

Lucrative Weapons Market: Europe Competing with US in Selling Arms to Developing Countries

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Europe Vying with U.S. to Sell Arms

TORONTO (IDN) – The United States and its four major European allies – France, Britain, Germany, and Italy – are locked in an “intense” competition for selling arms to affluent developing nations, says a new report prepared for the U.S. Congress.

Between 2007 and 2010, the U.S. and Russia dominated the arms market in the developing world, with both nations either ranking first or second for all four years in terms of the value of arms transfer agreements, says the Congressional Research Service (CRS)

During those four years, the United States made 38% of arms sales agreements worth nearly \$72 billion. Russia bagged 19.6% of all such agreements valued at \$37.1 billion. Together, the U.S. and Russia made 57.6% of all arms transfer agreements with developing nations. France, the third-leading supplier, shared 5.8% of arms deals worth nearly \$11 billion from 2007 to 2010 with developing nations.

The report explains that the four major West European arms exporters have supplied “a wide variety of more highly sophisticated weapons” to nations that the U.S. chose not to supply for policy reasons.

Britain, for example, sold major combat fighter aircraft to Saudi Arabia in the mid-1980s, when the United States chose not to sell a comparable aircraft for policy reasons. More recently, however, European aircraft suppliers were made finalists in the competition for a major sale of combat aircraft to India, while the U.S. aircraft was rejected, says the report titled *Conventional Arms Transfers to Developing Nations, 2003-2010*.

The leading buyers of arms in the developing world in 2010 were: India (worth \$3,600 million), Saudi Arabia (\$2,200 million), Pakistan (\$2,200 million), Egypt (\$900 million), Algeria (\$900 million), Israel (\$700 million), Taiwan (\$700 million), U.A.E. (\$600 million), South Korea (\$600 million) and Iraq (\$600 million).

Between 2003 and 2010, Saudi Arabia purchased arms worth \$29,000 million, India \$16,900 million, China \$13,200 million, Egypt \$12,100 million, Israel \$10,300 million, U.A.E. \$8,600 million, Taiwan \$8,300 million, Pakistan \$7,600 million, South Korea 7,300 million, and Algeria \$4,500 million.

The report’s author Richard F. Grimmett recalls with some nostalgia that the four NATO allies of Washington “generally supported the U.S. position in restricting arms sales to certain nations during the Cold War era. In the post-Cold War period, however, their national

defence export policies have not been fully coordinated with the United States as was the case previously.”

In recent years, however, the potential for policy differences between the U.S. and major European arms exporters over conventional weapons transfers to specific countries has increased, because of a divergence of views over what is an appropriate arms sale.

Leading European weapons exporters, especially France, view arms sales foremost as a matter for national decision. According to the report, “economic considerations appear to be a greater driver in French arms sales decision-making than matters of foreign policy.”

Such a conflict resulted from an effort led by France and Germany in 2004-2005 to lift the embargo on arms sales to China adhered to by members of the European Union. Washington viewed this as a misguided effort, and vigorously opposed it.

In the end, the proposal to lift the embargo was not adopted. However, it proved to be a source of significant tension between the U.S. and some members of the European Union. “The arms sales activities of major European suppliers, consequently, will continue to be of interest to U.S. policymakers, given their capability to make sales of advanced military equipment to countries of concern to U.S. national security policy,” cautions Grimmer.

According to the report, the major West European suppliers, individually, have enhanced their competitive position in weapons exports through strong government marketing support for their foreign arms sales. All of them can produce both advanced and basic air, ground, and naval weapons systems. They have competed successfully for arms sales contracts with developing nations against the United States, which has tended to sell to several of the same major clients, writes Grimmer.

Emerging Trends

The significance of this emerging trend is underlined by the fact that the continuing demand for U.S. weapons in the global arms bazaar, from a large established client base, had created a more difficult environment for individual West European suppliers to secure, on a sustained basis, large new contracts with developing nations.

“Yet, as the data indicate, the major West European suppliers continue to make significant arms transfer contracts each year,” states the report.

It finds that France, Britain, Germany, and Italy collectively held a 13.3% share of all arms transfer agreements with developing nations during 2010. “In the period from 2003 to 2010 they have generally been important participants in the developing world arms market,” informs the study.

In fact, individual suppliers within the group of four have had notable years for arms agreements during this period: France in 2009 (\$7.9 billion) and in 2005 (\$5.7 billion); Britain in 2007 (\$10.1 billion) and 2004 (\$4.8 billion); Germany (over \$4.8 billion) in 2008, and in 2006 (\$2.6 billion); and Italy in 2009 (\$2.7 billion).

In the case of all of these West European nations, large agreement totals in one year have usually resulted from the conclusion of large arms contracts with one or a small number of major purchasers in that particular year, notes the report.

Grimmet says, maintaining their market share of the arms trade in the face of the strong demand for U.S. defence equipment, among other considerations, was a key factor in inducing European Union (EU) member states to adopt a new code of conduct for defence procurement practices.

This code was agreed on November 21, 2005, at the European Defence Agency's (EDA) steering board meeting. Currently voluntary, the EU hopes it will become mandatory, and through its mechanisms foster greater cooperation within the European defence equipment sector in the awarding of contracts for defence items.

By successfully securing greater intra-European cooperation in defence program planning, and collaboration in defence contracting, the EU hopes that the defence industrial bases of individual EU states will be preserved, thereby enhancing the capability of European defence firms to compete for arms sales throughout the world.

The report further points out that some European arms companies have begun, and others completed the phasing out of production of certain types of weapons systems.

"These suppliers have increasingly sought to engage in joint production ventures with other key European weapons suppliers or even client countries in an effort to sustain major sectors of their individual defence industrial bases – even if a substantial portion of the weapons produced are for their own armed forces. Examples are the Eurofighter and Eurocopter projects," says the report.

It adds: A few European suppliers have also adopted the strategy of cooperating in defence production ventures with the United States such as the Joint Strike Fighter (JSF), rather than attempting to compete directly, thus meeting their own requirements for advanced combat aircraft while positioning themselves to share in profits resulting from future sales of this new fighter aircraft.

Data in this report are intended to provide a means for Congress to identify existing supplier-purchaser relationships in conventional weapons acquisitions. The report's author hopes "the use of these data can assist Congress in its oversight role of assessing whether the current nature of the international weapons trade affects U.S. national interests."

For most of recent American history, maintaining regional stability and ensuring the security of U.S. allies and friendly nations throughout the world have been important elements of U.S. foreign policy. Knowing the extent to which individual arms suppliers are transferring arms to individual nations or regions provides Congress with a context for evaluating policy questions it may confront.

Such policy questions may include, for example, whether or not to support specific U.S. arms sales to given countries or regions or to support or oppose such arms transfers by other nations. The data in this report may also assist Congress in evaluating whether multilateral arms control arrangements or other U.S. foreign policy initiatives are being supported or undermined by the actions of arms suppliers. [IDN-InDepthNews – October 05, 2011]

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