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Trading in Arms: For Security, Friendship or Profit (or all three)?

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The arms trade is a multi-billion industry. Some of the only winners in the current economic climate and war footing are the companies that manufacture and sell weapons.

In 2006, the United States alone accounted for more than half of the world's trade in arms; delivering \$14 billion in weaponry (out of a total of \$27 worth of weapons). Russia was our next largest competitor, but with \$5.8 billion... so we more than doubled their share. The UK was third with \$3.3 billion in arms deliveries. These three countries accounted for 85% of weapons sold in 2006. More than 70% of these weapons were sold to the developing world.

And in order to maintain its market advantage, the United States aggressively markets its weapons abroad. In fact, one of the reasons that Defense Secretary Robert Gates took to the skies in February despite a broken shoulder was to visit countries like India and Indonesia who are key and growing markets for U.S. weapons.

The connection between the arms trade and war and conflict can be crudely (but accurately explained as), when arms are a major export, what is the marketing strategy? War and fear of war.

The United States justifies U.S. weapons sales with three basic reasons:

- 1) security: the sales to allied nations increase the recipients' security, which is tied to our security;
- 2) friendship: the sales increase engagement, joint exercises, inter-operability, creates a dependence on U.S. goods which boost our influence in a key country,
- 3) profit: the sales make money for U.S. companies, which allows them to keep production lines open and workers employed for when the United States needs new weapons made.

Often these three objectives are overlapping. But for our purposes, I want to look at three countries and recent U.S. weapons sales that more or less represent these three different objectives.

Security: Pakistan, where the United States is selling weapons (actually we are just giving them the weapons) to bulk up the General Musharraf regime and bolster his ability to cooperate in the war on terrorism.

Friendship: Indonesia, after more than a decade of bans and embargoes on arms sales and military aid, the United States has reengaged and is now extending the hand of friendship full of weapons.

Profit: India, where some analysts are predicting \$40 billion in demand for weapons over the next few years as this country modernizes its military and turns away from its traditional security ally- Russia.

So, we'll look at each country and the rationale for arms sales and then ask if U.S. policy of trading weapons for security, friendship and even profit is successful in the long run.

But, let us begin with some basic information about the scale and scope of U.S. weapons trade.

Snapshot of Weapons Sales

For fiscal year 2006, which ended on September 31, 2006, the U.S. Defense Security Cooperation Agency churned out notices for \$21 billion in arms sales offers. In most cases, the Agency is required to notify Congress of all potential major arms deals worth more \$14 million.

In one month, December 2007, \$14.7 billion in weapons sales were licensed. Including tomahawk missiles to the UK, F-16 fighter planes to Morocco and AWAC aircraft to Saudi Arabia.

While not all deals are finalized with arms deliveries, these notifications are a way of taking the pulse of the weapons market... and it is racing. U.S. arms sales offers for 2006 appear to be roughly twice the levels of any other year during the Bush administration. Noteworthy among these are the \$5 billion deal for F-16s to Pakistan and a \$5.8 billion agreement to completely re-equip Saudi Arabia's internal security force.

Security: Pakistan

"Pakistan is a front line state and firm ally in the global war on terrorism. Pakistan's support has been, and remains, critical to U.S. success in apprehending Al-Qaeda, Taliban and other terrorists.... After years of sanctions, the majority of U.S. security programs in Pakistan are directly related to winning the global war on terrorism." And who doesn't want to win the global war on terrorism. That quote is from a

State Department's Bureau of Political Military Affairs document describing U.S. security assistance to Pakistan.

Soon after September 11th, President Bush judged that the sanctions imposed on Pakistan "would not be in the national security interests of the United States." Thus, in early November 2001, the U.S. agreed to provide Pakistan with \$73 million in "border security" military hardware, including Huey helicopters and spare parts for F-16 fighter planes. Weapons sales have remained steady ever since. In March 2005, President Bush reversed 15 years of policy begun under his father by offering F-16 fighter planes to Islamabad.

Initially, Pakistan plans on buying two dozen of the Lockheed Martin manufactured planes, but Bush administration officials note there would be no limits on how many could eventually be purchased. Pakistan's economy is not strong enough to allow Musharraf to purchase the \$35 million per copy fighter planes, and so the deal will be accompanied by about \$3 billion in military aid. In 2006, Pakistan received \$122 million in weapons and defense articles.

To stave off criticism that he is playing favorites, President Bush accompanied the Pakistan F-16 announcement with a companion decision to open India to U.S. weapons manufacturers, sparking denunciations that sales of weapons technology to the rivals could lead to a South Asian arms race.

Friendship/ engagement: Indonesia

Indonesia and the United States have a long and friendly history. It was our cold war ally with Dictator Suharto responding brutally to communism throughout his country. Throughout the Suharto regime and since, Jakarta enjoyed the full support of the United States. Most of Indonesia's weapons came from the United States, their officers graduated from U.S. academies, and the two militaries conducted joint exercises. Jakarta was almost completely dependent on Washington for its military strength. Additionally, Jakarta's generals developed a strong preference for U.S. weapons.

General Suharto—the strong man who ruled Indonesia for more than 30 years—recently died and former leader was given the burial of a statesman, and his legacy was burnished to a high gloss. "Though there may be some controversy over his legacy," eulogized U.S. Ambassador Cameron Hume, "President Suharto was a historic figure who left a lasting impression on Indonesia and the region of Southeast Asia." The "controversy" includes Transparency International's 2004 assertion that Suharto was the "world's greatest kleptocrat ever" with a fortune of \$35 billion or more stolen from the Indonesian

people. Other controversial issues include mass killings. His extermination of between 400,000 and one million suspected communists as he moved to seize power in 1965 and 1966 stands out in its brutality. There was also the 1975 invasion of East Timor, the Santa Cruz Massacre in 1991, and much more. Suharto was labeled “one of the worst mass murderers of the 20th century,” by the East Timor and Indonesia Action Network.

In the aftermath of the Santa Cruz massacre, some military ties were severed and then again after Indonesia’ brutal response to East Timor’s assertion of independence, grassroots activism forced Congress to sever all remaining military ties. Given the prevalence of U.S. weaponry, the congressionally mandated checks on weapons sales and military aid effectively hamstrung the Indonesian military and sent it a strong message that it must reform.

But—in short order-- pressure from military officials from both countries and the political exigencies of the war on terrorism successfully weakened and eventually undermined Washington’s willingness to use its influence to demand that the Indonesian military respect human rights and eliminate corruption. The United States and Indonesia “normalized” military relations in 2005, ending a 10-year period during which Jakarta was essentially barred from receiving most forms of U.S. weapons sales and military aid and training because of its military’s human rights abuses and corruption. Jakarta is happy to be back in Washington’s good graces.

Right after Valentine’s Day, Indonesian Air Force officials met with their U.S. counterparts to discuss “bilateral defense cooperation.” On their wish list were Lockheed Martin’s F-16 fighters and C-130 Hercules tactical transport planes. There will be more defense talks in April between the two countries as they step up military cooperation.

U.S. Defense Secretary dropped by for a visit on Monday, February 25th and praised Indonesia as a “huge Islamic country, democratic, secular,” before continuing to say: “I think strengthening our relationship with Indonesia is very important, not just in a regional context, but I think in terms of the role that Indonesia may be able to play more broadly.” But its military is carefully courting other weapons suppliers so it is not again dependent on a single source.

Gates acknowledged this wariness about accepting U.S. military goods again (about growing dependent on the United States again, while he was there, saying: Contribute: countries have sometimes found it hard to work with us.” “Delays also occur due to bureaucratic inertia. As many have learned, dealing with an

entity as cumbersome as the US government is not a mission for either the impatient or the faint of heart.” And he went on to say: “We regard the development of the Indonesian armed forces as both a key component of our relationship going forward and as a vital aspect of Indonesia’s emergence as a prosperous and stable democracy with global reach.”

In 2005, the State Department authorized Jakarta for \$51 million in licenses for weaponry, defense articles, and services. The next year, the State Department issued licenses for more than \$100 million in military hardware including spare parts for fighters, cargo planes and helicopters, explosives and torpedo launchers were issued. Not all licenses are exercised, but the list gives a sense of Indonesia’s voracious appetite for weapons.

Washington hopes to use its new influence, to shape Indonesia as a nation that can emerge as a regional leader able to thwart North Korea’s nuclear ambitions and deter China’s aggressive military build-up.

India: Profit

The real prize is India, Richard Aboulafia, military analyst

Once, India was allied with the Soviet Union, and roughly 70% of India’s military hardware still comes from Russia. But as military ties between India and the U.S. grow tighter, Russian influence could wane. India is one of the world’s fastest growing economies, which means it has the money for weapons. And, with a bitter rival right across the border, there is no shortage of reasons to arm up. Security analysts predict \$40 billion in Indian weapons purchases over the next few years.

After announcing the sale of billions in F-16 fighters to Pakistan, President Bush called Indian Prime Minister Dr. Manmohan Singh to tell him U.S. military technology like fighter planes would now be available to his nation as well. This was good news to India, which is in the middle of a push to modernize its military, but it was great news to U.S. weapons manufacturers. As a spokesman for Lockheed Martin, manufacturer of the F-16 fighter plane, said, “India is a market we want to pursue.”

Lockheed Martin’s president for South Asia told Reuters in Singapore that India would be the largest defense market in Asia, with \$20 billion in contracts in the next decade. So, 20 billion, 40 billion... big no matter what!

Last month, New Delhi inked a \$1 billion deal with Lockheed Martin for six C-130 military transport planes and helicopters, bought the America warship the Trenton and renamed it Jaslashva and now

Lockheed and Boeing are competing for a \$10 billion contract to sell 126 fighter jets which would replace Russian Migs.

At the recent “DEF EXPO India” where companies from 30 countries showcased their artillery, tanks and battlefield gadgets, the United States was out in force, with 47 firms flaunting their arms and equipment.

President of Raytheon Asia Walter Doran commented that “India is a key emerging market for us in Asia.” Former U.S. Defense Secretary William Cohen led the U.S. delegation to the EXPO. His “Cohen Group” represents Lockheed Martin and he told reporters, “We look forward to being a reliable supplier and trusted partner of the Indian military for a long term.”

Joe Song, Integrated Defense Systems vice president for Asia Pacific, saying “we believe the U.S. defense budget will be fairly flat for the next few years. So international business becomes more important for us to continue growing.” Song points out that the defense budgets in many Asian countries are increasing 5-8% annually as nations modernize their militaries.

Defense Secretary Robert Gates visited New Delhi right after the defense expo. During two days of meetings with Indian officers, Mr. Gates pressed the case of American defense companies competing for multibillion dollar contracts, including coveted \$10 billion fighter deal.

Does it Work?

Can the United States trade weapons for security or friendship? Is this a workable long term strategy... NO.

Security in Pakistan

In the case of Pakistan, Washington is discovering that \$10 billion in military aid and accelerated weapons sales do not guarantee security gains. It does not capture the Taliban, it does not obliterate Al Qaeda, it does not secure ungoverned spaces, it does not protect a popular opposition leader from assassination.

U.S. weapons and military support have strengthened a regime that sends its U.S. armed soldiers and police to beat lawyers in the street; that insists it is a democracy while holding on to the power of dictatorship. Not only does it strengthen this regime, our support aligns us with that regime. When Musharraf imposed emergency rule and jailed opposition figures ranging from the head of the Supreme Court to leading players in the parties of Benazir Bhutto and Nawaz Sharif, the Bush administration made

critical noises, but took no action. Calls to suspend military aid were ignored, and State Department spokesperson Richard Boucher told Congress that Musharraf was "indispensable" to U.S. interests in the region.

But Pakistan's record on counter-terrorism is at best mixed: The National Commission on Terrorist Attacks upon the United States (also known as the 9-11 Commission) cited evidence of Islamabad's collaboration with the Taliban before the terrorist attacks. The report found that "the Taliban's ability to provide bin Laden a haven in the face of international pressure and UN sanctions was significantly facilitated by Pakistani support."

According to another report from the *Congressional Research Service*, Pakistan has turned a blind eye to the Taliban and other militants who use its porous border regions as a launching pad for attacks against U.S., NATO and Afghani troops. The report, *Afghanistan: Post War Governance, Security and U.S. Policy* notes that "U.S. and Afghan officials continue to accuse Pakistan of allowing Taliban fighters to meet and group in Pakistani cities."

An anonymous Western diplomat, quoted in the *New York Times*, was more colorful, saying "if you talk about the Taliban, it's like fish in a barrel in Pakistan. They train, they rest there. They get support."

Indonesia: Friendship and Influence

Indonesia is a fascinating case... because it is one of the few places where the United States effectively used its influence to assert regard for human rights and the rule of law. It just did not do it for long enough... When military aid was cut off, the Indonesian military did reform, it did vet its ranks for human rights abusers, it did begin to crack down on the corruption that pervades the institution. But even as Congress was enforcing the ban, the United States military was looking for the cracks... pushing for openings, arguing for restoration of ties.

Normalization of military ties between the United States and Indonesia in late 2005 was accompanied by State Department assurances that "the United States remains committed to pressing for accountability for past human rights abuses and U.S. assistance will continue to be guided by Indonesia's progress on democratic reform and accountability."

This year, over the objections of the State Department, Congress withheld \$2.7 million – a fraction of U.S. foreign military financing – until the State Department could demonstrate that Indonesia was taking

steps to hold members of the military accountable for human rights violations and implement "reforms to increase the transparency and accountability of their operations and financial management." John M. Miller, national coordinator of ETAN, reacted to this attempt to influence Jakarta by saying "withholding this small portion of military aid is an inadequate stick, but it serves to keep up appearances. The Indonesian government looks like it is trying, but the Indonesian military correctly interprets it as a token gesture. The military gets what it wants without concretely change how they do business or losing its impunity."

The Indonesians are right to be suspicious of the United States and now that Russian President Putin is trading weapons for palm oil, our influence—even with the best military hardware in the world—may be waning. House of Representatives member Andreas Pareira: "what are the motives behind the US offer? I wonder because nothing in the world is free. The US made the offer not because they are generous."

Washington dangles F-16s to make its sweeping vision of Indonesia's strategic importance a reality. But, in the past, U.S. origin weapons, military know-how and aid, were not used to achieve lofty political aims. They were turned on Indonesian citizens active in the multiple movements for self-determination and autonomy in far-flung regions like Aceh, Papua and Timor. They were used to put down political demonstrations and quell unrest after the economic collapse destroyed the livelihoods of hundreds of thousands.

Profit.... Yeah. Profit works. But for whom?

Lockheed Martin

About 10% of Lockheed Martin's business comes from international customers. The Orlando Business Journal reported on January 25, 2008 that "Lockheed Martin Corp. reported profits up 9.6 percent last quarter.... The Bethesda-based defense contractor posted fourth-quarter net income of \$799 million, or \$1.89 per share, compared with \$729 million, or \$1.68 per share in the same quarter a year ago.... Sales rose in every category of Lockheed's business except its aeronautics division."

Boeing

The Chicago Tribune (1/31/08) reported that "Boeing's net income rose a better-than-expected 4 percent, to \$1.03 billion, or \$1.36 per share" in the fourth quarter of 2007, and went on to note that the company "expects to build on its strong results from 2007, when its net income jumped 84 percent...to \$4.07 billion... on sales of \$66.39 billion.

Northrop Grumman

Reuters reported (1/24/08) that Northrop Grumman saw a slight rise in fourth-quarter profit, reporting a quarterly net profit of \$454 million, up from \$453 million a year ago. The company is the third largest recipient of Pentagon contracts. In 2003, the LA-based company won \$11.1 billion in contracts. Three years later, that figure was up nearly 50% to \$16.6 billion.

General Dynamics

The New York Times (1/24/08) reported that fourth-quarter earnings for General Dynamics were up 42 percent. “For all of 2007, General Dynamics had net earnings of \$2.1 billion” up 11 percent from \$1.86 billion in 2006.

Conclusion

Despite having some of the world’s strongest laws regulating the arms trade, almost half U.S. weapons end up in countries plagued with ongoing conflict and governed by undemocratic regimes with poor human rights records. The 1976 Arms Export Control Act stipulates that arms transfers can only be used by the recipient nation for self-defense, internal security and in United Nations sanctioned operations. The Foreign Assistance Act of 1961 bars military aid and arms sales to countries that demonstrate “gross and consistent” patterns of human rights abuses. And the Export Administration Act, passed in 1979, regulates the sale of “dual-use” items that could have civilian or military application.

According to the annual Conventional Arms Sales to the Developing World released by the Congressional Research Service in November, the top 25 recipients of US arms in the developing world received a total of more than \$11 billion in U.S. weapons in 2006 alone. The top seven recipients were Pakistan, Afghanistan, Israel, Saudi Arabia, Kuwait, United Arab Emirates and Iraq. They took delivery of more than \$9.3 billion in arms. All of these nations have serious problems respecting the human rights of their people, according to the 2006 State Department report on Human Rights, and none are full democracies where citizens have the right to change their government

All too often, U.S. arms transfers fuel conflict, arm human rights abusers, or fall into the hands of U.S. adversaries. Far from serving as a force for security and stability, U.S. weapons sales frequently serve to empower unstable, undemocratic regimes to the detriment of U.S. and global security. U.S. arms sometimes go to both sides in long brewing conflicts, ratcheting up tensions and giving both sides better firepower with which to threaten each other. India and Pakistan are a classic example of this.

Last year, the United Nations began work on the Arms Trade Treaty, which is aimed at curbing arms transfers to major human rights abusers and areas of conflict. The treaty would also urge weapons suppliers to limit weapons sales likely to undermine development in poor nations. The United States was the only country to vote against the resolution, while 24 (including many other major weapons suppliers) abstained. The General Assembly will take the next step, but without the active participation of the world's largest weapons producer and exporter, this important mandate will not be strong enough to counter the perfect storm of profiting from war.

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