents and policy failures provoked opposition inside Germany as well. The Erhard Cabinet decided in 1965 not to allow further arms deliveries to conflict-ridden areas <sup>11</sup> a policy which although vague was picked up by subsequent governments. The Middle East, which had received 39% of German arms deliveries before the 1967 war, fell to 18% after, and to 3% after the October 1973 war. The policy also reduced Germany's overall Third World arms sales by 78% between 1965 and 66, at the moment US and French Third World sales were taking off.

The Social Democratic Party also had begun in 1966 to draft relatively strict arms export policy proposals, including restrictions on transfers to NATO countries. However, the Bundestag did not include restrictions to NATO when it beefed up commercial export limits in 1968, and when the SPD took office in 1969, the Government began developing further formulations of the export policy, implemented though not fully revealed in 1971.

These policy guidelines, which officially still prevail in modified form, were designed to prevent weapons transfers to "areas of tension" (to be defined by the Foreign Ministry), particularly in the Third World, while allowing relatively free flow of arms to NATO countries. Over 85% of reported German arms transfers went to NATO members in the late 70's.<sup>12</sup> One category of non-NATO countries, presumably those at peace or of key importance to the West, were allowed to receive German arms if the Federal Government determined them in the national interest and not in conflict with the law. However, in principle arms exports outside NATO were to be strongly discouraged, and indeed the Federal Republic generally refrained from designing or tailoring weapons solely for export.



The 1970's witnessed increasing pressure, not least due to oil price increases, to modify or drop some of these guidelines. While not as dependent as the U.S., Britain, or France on arms exports to support extensive military production, the Federal Republic's weapons exports to the Third World nevertheless increased by 70% between 1973 and '77 (one SPD report, using SIPRI data, claimed by 449%), ranking the country fifth among world suppliers (though growth figures used the relatively low 1971-73 base period). These figures do not include the considerable "indirect" supply and potential reexport of German weapons and parts under co-production and overseas licensed production agreements, reportedly involving 67 countries by 1979. Guidelines dealing with areas of tension were obviously stretched somewhat in arms deliveries to Indonesia, India, Iran, Ghana, Nigeria, Abu Dhabi, Argentina, and Chile, among others, and in sales of coproduced weapons to Egypt, Iraq, Syria, Brazil and others.<sup>13</sup> Latin America evidently came to be seen as a relatively more acceptable area for German arms exports, i.e., less subject to regional tensions than the Middle East during the 1970's.<sup>14</sup> The emphasis was put on the delivery of naval equipment, often less controversial than infantry or air systems, and benefitting struggling German shipyards.

Faced with incentives and requirements to export arms to support a growing industry, Bonn has developed a low profile in its international marketing, one involving extensive production and sales collaboration with other European states, as well as multinational assembly and sales arrangements in the Third World, especially in Latin America. By remaining relatively invisible in these collaborative endeavors, Germany was able to increase its share of overseas arms sales, while not overly alarming those worried about German "merchants of death."

However, despite its best efforts Bonn has been embarrassed by disclosures of sales to South Africa, Rhodesia, Nigeria, and Israel, and by retransfers of German weapons to Chile in the 1970's. Arms sales are one type of export often assumed to imply political support for the customer, even though exporters may deny such intent.<sup>15</sup> Therefore, the tension of competing German priorities -- "to sell or not to sell" -- remains intense, further complicated in the 1980's by such factors as anti-nuclear and anti-military protests, NATO decisions regarding procurement of conventional weapons, continued sensitivity to both Arab and Israeli demands, energy price crises, and the first post-war German unemployment problems.

The 1980's have seen gradual modifications in policy guidelines by both the Schmidt and Kohl Governments. Weapons still account only for roughly one percent of German exports (up slightly from .71% in 1977), but the estimated \$1.3-billion in 1982 arms export revenue was important to the Federal Republic's balance of payments in a recession era, and in view of unprecedented post-war unemployment (9%), to the jobs of 15% of West Germany's defense industry workforce.<sup>16</sup> Even so, roughly 50% of German arms manufacturing capacity has been reportedly unused in recent years. Weapons production accounts for roughly 2% of West German industrial output; 80% of the defense budget for research, development, procurement, and maintenance is now spent inside the country.<sup>17</sup> This indicates a growing interest in German military self reliance, which means added incentives to promote exports to compete with France and Britain. Since German military production facilities remain in private hands, considerable commercial pressure, including that of arms industry trade union officials, to maintain production capacity is brought on the government.



Chancellors Schmidt and Kohl have increasingly liberally interpreted arms export restrictions, the latter for example, with after-the-fact reversals of export license denials for sales to Malaysia and Egypt.<sup>18</sup> The Schmidt Government confronted the severe oil price crises of the mid-1970's, and agonized over a decision not to grant a Saudi request to purchase 300 advanced tanks and a variety of other infantry and air defense equipment. Temptations and pressures continued, however, and in 1982 Schmidt and coalition partner Genscher amended the "rubber regulations" to open the way at least for possible sale of less controversial equipment to Third World customers in areas of tension; exceptions to the 1971 ban could be allowed if vital German foreign and security policy or consideration of alliance interests could be cited.<sup>19</sup> Of course weapons sales to Saudi Arabia could, by some interpretations, fit NATO alliance or German political and strategic interests. However, the Schmidt-Genscher government backed off from an actual deal with the Saudis after encountering domestic SPD opposition, especially in light of German submarine deliveries to Pinochet's Chile. The Party had not been informed by the Federal Security Council prior to the Chile sale.

Among the domestic opponents of liberalized West German arms transfer policies and/or significant transfers to Saudi Arabia are: pacifists and opponents of expanded armaments; those who doubt the employment benefits of defense production; those sensitive to Middle Eastern entanglements and worried about fueling crises there; those who argue for coordinated Western approaches to such exports -- a coordination which does not exist -- and who want German foreign policy to blend innocuously with Europe rather than stand out conspicuously; those who cite slackened OPEC power and Saudi-German trade, together with the continued receipt of petro-dollars in Germany even without arms sales. The Defense Ministry also has had second thoughts about releasing



advanced technology equipment outside NATO, and about stationing the requisite number of German military instructors and technicians in regions such as the Middle East.

Among would-be German arms exporters there is recognition that: other countries have expanded Third World sales; although oil imports and total trade are declining, Saudi Arabia is still Germany's largest non-Western trade partner; the Saudis supposedly moderate OPEC and Middle Eastern crises and reinvest petro-dollars in the German economy while remaining Bonn's foremost external creditor (having lent 23-billion DM from 1980-82); and that Saudi Arabia could act as Bonn's inroad into the Third World, especially after the fall of the Shah, given Saudi desires both for more diverse ties to the West than those offered by Washington, and for more influence over European Middle Eastern policies.<sup>20</sup>

These conflicting pressures and interests were inherited by the Kohl-Genscher government, along with renewed Saudi inquiries about available German weapons, as well as renewed Israeli opposition to such sales. Prince Fahd had been very understanding publicly about Chancellor Schmidt's dilemmas concerning the Leopard tank, i.e., Germany's history, Israel's sensitivities, domestic opposition, and the ultimate need for new guidelines -- but the German press reported, and Christian Democrats cited Saudi understandings that Schmidt would sell them weapons.<sup>21</sup> The SPD has denied this, but the Saudis clearly expect that some arms will be forthcoming to cement their newly signed security cooperation agreement with Bonn.

Herr Kohl travelled to the Middle East in early 1984 hoping to ease Israel's acceptance of "defensive" weapons such as the Gepard (Cheeta) anti-aircraft tank and the Roland anti-aircraft missile (Israel itself, of course, has become one of the world's leading small sized weapons suppliers,

reportedly accounting for up to 26% of the Third World's weapons supply).<sup>22</sup> However, the Israelis were decidedly unforgiving, and German critics, especially within an SPD no longer led by Schmidt, echoed their opposition. The transfer of Leopard II tanks had become perhaps too politically and militarily risky for both SPD and CDU governments. But Kohl seemed determined to push ahead with some weapons sales, citing Germany's major status in NATO and strong security interest in the Gulf area, as well as British, French, American, and even Italian advantages in Third World arms trade compared to West Germany (officially only 37.6% of German arms go to the Third World, compared to 81.7% for the U.K., 76.5% for France, and 76.6% for Italy -- evidently not counting joint ventures).<sup>23</sup> However, Kohl quickly learned that Israel, at least, still regards Germany as a special case, not yet entitled to the freedom of action afforded other European states, and that Israel could conceivably bring pressure to bear on Washington to oppose German arms exports.

While the Federal Republic is indeed free to go ahead with weapons transfers to the Middle East, and as implied in Chancellor Kohl's post-visit policy statement to the Bundestag will probably do so,<sup>24</sup> these harrowing political experiences show that German leaders still must be uniquely and acutely conscious of the precarious nature of their diplomacy. German arms sales policy merely reflects the slow evolution of full West German sovereignty and assertiveness in world affairs, from the self-effacing 1950's and 60's, to the tentative assertions that went along with economic vigor in the Ostpolitik period, to the even more vigorous assertiveness of the Schmidt era in OECD, NATO, and world politics. Yet even this latter period, including the Kohl chancellorship, has seen a continuing preference for policies integrated with the European Community; it is still very difficult for Germany



to be "out front" on the Middle East and a number of other world issues. Arms transfer guidelines are part of this general foreign policy stance and predicament. The Federal Republic continues moving toward greater assertiveness in world affairs, but remains essentially only at the beginning stages.

The strict ban on arms sales to areas of tension has been breached, but not entirely broken. Both SPD and CDU governments have been confronted by political, diplomatic, and bureaucratic buffeting over arms transfers, and have responded with incremental changes in policy guidelines. In particular, the redefinition of the arms transfer guidelines in 1982 stipulated that no permit for export to an area of tension will be issued "when the internal situation of the buyer country" precludes a sale, when the sale would "heighten existing tensions," or if "there is danger of an armed conflict."<sup>25</sup> This wording evidently was devised particularly to facilitate sales to places like Saudi Arabia, where it is argued the arms would have deterrent rather than warfighting effect. They allow for continued bans under U.N. human rights boycotts (only sporadically effective anyway), and offer excuses to refuse arms to countries at war (such as Iran or Iraq). However, if sales to Chile were consummated even under the older more stringent interpretations, it is difficult to see how such controversial and provocative moves could be precluded under the new wording.

The "maturity" and growing independence of Germany's foreign policy is indicated by Bonn's evolving arms export policy, which increasingly resembles those of fellow mid-sized and superpower suppliers. Driven by competitive needs to develop and support new and expensive arms technology and joint international ventures, as well as by needs to promote Germany's own interests in places like the Gulf, the Government has moved toward a case-by-case review



of sales decisions, rather than adhering to a generalized ban as in earlier days.<sup>26</sup> Sales will be approved if "vital foreign or security policy interests" are promoted.<sup>27</sup>

Combining the German push for a case-by-base approach, new willingness to consider sales to areas of tension, continued co-production and co-marketing of arms, and yet sensitivities about political costs, the Federal Republic is likely eventually to approach other mid-sized European suppliers about joint guidelines and strategies for weapons exports and joint criteria beyond the current minimal COCOM requirements. This would not necessarily involve reviving the Western European Union approach, which was after all uniquely restrictive toward Germany, but rather a Community or NATO approach over which Germany would have considerable influence. Germany's neighbors, successful as they have been in Third World marketing, are by no means certain to go along with such proposals, but the Germans have certain cards that could be played to help persuade them -- particularly procurement decisions for the German armed forces, the strength of the D. Mark in relation to other investment currencies, and the rapid advance of German arms technology -- moving close to Britain in major weapons exports. Such pressure for joint approaches might not extend, however, to cases where it is more convenient for the Federal Republic "not to know" of its partners' exports of German co-produced equipment. The German government will have to balance the desire to control competitors' export behavior with the desire to work together with competitors in joint ventures.<sup>28</sup>

### Conclusion

Mid-sized arms suppliers, as well as their large and small counterparts, adjust to their environment in formulating export policies, and balance advantages against disadvantages. The mid-sized exporter comes under

increasing pressure to engage in joint international production and marketing ventures and to use arms transfers to ease pressing energy and security problems in important regions, as well as to build or maintain domestic military capabilities and provide jobs. Major arms transfer decisions are subject to government scrutiny and control so that sensitive technologies are not released indiscriminately. In addition to these general environmental concerns -- many of which impinge on all exporting states -- each individual state carries a legacy of historical and political experience which condition their arms transfer policies.

In West Germany's case such legacies include the Nazi past, the slow evolution of an assertive post-war foreign policy, NATO and European Community connections, constitutional and statutory arms control provisions, and an increasingly vociferous set of political protest movements. This results in incremental modifications and a loosening of formally restrictive transfer policies, and the likelihood of a more serious arms marketing efforts in the Third World. Yet Germany will probably continue to cultivate joint approaches, so as to defuse politically explosive criticism.

Mid-sized arms marketers operate in the shadow of major powers and with smaller competitors nipping at their heels. They operate in specific rather well-defined and carefully cultivated markets, offering various alternatives to superpower arms supply, as well as subcontracting for superpower production. Yet they compete so intensively with each other, and confront such different domestic political environments regarding arms and foreign policy, that it is difficult for them to coordinate their strategies and merge their resources. Germany's moral and political struggle -- to sell or not to sell -- is not shared by the French; while Britain has an active campaign against the arms trade, it is not combined with constitutional prohibitions



and the need to worry about foreign and military policy legitimacy. Given these circumstances, arms export policy is an unusually good microcosm and indication of a mid-sized supplier's general foreign policy orientation, role, and dilemmas.

## FOOTNOTES

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