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The Priorities of Arms Importing  
States

by

Frederic S. Pearson

The Priorities of Arms Importing States\*

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THE PRIORITIES OF ARMS IMPORTING STATES

"Having obsolete arms and relying on them for security is worse than not having an armed force, since the former gives a false sense of security, and also costs money."

K. Subrahmanyam, All India Radio, September 18, 1984.

Introduction

Comparatively little has been written about the demand side of the international arms trade, and particularly about importers' motivations and decision-making criteria. Yet it is generally agreed that such trade is highly "demand driven", that little hope for international control of this traffic exists without consumer agreement, and that it constitutes a "buyers' market."<sup>1</sup> Thus, for a fuller understanding of international arms transfers, focus on the recipients is imperative.

As outlined by Kolodziej, both the "security" and "welfare" functions of modern government underlie arms procurement; i.e. governments aim both to protect their territory and citizens from "enemy" attack, and to heighten the living standards of at least some among their citizenry.<sup>2</sup> Specific governmental interests also include survival in power, uniting divided population groups, affirming national identity, and keeping the armed forces happy and supportive. Arms are seen as relevant for all these concerns, not least in the profits and jobs supposedly emanating from weapons manufacture and sale.<sup>3</sup>

Recently, a growing and perhaps alarming identification of armament and militarization with "modernization" has been noted, especially in regionally ambitious Third World states.<sup>4</sup> Newly independent states have opposed restraints on arms trade and reaffirmed the "sovereign right to arm," especially as long as

the older powers maintain large advantages in military fire-power. "Less developed countries" (LDCs) also seek remedies for development problems through arms procurement, particularly in overcoming technological disadvantages, improving terms and balances of trade (through such measures as "offset" agreements),<sup>5</sup> and generating employment through development of foreign assisted "indigenous" arms production. LDCs have proved willing to divert tragically scarce funds and resources to military acquisition, although the harm of this diversion has been hotly debated.<sup>6</sup>

Among the questions that emerge then concerning arms importation are: "What arms, from which suppliers, and under what terms?" Answers depend on a "micro" view of importer decision-making. Among the characteristics and problems hypothesized to affect arms import requirements and criteria are (not necessarily in order of importance) a state's:

1. level of economic and technological development; wealth; trade balance; and foreign debt level - factors which concern "economic development" and the ability to pay for weapons;
2. geo-political position; threat perception; physical size; domestic or external defense doctrines; alliance ties and major power patronage - i.e. geo-strategic factors;
3. indigenous arms production capabilities and ambitions;
4. type of government (military vs. civilian); degree of bureaucratization and defense planning - what might be called governmental factors.

The above factors will be examined for a sample of arms purchasing states, selected for their varying characteristics, including: Norway, Turkey, Australia, Malaysia, Indonesia, India, Yugoslavia, Kuwait, Saudi Arabia, Morocco, Chile and Peru. These states provide a representative (non-random) sample of arms importers, from various regions and with various defense needs

and arms manufacturing capabilities, with ten among the most active arms importers during the past decade.<sup>7</sup>

#### Recent Trends in Arms Importation

Before examining these states' priorities more closely, evidence for the relationships hypothesized above can be found in recent aggregate arms import patterns. Economic development difficulties seem reflected, for instance, in the slowing of arms deliveries to LDCs since 1982. While still accounting for over two-thirds of the world's arms shipments, LDC imports declined from 1980-83 in all regions except the Middle East and Latin America. The Middle East has come to account for 55 percent of LDC arms imports, though with declining oil revenues even Middle Eastern import rates have begun to slacken.<sup>8</sup> While importing the bulk of the weapons, the Third World is hardly more "militarized" than the 36 industrialized states whose arms imports grew by two percent in the early 80s (compared to zero LDC growth), and which spent 85 percent of the global arms budget. However, although arms imports constituted only an estimated five percent of total Third World imports in the 1970s and early 80s (though with considerable inter-nation variation), they generated, depending on the estimate, between 8 and 33 percent of the Third World international debt burden.<sup>9</sup>

The influence of threat perception and conflict patterns on arms acquisition is also evident in the import shares of the Middle East (43 percent of global arms) and Africa (13 percent) in 1983. Engaged in its prolonged struggle with Iran, Iraq for example, set a single year record with over 5-billion dollars worth of arms imports in 1983. Table 1 shows the frequency with which the twenty largest Third World arms importers from 1979-83

TABLE I - THE LEADING THIRD WORLD ARMS IMPORTERS (1979-83) AND THEIR CHARACTERISTICS (1978-83)

1979-83	1978-82 COMBAT OR INTERVENTION	1978-82 DISPUTE	SERIOUS DOMESTIC DISTURBANCE (1978-82)	MILITARY GOVERNMENT (1982)	OPEC	PATRON (1979-83)	FOREIGN BASE (1982)
1. Iraq	X	X	X		X		
2. S. Arabia	X	X	X		X		
3. Libya	X	X		X	X		
4. Syria	X	X	X			X	
5. Egypt		X				X	
6. Iran	X	X	X		X		
7. Vietnam	X	X	X			X	X
8. India	X	X	X			X	
9. Israel	X	X	X			X	
10. Algeria		X			X	X	
11. Jordan		X					
12. Cuba	X	X				X	X
13. Taiwan		X				X	X
14. Argentina	X	X		X			
15. N. Yemen	X	X		X		X	
16. S. Korea		X	X	X		X	X
17. Ethiopia	X	X	X	X		X	X
18. Afghanistan	X	X	X			X	X
19. Pakistan	X	X		X		X	
20. Morocco	X	X				X	X
TOTAL INVOLVEMENT	15	20	10	6	5	14	7

Sources: World Military Expenditures and Arms Transfers, 1985; Whitaker's Almanack; and Michael Kidron and Dan Smith, The War Atlas (London: Pan Books, 1983).



also were engaged in large scale foreign combat and ongoing international disputes. Domestic disturbances and insurrections generally played a weaker role in arms acquisitions, as did the presence of military governments or foreign military bases. Oil wealth per se was not a prerequisite for significant arms imports, although several of the oil poor states among the top twenty (eg., Jordan, Syria, Pakistan, Egypt) were assisted by OPEC states in funding arms purchases. Another significant factor facilitating such purchases, especially by poorer states, was patronage by a major power, as measured by significant military aid programs or the receipt of over 50 percent of arms supplies from one source.

By comparison, of the 25 states importing the fewest arms, i.e., between 10 and 40-million dollars worth from 1979-83, only five were engaged in combat, and six had serious domestic disruption. None had major oil wealth, while nine had military governments and four hosted foreign bases. Eight were involved in on-going international disputes, and eleven had major power patrons.

Thus, arms flow to the Third World seems especially related to international dispute involvement, combat, and intervention, and to either oil wealth or special client relations with major supplier. Serious domestic unrest was present for 50 percent of the top importers, but for only 25% of the lowest importers. However military control of government and foreign bases seemed less related to import levels.

#### Arms Import Decisions - What to buy?

Turning to a closer look at arms import decision-making, apparently apart from threat perception and dispute involvement



(to be discussed below), selection of imported arms depend primarily on ability to pay, on armed force size and influence, and on alliance involvement - or non-involvement. Furthermore, combinations of national size, available skilled personnel, and bureaucratic structure also condition the mix of weapons procured both domestically and abroad.

States with small populations or lacking technological skills have difficulty absorbing new systems, and little prospect of developing significant indigenous arms production capabilities. If they are wealthy, such as Kuwait or Saudi Arabia, they can import systems, technicians to mount them, and even foreign or mercenary forces. Technologically advanced states such as Norway and Australia, with large territories to defend and low manpower levels, have the twin problems of obtaining both sophisticated systems, to make up for manpower deficiencies, and large numbers of systems to spread across the territory, all of which raises economic costs. Such cost factors then force decision-makers to set priorities stringently and devise "offsets."

When confronted by high costs, states especially subject to international economic downturns - such as Malaysia, Nigeria, Singapore, Peru, and Turkey - may have to cancel or radically shift purchase plans on short notice, trading-off numbers of weapons against performance and support or maintenance considerations. States with heavy debt burdens, such as Peru, also have an incentive to postpone payment for expensive foreign weapons systems in order to placate creditors;<sup>10</sup> conveniently, certain arms suppliers also have an incentive to forgive such postponements in order to sell certain products (such as the

French Mirage 2000) abroad as "loss leaders," or to promote regional "influence."

Governments with poor credit ratings have found difficulty purchasing enough equipment to meet defense needs - especially if they are in exposed geo-political positions with significant defense demands. Turkey, with an out-dated airforce and significant NATO responsibilities - as well as its own regional disputes - was unable to purchase the British-West German-Italian Tornado fighter reportedly because of a British credit veto.<sup>11</sup> Instead, Turkey must rely almost exclusively on US Foreign Military Sales (FMS) and West German funding. Yet such credits can be nearly exhausted in one or two major purchases (eg., F-16), leaving the importer to revert to refitted second-hand or second-line allied equipment, and press for supplemental foreign aid.

LDCs often must wrestle with a need for foreign financing vs. a desire to minimize foreign interference and control, as in purchasing some arms directly from manufacturers, even foregoing foreign government financing (eg., FMS).<sup>12</sup> Conversely, manufacturers' pressure on supplier governments also can facilitate improved terms for customers, even customers in serious credit trouble. Diverse arms firms have lobbied to change U.S. arms trade laws and regulations, for example, in facilitating private firms' access to government arsenals.<sup>13</sup>

In general, LDCs possess less technical information and knowledge about the weapons offered on the international market than do more industrialized states. Third World customers with available funds or ready credit have tended to buy "gold plated" highly sophisticated systems, which may be ill-suited to actual

LDC combat needs - frequently involving insurgencies, or unconventional and "low intensity" warfare. Those able to afford the latest systems, or confronting imminent or proximate foreign conflict involvement, often look to "battle tested" equipment in major power inventories, eg., Exocet, Rapier, and Harrier. The Saudis, for example, are influenced both by factors of prestige and nearby conflicts to seek improved ground attack and air superiority fighter planes. Long term demand is conditioned by emerging technologies and trends - such as anti-tank capabilities, micro-chips, lasers, and high vs. low level anti-aircraft defenses.<sup>14</sup> Poorer states tend to settle for second line equipment.

Regional threat perceptions and defense doctrines also strongly affect the choice of foreign or indigenously produced equipment. Norway recently discovered a need for 50% more anti-tank capability due to its new "forward land defense" concept. Australia's recent shift from "forward" to "continental" defense doctrines, together with its diminished sense of foreign threat and questionable combat readiness, have led to emphasis on coastal and air defense and anti-submarine warfare.<sup>15</sup>

Of the strategic factors impinging upon purchase decisions, actual or imminent war involvement seems to most pressing in the short term. Kuwait's exposed position in the Gulf war has spurred air and sea defense acquisitions. Morocco, tied down in the Sahara, has adroitly utilized its African (Zaire intervention; Libyan policies) and Middle Eastern (Egypt-Israel talks) positions to facilitate both indirect (eg., arrangements for U.K. tanks to be supplied through the Shah's Iran with Saudi

financing) and direct U.S. military assistant.<sup>16</sup>

Weapons acquisition also can be regionally imitative. An aero-arms race began on the Indian Subcontinent in the 1950s and 60s, with India able to diversify its sources and generally maintain an advantage over Pakistan. When Pakistan obtained the twin-engined F-16 during the period of U.S. concern about Afghanistan, India also stipulated a need for an advanced twin-engined fighter, eventually met by additional purchases from France and the USSR.<sup>17</sup>

Arms procurement in alliances tends to be "supplier-driven" i.e., even in what is regarded as a buyers' market, smaller allies of major powers undergo pressure to buy what the major power offers. Normally there would be no pre-production intra-alliance consultation about design specifications for such equipment. Australia, for example, finds U.S. nuclear fuelled surface ships politically unacceptable. Yet involvement in co-production schemes and indigenous subcontracting can depend on having purchased the ally's system - as in Norway's and Turkey's F-16 purchases. Access to foreign equipment can be easier for allies, but some wealthy non-allies also are given such priority - as in Saudi Arabia's access to Tornado fighters reportedly ahead of the RAF in Britain.

Alliances also generate pressures for "commonality" and "inter-operability" in equipment. The American purchase of Rapier air defense systems, for use by NATO forces in Turkey, reportedly led to Turkish decisions to purchase the system themselves as well.<sup>18</sup> Arab Gulf Cooperation Council members also feel pressure to adopt equipment compatible with Saudi systems and command centers.

Neutral or non-aligned states have fewer political pressures on choice of equipment or suppliers, but in a sense also often fall "between the cracks" in access to sophisticated or sensitive technologies, especially if they suffer financial problems. Yugoslavia has found it extremely difficult to keep pace with developments in both East and West bloc weapons technology without assured access to either.<sup>19</sup> On the other hand, because of its large weapons demand, foreign exporters have flocked to supply India's arms needs and facilitate Delhi's large scale indigenous production requirements. Yet certain suspicions remain about technology transfers to countries dealing with all major powers and blocs. Concerned about Soviet access and Pakistani involvements, Washington has been reluctant to grant India licenses for advanced TOW anti-tank production, and would guarantee only an unacceptable twenty day ammunition supply in recent negotiations for howitzer purchases.

All of these economic and strategic considerations interact with the importing government's decision-making structure and political power distribution to tip the scales in favor of certain defense purchases. Combinations of bureaucratic and civilian-military-industrial politics weigh heavily in the final outcome. Military or palace elites are especially influential in states with military regimes or less extensive planning and bureaucratic processes. In Indonesia, for example, the armed forces chief and the Minister of Research (also head of the state's Nurtanio Aircraft Company) reportedly have been primary and sometimes conflicting actors in foreign arms purchases.<sup>20</sup>

The use of agents and personal connections to influential elites can be crucial where procedures are less formal, and tend



to increase the overall cost of imports, as commissions are built in.

In states with complex and formalized inter-departmental authorization or planning procedures, various departments, committees, and consultants can generate widespread procurement struggles. In Australia, budgetary limitations and the tendency for major purchases (eg., F-18) to absorb vast funds, force services to compete for places near the top of the procurement priority lists.

Military staffs frequently develop persistent preferences, as in India where they have been influential in attempted purchases of "quality" items from major powers - such as European ships and planes, Soviet air defense and armor, German submarines, and U.S. anti-tank and electronic systems. Along with relatively high domestic production costs, such preferences can restrict the market for and slow development of indigenous designs, even amidst counter-pressure from political and economic elites to accept such designs.<sup>21</sup>

#### From Whom to Purchase - or the Importance of Diversification

Supplier diversification seems to be one of the major recent trends in arms importation.<sup>22</sup> We have already seen as well that alliance membership tends to limit choice of suppliers, and that non-aligned states have major incentives to diversify. Many newly independent states also have demonstrated determination to avoid "neo-colonial" over-dependence on single weapons suppliers. Indian and Malaysian officials still remember coordinated US-UK restrictions on arms and spare parts which halted India's 1965 Kashmir war and severely limited Malaysia's options against the Philippines in the 1960s. One of the reasons

Malaysia now buys relatively expensive US warplanes is the widespread availability of such planes and parts around the world. Malaysia also specifies that ammunition for any weapon purchased must be available from at least three sources.

Beyond concerns about over-dependence on specific sources, however, conflict involvements and geo-political position most strongly affect decisions to diversify weapons acquisition. War involvement and spillover attacks, such as those involving Kuwait, or abrupt changes of security agreements, as when the UK departed Malaysia, generate quick searches for alternate suppliers. In the words of Kuwait's Defense Minister, when stung by American refusals to sell advanced shoulder mounted Stinger anti-aircraft missiles, "The arms markets are open to those who can pay."<sup>23</sup>

Experiences with arms embargoes or supply restrictions add to the determination both to diversify weapons sources and generate indigenous production. Turkey and Chile both developed domestic production as a response to foreign arms embargoes. For Chile the Beagle Channel dispute also brought common interests with, and a turn for arms to Brazil, with its newly emerging defense technology. Chile played on UK interests in weakening Argentina, on German business interests and overseas licensed production networks, and on French commercialism (through reexport by Spain) in devising arms sales to obtain UK warships, German submarines, French tanks, and Spanish light fighter planes even in the midst of embargo.<sup>24</sup>

Supplier diversification stems as well from prospects for outside interference by a given supplier or by its associates. Israel and the U.S. were in a position to press West Germany not



to allow the rumored sale of Leopard II tanks to Saudi Arabia in 1983; the Saudis sought alternate tanks and also avoided Congressional restrictions on long range fighter-bombers by opting for the Euro-consortium Tornado and British and Swiss trainers. Third party involvement can work the other way as well; U.K. fighter sales to Saudi Arabia in the 1960s reportedly were facilitated by the US in return for UK purchase of US fighters. Such pressures are also administered by lesser powers; Sweden and Switzerland pressed Australia to end employment of their weapons during the Vietnam war.

As states go through periods of expansion or international assertiveness, their arms requirements and the search for alternative suppliers expand as well. At the height of its territorial claims and conflicts in the 1960s, Indonesia turned to the Soviet Union in part to diminish the punitive options open to the West in resisting Indonesian demands. With governmental change in the 1970s, Jakarta has swung decidedly back to the West for military equipment, and has tailored purchases for the difficult defense of far-flung islands and the suppression of indigenous insurgency movements.

Regional location also affects the ability to diversify weapons. Peru has utilized regional disputes to circumvent U.S. supply restrictions in Latin America, playing upon French, Italian, German and Soviet interests in penetrating the hemisphere, and upon common conflicts with Chile to obtain Argentine weapons, such as TAM tanks, and commitments to produce them locally. Norway's Scandinavian/European location evidently fosters a concern to balance NATO acquisitions somewhat with Swedish imports and joint ventures.

Beyond strategic factors, it is evident that ability to pay also conditions choice of supplier, or to paraphrase the Kuwaiti Defense Minister, "Beggars can't be choosers." While debt-ridden Peru has defied this maxim to an extent, wealth is still a great "diversifier" of arms purchases. The Saudis as well as the Kuwaitis buy the latest weapons from a variety of sources and despite their wealth, are offered the Western world's most generous credit or barter terms.<sup>25</sup>

Furthermore, the cost of certain weapons itself dictates "shopping around." This is particularly true of surface ships. One survey of 49 navies showed that only 22 made repeat purchases from the same supplier between 1946 and 67. Naval equipment follows a relatively long cycle of obsolescence and replacement demand, and decisions depend heavily on price and timely availability.<sup>26</sup>

Much of the Soviet Union's appeal as an alternate arms supplier, for instance in gathering the lion's share of the Indian market, has been price. India can buy 200 MiG 25 "Foxbat" fighters for approximately the cost of 75 Mirage 2000s; credits for the MiG 23 were set at 1.6% interest, payable in rupees over 20 years. The Soviets generally offer financing at around 2.5% on weapon transfers, playing both for political influence against the West, and to gather what hard currency they can.

While mounting costs stimulate the urge to diversify, technological sophistication makes it difficult to do so. At the "cutting edges" of technology, the number of available weapons suppliers diminishes. For customers short of trained military personnel, there can be little choice but to import whole weapons packages from major powers able to provide logistical, training,

and maintenance support. Militarily resourceful states, such as India or Yugoslavia, attempt to mount advanced systems from various countries on "platforms", e.g., helicopters or tanks, of other suppliers. In general, though, higher technology means increased strategic dependence.

#### The Terms of Purchase

Discussion of credit terms and back-up support packages raises the larger question of specific terms in weapons transfer agreements. Generally, the size of potential market, prospective importer's strategic location, importance, or political alignment, and as usual, available finances condition the final terms. Resourceful importers adopt bargaining strategies designed to heighten competition among suppliers and elicit favorable offers, often sprinkling contracts around so that suppliers are kept interested and hopeful.

Supplier competition is particularly keen for sales to Third World states with the greatest demand potential and/or market absorption possibilities. The British and French, for example, battled in cut-throat fashion in the early 1980s over lucrative Saudi and Indian jet-fighter contracts, with the British even agreeing to accept Saudi oil as payment in the former case.<sup>27</sup>

The USSR joined the struggle over the Indian sale, as the Soviets worried about losing their most strategically important Third World client to tempting Western military offers. Moscow, anxious to promote its South Asian strategic goals (vis a vis the US, China, and Pakistan) agreed for the first time to release latest technology air and ground systems outside the Warsaw Pact, even including designs not yet deployed or still under development, such as MiG 29 and 31. Subsequently India dropped

licensed production options from Western purchases to make room for the Soviet influx.<sup>28</sup>

While favored customers are offered terms that make arms transfers look inexpensive, the total cost of agreements and debt service loads still mount up. Depending upon threat perception and political need, customers can redefine costs to appear lower, especially over the long term. In buying the high priced F-18 over potential rivals such as the F-16 or the European Tornado and Mirage fighters, the Australian government built "program life" and maintenance factors into the final cost calculation, reportedly arriving at a lower estimate. For "upwardly mobile" Third World states such as India, cost-benefit analysis also includes expected technological advances and commercial offsets - perhaps exaggerated but nevertheless important expectations that, "Development and defence are two sides of the coin of nation-building."<sup>29</sup>

Populous LDCs with surplus skilled labor, or states with aspiring arms industries attach heavy technology transfer requirements to arms purchases. Such requirements have been rarer in oil rich, sparsely populated Middle Eastern states, though even here regional production consortia and joint ventures, as with Brazil, have been broached. Malaysia and Indonesia have gone quite far in attempts to link defense procurement to the promotion of domestic political, strategic, and economic goals. All Malaysian weapons imports must pass rigorous in-country trials, especially regarding anti-insurgency capabilities. With difficulty employing large numbers of engineering graduates, Malaysia also seeks guarantees of broad technology transfers - not necessarily only in the military

sector or for production of complete or advanced systems. Offsets, counter-trade, barter, or investment in Malaysia's military or non-military industry are required for at least 60% of the weapon's cost (other importers have set similar targets of approximately 35 percent). The government is willing to pay up to double the price of straight cash deals in order to obtain these terms. These are seen as investments in political stability and in the economic and social integration of large urban populations.<sup>30</sup> Despite persistent production difficulties, India now seeks transfer of latest laser and munitions technologies, and Soviet agreement to re-purchase Soviet designs produced in India.

While non-alignment and "shopping around" can enhance the terms on offer, alliance membership also has its advantages. Turkey and other US allies and clients, such as Kenya, have used base authorization or renewal negotiations to elicit generous arms transfer terms. Norway has been able to join production consortia and work out subcontracting arrangements on such US-NATO systems as F-16, Hawk, Dragon, and AWACS, and is likely to be wooed by both European and American competitors in the next "deal of the century" concerning F-16 replacements in NATO. Similar spin-offs are likely from tougher competition in the helicopter market and in other military fields as the cost of weapons mounts and producers coalesce.

### Conclusion

The interplay of four sets of political and economic characteristics strongly condition states' decisions about what arms to purchase abroad, from which suppliers, and under what terms. Choice of particular types of weapons and the trade-off

of performance, numbers, and support systems appear dependent upon levels of economic development, population size, wealth - which in turn reflect size of market, absorptive capacity, ability to evaluate and use weapons, credit rating, and the need for technological transfers. Socio-economic problems also affect levels of perceived international threat, which together with domestic threat assessments, defense doctrines, war involvements, and alliance ties, lead to short and medium term demand for particular types of arms. Finally, bureaucratic politics and government decision-making structures, factors which also depend in part on economic development, can tip the balance in favor of certain foreign purchases.

External conflict involvements, foreign policy ambitions, and wealth influence a state's decisions to diversify sources of arms. Governments pay particular attention to prospects for assured weapon and spare parts supplies.

The premium put on the development of indigenous defense industries generates demands for more generous arms transfer terms. Such demands will be met most frequently for states with large military markets, strategic location or alignment, and ability to pay. Very few states will achieve self-sufficiency in major weaponry. For most, efforts to protect and develop domestic arms design and production capabilities will raise defense costs and lead to increased import of components.<sup>31</sup> Yet as long as weapons production is seen as an aspect of national security, self-sufficiency, and modernization, such efforts will continue.

The demand side of the international arms market is characterized, then, by forces strongly embedded in customers'



governmental and development processes, and strategic perceptions. Therefore, it appears that demand for weapons and components will remain robust, and the supply plentiful, even as the overall market becomes increasingly differentiated between producers and consumers of high technology vs. lower technology products.

However, there are also reasons to expect some slackening in effective demand, at least in the near term. First, the post-independence arms procurement cycle, assumed to range over approximately twenty years, may just have peaked for much of the Third World.<sup>32</sup> Second, the arms buying binge has markedly increased international debt. Together with the steep decline in major commodity prices - ranging from petroleum to palm oil to tin - and the rise in trade protectionism, customers' ability to pay for ever more expensive weapons will seriously erode. These are cyclical factors, however, and do not appear to preclude new arms buying surges in the future.

Despite political and economic barriers, states usually find ways, sometimes in elaborate and obscure arrangements, to obtain sufficient weapons to carry on military campaigns. Arms trade is hardly a "free market"; it is characterized by very high levels of government intervention and subsidy, by efforts at social engineering, by "side-payments" and commissions, by preferential terms for favored customers, and by manufacturer consolidation and coordination. Suppliers have vested political and economic interests in devising ways to make arms available, even to those unable to pay. Joint production and design with prospective customers is becoming the order of the day. The total value of weapons traded is likely to increase, though perhaps at declining



rates, even as the numbers customers can afford decline.

Attempts to limit the international arms trade will have to take account of these market forces and both the security and welfare concerns of importing states.

## ENDNOTES

1. See Andrew J. Pierre, The Global Politics of Arms Sales (Princeton; Princeton University Press, 1982); Michael Brzoska and Thomas Ohlson, "The Future of Arms Transfers: The Changing Pattern," Bulletin of Peace Proposals, Vol.16, No.2. (1985) pp.129-37.

2. Edward A. Kolodziej, "National Security and Modernization: Drive Wheels of Militarization," in Third World Militarization: A Challenge to Third World Diplomacy, ed. by J.S. Mehta (Austin: L.B. Johnson School of Public Affairs, 1985), pp.43-70. For a slightly different interpretation see, Michael Don Ward and A.K. Mahajan, "Defence Expenditure, Security Threats, and Governmental Deficits: A Case Study of India, 1952-1979," Journal of Conflict Resolution, Vol.28, No.3, (September 1984), pp.382-419.

3. Stockholm International, Peace Research Institute (SIPRI), The Arms Trade with the Third World (London; Paul Elek, 1971).

4. Mehta op.cit.

5. Stephanie Neuman, "Offsets in the International Arms Market," World Military Expenditures and Arms Transfers, 1985 (Washington DC: US Arms Control and Disarmament Agency, August 1985).

6. See Herbert Wulf, "Arms Industry Unlimited: The Economic Impact of the Arms Sector in Developing Countries," Development and Peace, Vol.5 (Spring 1984), pp.114-26; and Joachim Krause, Der Internationale Handel Mit Konventionellen Waffen und Rustungsgutern: Strukturen, Entwicklungen, Perspektiven (Ebenhausen, FRG: Stiftung Wissenschaft und Politik, August 1985).

7. The ten are Turkey, Australia, Norway, India, Indonesia, Saudi Arabia, Morocco, Nigeria, Chile and Peru. See World Military Expenditures and Arms Transfers 1985, op.cit., for states importing more than \$1-billion worth of armaments between 1979 and 1983.

8. World Military Expenditures and Arms Transfers, 1985 op.cit., pp 7-8. See also, Helena Tuomi and Raimo Vayrynen, Transnational Corporations, Armaments, and Development (Aldershot, UK: Gower, 1982), pp.216-37; Jean Klein, "Arms Sales, Development, Disarmament," Bulletin of Peace Proposals, Vol.14 (1983), pp.157-63; and Signe Landgren-Bachstrom, "Global Arms Trade: Scope, Impact, Restraining Action," Bulletin of Peace Proposals, Vol.13 (1982).

9. Rodney Cowton, "Global spending on arms rises by 25 percent in 10 years," Times (London: June 23, 1984), p.4; Krause, op.cit.; and Walter F. Kitchenman, Arms, Transfers and the Indebtedness of Less Developed Countries (Santa Monica: Rand Corporation, December 1983).

10. See Rodney W. Jones and Steven A. Hildreth, Modern Weapons and Third World Powers (Boulder: Westview, 1984). In view of debt problems and the continued insurgency by the Sendero Luminoso, Peru also has proposed that Latin American States agree to restrict the level of conventional arms coming into the region. See Defense and Foreign Affairs (September 1985); and Defence Update International, No.66, (November 1985).

11. Personal confidential interviews with defense officials (London: November 1985); "British Government vetoes export credit," Flight International (December 15, 1984), p.1608; "Special Report: Republic of Turkey," Journal of Defence and Diplomacy, Vol.3 (September 1985); Stephanie Neuman, "Coproductio, Barter, and Countertrade: Offsets International Arms Market," Orbis, Vol.29, No.1 (Spring 1985), pp.194-95; and Defense and Foreign Affairs (July 1985), p.1.

12. While FMS terms require purchase of US manufactured equipment, states highly dependent on FMS, such as Israel, have engineered ways around the regulations for desired equipment, for example by facilitating US licensed production of Spanish light warships rather than settling for unsuitably heavy US designs. See Defense and Foreign Affairs (December 1984), p.7.

13. See Neuman, "Offsets," op.cit.

14. Lewis A. Frank, The Arms Trade in International Relations (New York: Praeger, 1969), pp.25ff.

15. Interviews with Australian government officials (October 1985). See also Prakash Murchandani, "Weaponry without a national strategic plan," Financial Times (London: November 19, 1984), p.II; Patricia Newby, "Australia buys U.S. fighter bomber," Financial Times (October 20, 1981), p.35; Colin Chapman, "Australia offered F-16 deal," Financial Times (June 6, 1981), p.6; and "Australia nears decision on new fighter aircraft," Financial Times (May 5, 1981), p.5.



16. Claudia Wright, "Journey to Marrakesh: U.S. - Moroccan Security Relations," International Security, Vol.7, No.4 (Spring 1983), pp.163-79; and Tony Walker, "Stalemate in Sahara independence fight," Financial Times (November 14, 1984), p.4.

17. Such specifications can be defined as much to ease legislative and public concerns about enemies' supposed advantages as to meet military requirements; India had planned to upgrade its airforce well before the F-16 deal, but was able and perhaps obliged to use the additional "provocation" to gain additional procurement funds.

18. Commonality pressures are greatest in NATO and the Warsaw Pact (especially the latter), however, and have eased with changing defense doctrines in other alliances such as ANZUS. "Turkey Turns to British Aerospace for Rapiers Missiles to Defend Bases," Defense Week (August 8, 1983); David Cooper, talk on "NATO Procurement" (University of Lancaster, January 1986).

19. David Buchan, "Yugoslavia looks to buy more Western weapons," Financial Times (May 24, 1984), p.3. Belgrade's own arms industry provides 80% of projected needs, and the USSR is willing to provide "state of art" equipment and licenses. However, Yugoslavia runs short in areas such as air defense fighters, anti-tank systems, and naval missiles.

20. Kieran Cook, "Indonesia brings shopping list to U.K.," Financial Times (July 8, 1985), and "Expanding symbol of modern development," Financial Times (August 28, 1984), p.xx; Jusuf Wanandi, "Conflict and Cooperation in the Asia Pacific Region: An Indonesian Perspective," Asian Survey, Vol.22, No. 6 (June 1982), pp.503-15.

21. See Smith and George, op.cit.

22. See Stephanie Neuman, "International Stratification and Third World Military Industries," International Organization, Vol.38 (Winter 1984), pp.167-97.

23. "Kuwait may buy missiles elsewhere," Times (London: June 21, 1984), p.6. Kuwait has accumulated one of the Middle East's most diverse arsenals, combining Soviet, US, French and UK systems. This presents certain political, maintenance, and training problems, especially in joint procurement debates with fellow Arab Gulf Cooperation Council (GCC) members, such as Oman, which want to earmark large standing funds for the purchase of Western arms. See C.S. Raj, "Kuwait Buys Soviet Arms," Strategic Analysis (Delhi), Vol.8, No.7 (October 1984), pp.640-46; Judith Perera, "Gulf Security: Is self-defence a myth?" The Middle East, Vol. 119 (September 1984), pp.15-18; Kathy Evans, "Heavy expenditure on force which also plays unifying role," Times (January 7, 1985), p.II; and Katherine Gaskin, "Gulf Cooperation Council and their Defence," Defence, Vol.15, No.12 (December 1982), pp.703-06.



24. Victor Millan and Jozef Goldblat, "Latin America and the Arms Trade," Disarmament Campaigns, No.33 (May 1984) p.5; Mary Helen Spooner, "Chile's arms industry exports worth \$100 a year," Financial Times (October 30, 1984), p.5; Adrian English, "Chilean forces are among Latin America's best," Jane's Defence Weekly, Vol.4, No.18 (November 2, 1985), pp.972-73; and Giovanni de Briganti, "Easy Terms for the Arms Markets," Defense Week (May 21, 1984), pp.10-13.

25. In the heat of competition for sales to Saudi Arabia, France has been rumored to offer three percent loan rates, far below the 9-10 percent standards set among OECD states.

26. Frank, op.cit.

27. On UK-French competition, see also Bridget Bloom and Roger Matthews, "Saudis keep arms deal options open," Financial Times (December 21, 1984), p.5; T.L. McNaughen "Arms and Allies on the Arabian Peninsula," Orbis, Vol.28, No.3 (Autumn 1984), pp.489-526; Lesley Dixey, "UK-Saudi aircraft deal to be signed," Jane's Defence Weekly, Vol.4, No.13, (September 28, 1985), p.657; "British Government vetoes export credit," op.cit., p.1608; and Bridget Bloom and Richard Johns, "A deal in a different dimension," Financial Times (February 19, 1986), p.20.

28. France also reportedly offered the Mirage 2000 to Pakistan in 1980, perhaps to increase India's interest, and offered to maintain supplies to India even in case of war. See K.K. Sharma, "No holds barred in French bid to dislodge Jaguar deal," Financial Times, (July 23, 1980), p.4; "France offers Mirage to India," Financial Times (July 22, 1980); "Mirage deal with India hits finance snags," Financial Times, (November 11, 1981), p.6; "France secures £549m Mirage deal with India," Financial Times (April 15, 1982); "Moscow to supply latest MiG to India," Financial Times (October 19, 1983); "France in arms sale pledge to India," Financial Times (April 28, 1982), p.4. See also, S. Mukerjee, "Greater Soviet Co-operation in India", Jane's Defence Weekly, Vol.2 (September 29, 1984), p.543.

29. K. Subrahmanyam, "India's Security Present and Future," Strategic Analysis (Delhi), Vol.8, No.7 (October 1984), p.639.

30. Interviews with Malaysian officials (November and December, 1985). See H.M.F. Howarth, "The Malaysian Armed Forces," International Defence Review, Vol.16, No.9 (1983), pp.1225-31. When considering the "benefits" of technology transfers and indigenous production, however, one must realize that imports of components and technical experts can increase rather than decrease current account deficits. See, for example, Michael Klare, "The Unnoticed Arms Trade: Export of Conventional Arms-making Technology," International Security, Vol.8, No.2 (Fall 1983), pp.69-90. States which aim to bolster indigenous industry also must adopt costly protectionist policies and pay

premium prices. See Ron Smith, Anthony Humm, and Jacques Fontanel, "The Economics of Exporting Arms," Journal of Peace Research, Vol.2, No.3 (1985), pp.239-42.

31. See Herbert Wulf, "Arms Industry Unlimited: The Economic Impact of the Arms Sector in Developing Countries," Development and Peace, Vol.5 (Spring 1984), pp.114-26; and Carol Evans, "Reappraising third-world arms production," Survival, Vol.28 (March/April 1986), pp.99-118.

32. Brzoska and Ohlson, op.cit.