The global arms trade – Cliffsnotes

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Key concepts & terminology

• Arms/Defense industry: the industry engaged in the production of military equipment and services, whether state or privately owned.
  – Boundaries: when do we consider a type of equipment or service to be specifically military?

• Arms trade/transfers: international transfers of military equipment and services, to a foreign government or entity

• Arms/defense business/market: markets for military equipment and services, both within and between countries

• Most of the arms business is within countries: e.g. US DOD gave $295 billion in contracts in FY2016, US arms exports probably around $30 billion.

• Military spending: all spending on military forces and activities, including personnel, operations & maintenance, equipment, R&D, military construction, etc.
  – World military spending around $1.7 trillion. Most is personnel & running costs
The world’s arms industries

• Krause (1992) *Arms and the State* suggested each technological wave of military innovation leads to three ‘tiers’ of states

• Tier 1: Technological leaders and innovators, dominating the international trade.
  – Currently only the USA. Previously Soviet Union, UK, Germany...

• Tier 2: Countries producing a wide range of equipment at or near technological frontier, innovating at the margins
  – Russia, UK, France, Germany, Italy, Sweden
  – Other candidates include Spain, South Korea, China, Israel – but wide differences in ambitions and capabilities
  – Tier 2A? Small developed countries with advanced niche capabilities

• Tier 3: Countries producing less sophisticated equipment, mostly copying and reproducing existing technologies
  – India, Turkey, Brazil, South Africa, Singapore, Australia...
Data on the international arms trade

• The (financial) data is really bad
• Probably best data: SIPRI Arms Transfers Database
  – Major conventional weapons only
  – Registers of individual deals and deliveries
  – ‘Trend Indicator Value’ (TIV) measure of volume of transfers – not a financial measure.
• Congressional Research Service (CRS): severely underestimates US exports, probably underestimates European.
• National data sources, variable.
• Data can measure orders, deliveries, or export licenses/authorizations – permission to export to a certain recipient.
How big is the international arms trade?

• SIPRI data: global transfers of major conventional weapons in 2016 totaled 31,075 million TIV units.

• USA average 2012-2015:
  – Foreign Military Sales (FMS): $15.7 billion
  – Direct Commercial Sales (DCS): ??? Rough estimate of $10-16 billion based on older data from GAO, and SIPRI data. Excludes DCS services.

• Russia: $15.1 billion (official figures – how reliable?)

• UK: orders averaged $8.7 b., but were lower in previous years. Rough estimate of $8.5 - $11 billion based on order-delivery lag pattern.

• Germany: estimate based on license data and deliveries of “weapons of war”. $6.5 - $9 billion

• Rest of EU: $18.5 b. (delivery figures from EU Annual Report)

• Israel: orders averaged $6.3 b. rough estimate $4.6 - $6.6 billion based on order-delivery lag pattern.
How big is the international arms trade?

• China: No official data. Estimate $1.5 - $2.5 billion based on estimates from US govt. sources.
• Turkey: $1.5 billion – official data.
• Canada: Estimate of $1 - $2 billion; figures uncertain as exports to US do not require export license.
• South Korea: orders averaged $3.2 b., but were much lower in previous years. Estimate $600 - $1600 m. based on order-delivery lag pattern for UK, Israel.
• Ukraine: est. $550–750 million based on partial delivery data.
• Others where some data available: $1.7 billion
• Rough estimate for others based on SIPRI, CRS data: $700 – 1900 million.
• **Grand total: $86 - $104 billion.**
Patterns & Trends

Based on SIPRI data
Transfers of major conventional arms 1950-2017

Source: SIPRI Arms Transfers Database. Units: SIPRI Trend Indicator Value (TIV)
Top 15 exporters 2013-2017

Top 15 exporters 1982-1986

Source: SIPRI Arms Transfers Database.
Source: SIPRI Arms Transfers Database.
Leading exporters 1992-2017

3-year centered average of TIV

Source: SIPRI Arms Transfers Database.
Top 6 importers 2000-2017

Source: SIPRI Arms Transfers Database.
Importers by region 1992-2017

Source: SIPRI Arms Transfers Database.
Source: SIPRI Arms Transfers Database.
Importers’ perspective

- Available resources for military
  - GDP, economic factors
  - Conflict, threat perceptions
  - Regime type
- Capabilities of domestic arms industry
- Foreign policy – alliances, security guarantees
- Prestige?
- Domestic political factors
  - Influence of military
  - Corruption, political finance
- Development of domestic arms industry
  - Technology transfer
  - Integration into major producer supply chains
Exporters’ perspectives

• Companies always keen to sell – government decides whether to permit/encourage sales

• Strengthen and sustain domestic industry
  – Risk of loss of capabilities
  – Domestic demand insufficient for most producers
  – Possibly lower unit costs for own armed forces?

• Foreign policy
  – Strengthen allies against regional rivals/internal conflict
  – Gain influence with buyers

• Jobs?

• Domestic political economy
  – Strong lobbying influence of arms industry
  – Industry highly integrated with government
Corruption in the arms trade

- Widespread corruption in the international arms trade, military sector more broadly.
- Joe Roeber (2005) estimated that 40% of corruption in global trade related to the arms trade.
- Arms trade ‘hardwired for corruption’:
  - Size of deals – potential for life-changing personal enrichment
  - Complexity of deals – only a few understand the full deal and are involved in decision-making
  - Lack of transparency in military spending, especially in relation to arms deals
  - Buyer’s market: lots of sellers, major deals rare
  - Exporters desperate to sell to maintain capabilities in the face of inadequate domestic demand
- Arms trade corruption potentially a lucrative source of political, patronage funds for leading political actors.
- See WPF’s [Compendium of Arms Trade Corruption](https://www.wpf.org.uk/compendium-of-arms-trade-corruption/).
Consequences of the arms trade

• Diffusion of military technology and capabilities

• Effects on conflict?
  – Hard to assess effects on likelihood of conflict, but some studies show arms build-ups linked to increased probability of conflict
  – Encourage/enable aggressive behavior; deterrence; arms races; balance of power
  – Easy availability of arms certainly increases intensity of conflict and abilities of warring parties to continue
  – Wide availability of small arms appears strongly linked to prevalence and severity of conflict in Africa and elsewhere
  – Impact of arms trade overall vs impact of individual exporter

• Tool of foreign policy – influencing behavior, entanglement, supplier dependence vs customer dependence.

• Consequences for development, e.g. debt

• Strengthening regimes – use against people, coup risk etc.
Small arms and light weapons (SALW)

- Proliferation of SALW seen as major international humanitarian concern, source of armed conflict, criminal violence, etc.
- Much less significant financially than major weapons.
- Far more producers – most countries have at least some SALW production capability. Also ‘craft’ production.
- No systematic data on SALW trade. Large illicit and ‘gray market’ trade.
- Arms may spread through brokerage, trafficking, private sale, theft, etc., as well as state-authorized trade.
- Africa: SALW spread widely due to a) N’djamena arms bazaar in 1980s; flood of surplus arms from Bulgaria in early 1990s; Charles Taylor’s arms trafficking network; Libya collapse in 2011.
- Major focus of UN control efforts, e.g. through ATT.
Export controls

• Almost all countries that produce arms require some sort of license for export of arms (and often dual-use goods).

• Reasons for export controls:
  – (Historically) Ensuring adequate domestic supply
  – Not selling arms to enemies/strategic rivals
  – Maintaining control over technology
  – Non-proliferation, especially nuclear & ballistic missile
  – Respecting UN/other arms embargoes
  – Concern over conflict/instability
  – Human rights/IHL considerations (popular opinion driven?)

• Various voluntary international arrangements to promote effective export controls, non-proliferation: Wassenaar Arrangement, Australia Group, Nuclear Suppliers Group, Missile Technology Control Regime

• Arms Trade Treaty (2013) – binding international treaty, requires signatories to implement export controls, includes criteria relating to human rights, IHL etc. – but no enforcement mechanism.
Export controls

• Export control system typically includes:
  – List of controlled items
  – Licensing procedure, requirements
  – Decision criteria
  – Institutional arrangements: which department(s)? Role for Parliament?
  – Enforcement mechanism

• Key issues
  – Level of transparency
  – Role of Parliament
  – Control of brokerage
  – End-user controls and requirements
  – Relative weight of criteria – binding, non-binding etc.
  – Enforcement
US arms export controls

- Arms Export Control Act (AECA) 1976 – legislative framework
- International Traffic in Arms Regulations (ITAR) implements AECA
- Conventional Arms Transfer Policy (CAT) – Presidential Directive
- Arms exports via FMS (govt-govt) or DCS (company-govt, requires a license)
  - FMS: negotiated by DOD, authorized by State. DCS: licensing by Directorate of Defense Trade Controls (State)
- Arms exports must be for legitimate self-defense or internal security, and further US national security
- Prevention of arms to terrorists and states supporting terrorism
- UN and US arms embargoes
- Control of sensitive technologies, especially WMD
US controls ctd.

- Take into account effect on conflict, arms races, regional stability
- CAT also requires taking into account human rights, international humanitarian law
- Notification to Congress required for deals over certain value
- Congress has ability to review and block exports – very rarely used
- Strong controls on brokerage, end-use monitoring and controls, re-export
- Plan to shift licensing of many categories of equipment from State to Commerce – weakening of controls.
EU Common Position on arms exports

- Common control list, licensing criteria, enshrined in national laws. National interpretation, on case-by-case basis.

- Criteria:
  - Respect for international obligations, including UN and EU arms embargoes, WMD treaties, landmines ban, other agreements
  - Deny export if there is a clear risk equipment might be used for internal repression, or for serious violation of International Humanitarian Law.
  - Deny export if equipment/technology might provoke or prolong armed conflict or aggravate existing tensions or conflict
  - Regional stability: deny if may be used for aggression against other states.
  - Effect on national security of EU states and allies.
  - Behavior of recipient in relation to terrorism, international law
  - Risk of diversion
  - Recipient’s technical, economic capacity, effect development.

- Reporting of denials to other EU states, with reasons.
- Controls on brokerage, transshipment, intangible exports.
- EU Annual Report gives data on each state’s exports.
Further reading

• Keith Krause, Arms and the State: Patterns of Military Production and Trade, CUP, 1992: HD9743.A2 K73
• Andrew Feinstein, The Shadow World, Picador, 2011, HD9743.A2 F45
• Jennifer L. Erickson, Dangerous Trade: Arms exports, human rights, and international reputation, Columbia UP, 2015, K3924.M8 E75