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The Arms Trade Issue

The arms race between India and Pakistan is double-barreled: one barrel contains conventional warheads and the other, nuclear warheads.
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US Weapons at War

Frida Berrigan

“The only force powerful enough to stop the rise of tyranny and terror, and replace hatred with hope, is the force of human freedom...[and] America will stand with the allies of freedom to support democratic movements in the Middle East and beyond, with the ultimate goal of ending tyranny in our world.”

These words, delivered by President George W. Bush in his 2005 State of the Union address, drew cheers and applause. But shaping this noble rhetoric into concrete policies will mean reversing a decades-long policy of selling weapons and providing military aid to some of the world’s worst tyrants and dictators. Under President Bush’s leadership, this trend has accelerated and freedom and democracy have suffered as a result.

Can arms sales and military aid - two major tools in Washington’s tool box - help President Bush in his pledge to “end tyranny in our world?”

A report from the Arms Trade Resource Center says no. The report, *US Weapons at War 2005: Promoting Freedom or Fueling Conflict?* finds the US policies of arming and aiding friendly nations are at odds with the goals of democratization and furthering human rights throughout the world.

US arms sales are often justified by pointing to what we get in return - secure access to overseas military facilities or coalition allies in conflicts such as the wars in Iraq and Afghanistan - but these alleged benefits can come at a high price. Often, US arms transfers fuel conflict, arm human rights abusers, or fall into the hands of US adversaries. US 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, as in the recent decisions to provide new F-16 fighter planes to Pakistan, while pledging comparable high-tech military hardware to its rival India. Far from serving as a force for security and stability, US weapons sales frequently serve to empower unstable, undemocratic regimes to the detriment of US and global security.

The United States transfers more weapons and military services than any other country in the world. Between 1992 and 2003, the United States sold \$177.5 billion in arms to foreign nations. In 2003 alone, the Pentagon and State Department delivered or licensed the delivery of \$5.7 billion in weaponry to countries which can ill afford advanced weaponry - nations in the developing

world saddled with debt and struggling with poverty.

Despite having some of the world’s strongest laws regulating the arms trade, almost half of these weapons went to countries plagued with ongoing conflict and governed by undemocratic regimes with poor human rights records. In 2003, \$2.7 billion in weaponry went to governments deemed undemocratic by the US State Department’s Human Rights Report, in the sense that citizens of those nations “did not have a meaningful right to change their government” in a peaceful manner. Another \$97.4 million worth of weapons went to governments deemed by the State Department to have “poor” human rights records.

Can arms sales and military aid help President Bush in his pledge to “end tyranny in our world?”

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South Asia's Double-Barreled Arms Race

Ahmad Faruqui

The arms race between India and Pakistan is a double-barreled one, with one barrel containing conventional warheads and the other barrel containing nuclear warheads. Ironically, the race is happening at a time when both countries have said that the peace process between them is irreversible.

Pakistan's military has begun receiving American military aid after a decade-long hiatus. Domestically, this gives the generals a chance to play to jingoistic sentiments. Internationally, the aid is justified by the war against terror. India, with its eyes set on becoming a great power, has signed an unprecedented 10-year defense pact with the US. It has joined hands with the US to contain China at a time when it has successfully defused its Himalayan border problem.

On August 11, Pakistan tested its first cruise missile capable of delivering nuclear warheads with "pinpoint accuracy" at a distance of 500 km. Its firing on the president's birthday was portrayed as a gift to the nation. But coming three days before the 58th Independence Day, it was a potent reminder that without the Khakis, there would be no national security.

Musharraf made no secret of the fact that the Pakistani missile was India-specific and alluded to the imbalance that had been created by India's decision to acquire Patriot missiles from the US. He said the missile's range was longer than that of its Indian counterpart. The missile firing made a mockery of the high-profile announcement that had been made a week earlier that the two countries would warn each other before test launches. A Pakistani spokesman tamely said, "We are only supposed to give pre-warning for ballistic missiles."

Cruise missiles add a new dimension to the ongoing race in the field of ballistic missiles. The missiles carry ominous names. India's Agni missile is named after the Hindu deity of fire. Pakistan's Babur and Ghauri missile are named after Muslim rulers from Central Asia who conquered India centuries ago. While one

may ask, "What's in a name? That which we call a missile/By any other name would be as dangerous," names that evoke past hostilities can hardly be viewed as harbingers of peace.

Some of the existing missiles can hit targets that are 2,000 km distant. India will shortly best this range by firing a missile with a 3,000 km range and is said to be working on a truly intercontinental range

**The two countries,
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missile that could hit places as far away as Los Angeles. It would be a surprise if Pakistani scientists were not busy at work extending the range and accuracy of their missiles.

So, while both countries speak of the need to maintain a minimum deterrent in the field of nuclear weapons, the dynamics of the arms race are such that tomorrow's minimum level exceeds yesterday's maximum level. In addition, the development of nuclear weapons and ballistic missiles has not reduced the expenditure on conventional forces. Decades ago, the race was confined to combat aircraft, warships, submarines, tanks and artillery pieces. Then ballistic missiles entered the picture, followed by nuclear warheads.

There has been no nuclear dividend in South Asia, let alone a peace dividend. Both countries are using the excuse of "modernization" to spend more funds on conventional forces. About 41 percent of India's defense budget is devoted to capital expenditures for purchasing newer and more potent submarines, an aircraft carrier, fighter jets and tanks. Pakistan's military expenditures are shrouded in secrecy.

The 18-month old "composite dialogue between the two countries has given the

rivals the perfect cover to engage in higher levels of military spending. To be in tune with the times, the volume of negative governmental rhetoric is at an all time low. The cease-fire in Kashmir is holding. Even Manmohan Singh's recent statement that the Pakistani nuclear arsenal was not in safe hands was met with admirable restraint by Islamabad as were equally strident statements from New Delhi that there were no plans to withdraw forces from Jammu and Kashmir.

But there is no sign that these peace overtures have shut down the arms race. Pakistan raised its military spending by 15 percent in its new budget, about double the rate of growth of the economy. It plans to spend \$3.75 billion this fiscal year. India raised its military spending by 7.7 percent, which follows an increase of 27 percent in the prior budget. It plans to spend \$19 billion this fiscal year. The two countries, among the poorest in the world, are spending some \$23 billion annually. These figures do not include expenditures associated with military pensions, which could account for an additional 15 percent, nor do they include expenditures on nuclear forces, which could account for an additional 20 to 30 percent. Thus, in aggregate terms, they may be spending upwards of \$30 billion.

These costs are even higher when evaluated in purchasing-power-parity (PPP) terms. India spends \$100 billion in PPP terms, which makes it the third largest military spender in the globe, right after China, which spends \$150 billion, and the US, which spends \$450 billion.

While the arms race has been around for a long time, the big change is the emergence of the US as a prominent arms supplier. During the past decade, the US only provided eight percent of Pakistan's arms imports and less than one percent of India's. Conscious of the stigma that attaches to merchants of death, Washington has rejected the notion that its arms sales will trigger an arms race. While explaining the sale of F-16s to Pakistan, US Secretary of State

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Katrina Changes Everything

James Galbraith and Michael Intriligator

Hurricane Katrina and the death of New Orleans have changed everything, exposing the rot in government and the failures of the free-market world view that has dominated our politics and economic policy for more than thirty years. Now we need a plan, frankly, to save the country.

It is becoming clear that the human and economic damage from hurricane Katrina will far exceed that from September 11, 2001. Katrina has killed many thousands and displaced more than a million persons. Immediately they need shelter, food, clothing and medical care, and places in school; these are being provided. But very quickly they will also need housing, jobs and health insurance. Later on, they will need help to get back home, if they choose to return, as many will, when New Orleans and the Gulf Coast are rebuilt.

The affected families should all be given housing vouchers and placement assistance; cities like Houston, which is inundated with evacuees, should get immediate impact aid to provide housing units, classrooms and, if required, jobs. All Gulf Coast evacuees should get immediate health coverage under Medicare. And let's help the evacuees form a national union, to communicate with each other, to represent their interests, and to keep alive the spirit of New Orleans and the Gulf Coast. In our democracy, the voices of the displaced must be heard.

To rebuild New Orleans and the Gulf Coast will require a vast and coordinated effort. Before the storm, scientists and planners called for \$14 billion to rehabilitate the barrier islands and wetlands and to re-engineer the levees. Rebuilding the city itself will cost tens of billions more. And it should be done fairly - in the interest of those just displaced. The new New Orleans should be a beacon of mixed neighborhoods, affordable housing, and decent transit for the poor and middle class. It should be free of slum-lords and protected from excessive gentrification.

Because the risks will not go away, the country needs a new disaster management paradigm. This must include transparent plans, properly resourced, with provision for all Americans living in areas of risk. FEMA - which was functional under Clinton and corrupted under Bush - must be taken out of Homeland Security and given back over to competent leadership.

**The new
bankruptcy bill
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suspended before
it takes effect:
Gulf Coast
evacuees
should get
immediate
debt relief.**

But that should be only the beginning; it is very clear we are totally unprepared to cope with calamity on the scale just seen. For the Gulf Coast we may need a new authority altogether - a Gulf Coast Authority, modeled on the TVA - to manage the ecological risks and coordinate disaster planning.

Katrina's damage extends nationwide. Oil production, refining and trade routes are disrupted, prices are soaring, confidence is damaged. The Port of New Orleans cannot be dispensed with, and so long as it is disrupted the national economy is in peril. The best support will come, not from "quick fixes," but from immediate steps that meet long-term needs, strengthening our infrastructure in many parts of the country after decades of neglect and decay. But some quick steps are needed. On the physical side, opening and staffing the port will have to be done quickly at any cost. On the human side, the new bankruptcy bill should be suspended at once, before it takes effect October 17. Gulf Coast evacuees who have lost everything should get immediate relief from their existing debts.

So then, where must the resources come from? It's obvious that immediate relief, long-term investment needs and a slowing economy will all add to deficits and debt. So be it: meeting needs must take precedence over all other objectives right now. But even so, resources can be found to cover part of the cost.

First, the National Guard must come home from Iraq, and our adventure there phased out as soon as it safely can be. Congress should also kill Missile Defense, bunker-busting

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US Weapons at War (continued from page 1)

It is not enough to condemn tyranny and terror. President Bush must act to remove the tools of repression from the hands of tyrants and terrorists. Al-Qaeda and other non-state actors are real threats. But, for many, the central source of tyranny and terror is their own government.

The United States provides the military hardware and know-how, and then all too often turns a blind eye as governments suppress rights, squash legitimate dissent and sustain repression. In all, four of the five top US arms recipients in the developing world had major issues, ranging from undemocratic governments, to poor human rights records across the board, to patterns of serious abuse.

Does US policy of providing military aid and selling weapons contribute to fighting the war on terrorism? Is it a sound policy for strengthening democracy and self-reliance, as US documents purport? Or does this policy conflate terrorism with human rights abuses and repression by putting more money and high-tech weaponry into the hands of leaders who violate human rights, repress their citizens and wage war on their neighbors?

Weapons at War

For many, war is synonymous with Iraq or Afghanistan, but our research enumerates 25 ongoing conflicts throughout the world. In the last decade, the US has transferred some \$8.7 billion in arms and military services to these war zones, \$970.5 million in 2003 alone. During that year (the last for which full data is available) the United States transferred weapons and military hardware into 18 of 25 conflict zones. This is despite the fact that these transfers appear to violate the spirit (if not the letter) of the Arms Export Control Act and the Foreign Assistance Act, which bar the transfer of US-origin military equipment into active areas of conflict.

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 demon-

strate “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.

The Pentagon’s largest military aid program increased by 34 percent between 2001 and 2005, jumping from \$3.5 billion to \$4.6 billion.

While some arms transfers are relatively small - a few hundred thousand dollars - they carry significant political weight. A transfer of \$301,000 in weapons to Angola, for example, does more than provide military hardware. It suggests that Luanda is an ally and that Washington supports or acquiesces in the actions of their military.

In the case of conflict zones like the Philippines or Colombia, where tens of millions of dollars worth of weapons are sold, Washington supplements military hardware with deployment of US troops, advisers, military aid, or training programs, representing an even greater level of US involvement in these wars.

Military Aid

In times of crisis, like the tsunami that killed more than 100,000 people in the last days of 2004, the American people are very generous. And they assume their government is as well. While the United States doles out billions in foreign aid every year, Washington tends to favor military aid and weapons sales over other forms of aid, deprioritizing humanitarian, health or development aid, even though these types of foreign aid have long-term constructive impact.

Since the beginning of the war on terrorism, foreign military aid has increased precipitously. The Pentagon’s largest military aid program, the Foreign Military

Financing (FMF) program, increased by more than one-third (34 percent) between 2001 and 2005, jumping from \$3.5 billion to \$4.6 billion over that time period. President Bush is requesting \$4.5 billion in FMF for 2006.

Many countries previously barred from receiving US military aid, because of nuclear testing, human rights abuses, or their harboring of terrorists, began to receive aid in 2001. Two dozen nations, including Afghanistan, Algeria, Pakistan, Uzbekistan and Uruguay, either became first-time recipients of FMF during this period or were restored to the program after long absences. As a result, the number of countries receiving FMF assistance increased from 48 to 71 between 2001 and 2006 - a 47.9 percent increase.

In that same time period, ten countries saw their aid at least triple, and seven had their FMF assistance increase by five times or more. The biggest gainers in FMF assistance in dollar terms were Jordan (+\$127 million), Pakistan (+\$300 million) and Afghanistan (+\$396 million). None of these countries are democracies that fully respect human rights, according to the State Department’s Human Rights Report.

The Canadian-based Project Ploughshares calculates that there are 36 armed conflicts being waged in 28 countries and defines armed conflict as “political conflict in which armed combat involves the armed forces of at least one state (or one or more armed factions seeking to gain control of all or part of the state), and in which at least 1,000 people have been killed by fighting during the course of the conflict.”

Arming undemocratic governments all too often helps to enhance their power, frequently fueling conflict or enabling human rights abuses in the process. These blows to the reputation of the United States are in turn impediments to winning the “war of ideas” in the Muslim world and beyond, a critical element in drying up financial and political support for terrorist organizations like al-Qaeda.

Last but not least, in all too many cases, US arms and military technology can boomerang, ending up in the hands of US

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US Weapons at War (continued from page 4)

adversaries, as happened in the 1980s in Iraq and Panama, as well as with the right-wing fundamentalist “freedom fighters” in Afghanistan, many of whom are now supporters of al-Qaeda.

As a first step towards a more sound arms trade policy, it is time to impose greater scrutiny on US arms transfers and military aid programs. The superficial assumption that these are just tools in the foreign policy toolbox, to be used to win friends and intimidate adversaries as need-

ed, must be challenged in this new era in US security policy. A good starting point would be to find a way to reinforce and implement the underlying assumptions of US arms export law, which calls for arming nations only for purposes of self-defense, and avoiding arms sales to nations that engage in patterns of systematic human rights abuses, either via new legislation or Executive Branch policy initiatives. Equally important, the automatic assumption that arms transfers are the pre-

ferred “barter” for access to military facilities or other security “goods” sought from other nations should be seriously re-considered. Economic aid, political support and other forms of support and engagement should be explored as alternatives whenever possible.

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Letter to the Editor: God, Bush and the Bomb

Paul Cantor

“Thank God for the atom bomb,” wrote William Manchester in a memoir recounting his service as a marine during World War II. Sixty years ago last month, atom bombs killed over 100,000 people and destroyed Hiroshima and Nagasaki.

According to the widely held view echoed by Manchester, the bombs forced Japan to surrender on August 14 and thereby obviated the need for an invasion that would have cost even more lives. But the post-war Strategic Bombing Survey concluded that “even without the atomic bombing attacks, air supremacy over Japan could have exerted sufficient pressure to bring about unconditional surrender and obviate the need for invasion.”

Even given the Survey’s conclusion, however, many think we should still “thank God for the atom bomb.” The bomb, they reason, made it clear that there would be no victors in a nuclear confrontation. Consequently there has never been a World War III.

This is an argument favored by the neo-cons in the Bush administration. It implies that by maintaining its preeminent nuclear arsenal the US prevents other nuclear nations from attacking it or its allies. But if that is the case there is no need to worry about nuclear proliferation and there was no need to attack Iraq. Indeed, the fact that Bush invaded Iraq under his “preemptive war” doctrine indicates either he doesn’t really believe that simply maintaining the world’s preeminent nuclear arsenal is

enough to keep the peace or that he lied about the real reason for the invasion.

The truth is the bomb does not keep the peace. In the sixty years since Hiroshima

Bush’s invasion of Iraq shows that either he doesn’t believe that maintaining the world’s preeminent nuclear arsenal is enough, or that he lied about the real reason for the invasion.

and Nagasaki we have been steadily upgrading our nuclear arsenal, and we have still been involved in major wars in Korea, Vietnam, the Persian Gulf and Iraq. During the 1962 Cuban missile crisis we almost went to war with the Soviet Union. Nor can it be said that our preeminent nuclear arsenal has made us safer. Rather, it has led other nations to intensify efforts to obtain or upgrade their own nuclear arsenals, while doing nothing to discourage terrorist attacks against us.

What then should we do? There are four steps we should take immediately to begin to eliminate the threat of a nuclear confrontation. First, we should apologize for dropping the bomb on Hiroshima and Nagasaki. As a nation we need to recog-

nize that together these two acts were among the greatest atrocities of the 20th century. We tend to think we occupy the moral high ground, while as never before in our history the rest of the world doesn’t see it that way. Today we have Abu Ghraib to add to the slaughter of Indians, slavery, the firebombing of Dresden and Tokyo, and the overthrow of democratic regimes in Chile, Guatemala, and Iran - all stains on our past. Second, we should pull out of Iraq and renounce our unilateral preemptive war policy. Third, we should pledge not to devote more resources to upgrading our nuclear arsenal with bunker-busting bombs and other more devastating weapons. Fourth, we should announce our intention to work through the United Nations to bring all nuclear weapons under international control and then begin to eliminate them.

Only by taking steps such as these can we gain credibility as a nation interested in pursuing peace and justice in the world, rather than only our own interests and hegemony. But none of these steps will be taken under the current administration. It is not too soon to begin thinking about a change in leadership.

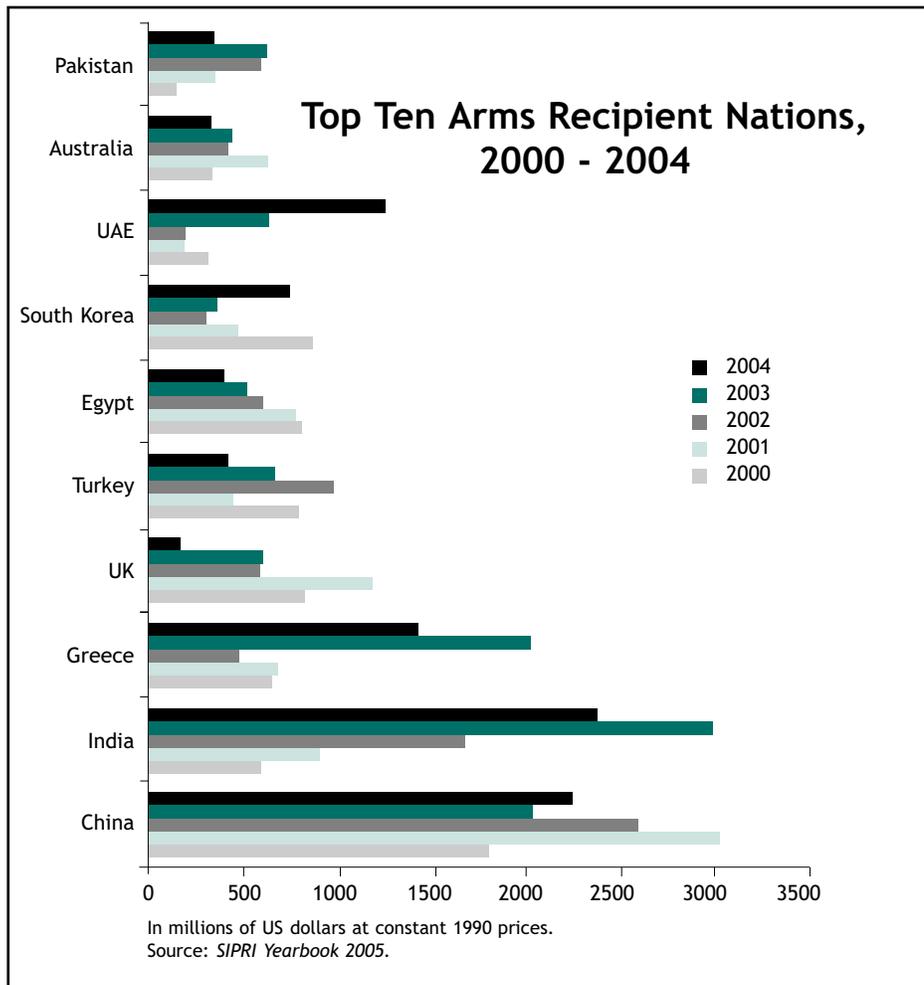
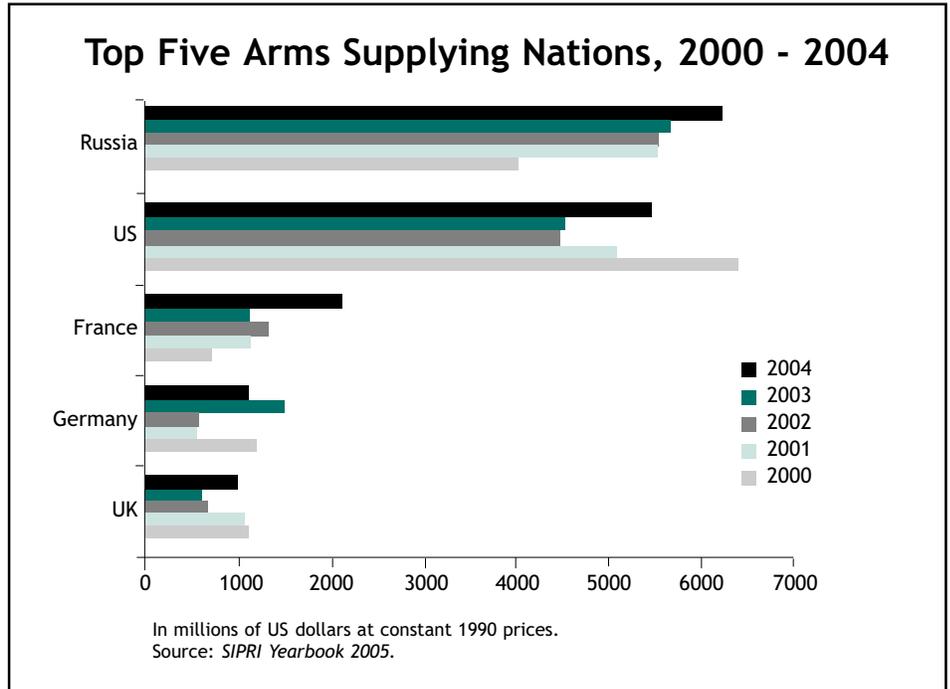
Paul Cantor is a professor of economics, human rights activist, and EPS member who lives in Norwalk, Connecticut. All EPS members are encouraged to write Letters to the Editor or articles for the EPS Quarterly.

The Global Arms Trade 2004: The Year in Pictures

Getting and Spending:

Conventional weapons transfers among Russia, China and India

The top five arms supplying nations alone exported nearly \$13.5 billion worth of weapons in 2004. Russian exports continue a five-year growth trend, with strong sales in aviation, mostly to India and China. Shipyards also saw significant increases, delivering Kilo class submarines and frigates. Russia is anticipating penetrating new markets: 2005 will see deliveries to Morocco, Malaysia, and Saudi Arabia. Strategic shifts and re-alliances in the Islamic world post-September 11, 2001 make it likely that Russian sales to Arab countries and Northern Africa will continue to increase.



NATO allies round out the top five arms exporters. The US did a particularly brisk trade in 2004, selling to Egypt, Kuwait, Pakistan, the Philippines, Saudia Arabia, the UAE, and Uzbekistan, and continuing its long-standing practice of selling to countries in active conflict.

Russian Arms Transfers	
Armaments	Recipients
Jet fighters	China, Vietnam, India, Uzbekistan
Kilo-class submarines	China
Frigate	India
Air defense ships (?)	India
Air defense systems (?)	UAE
Surface-to-air missile systems	China
Armored infantry vehicles	South Korea, Yemen
Anti-tank guided missiles	South Korea
Main battle tanks	India

Source: Moscow Defense Brief, Issue 1, 2005.

Small Arms and Light Weapons

The world spends heavily on its major conventional weapons, but most of the killing continues to be done with small arms and light weapons. There are over 600 million small arms and light weapons (SALW) in circulation worldwide. Of 49 major conflicts in the 1990s, 47 were waged with small arms as the weapons of choice. SALW contribute to the deaths of about 500,000 people a year, 200,000 in non-conflict situations. In 2001 alone, the G8 countries sold nearly \$1.45 billion worth of small arms, light weapons, and ammunition.

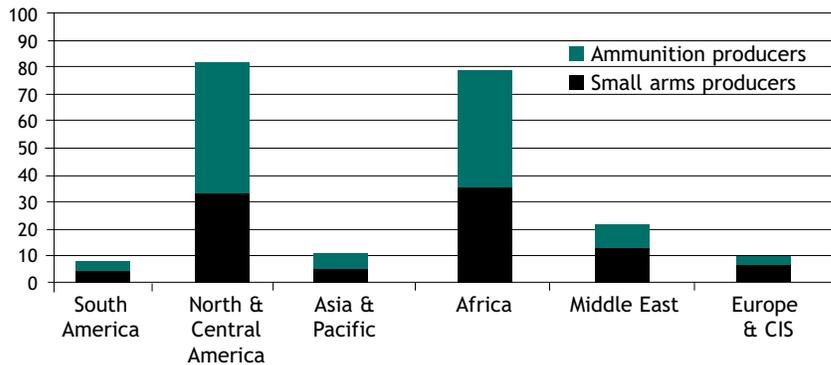
The United States remains the biggest supplier of ammunition worldwide. Global efforts to reduce the sale and proliferation of SALW have been seriously hampered by the efforts of the National Rifle Association (www.nra.org), which, like Economists for Peace and Security, is an NGO in special consultative status to the UN's Economic and Social Council. The NRA's million-plus members and strong funding base can overwhelm the efforts of smaller NGOs.

International Action Network on Small Arms (IANSA)

IANSA is the global network of civil society organisations working to stop the proliferation and misuse of SALW. Their website, www.iansa.org, is an excellent resource for those wishing to get involved in this issue.

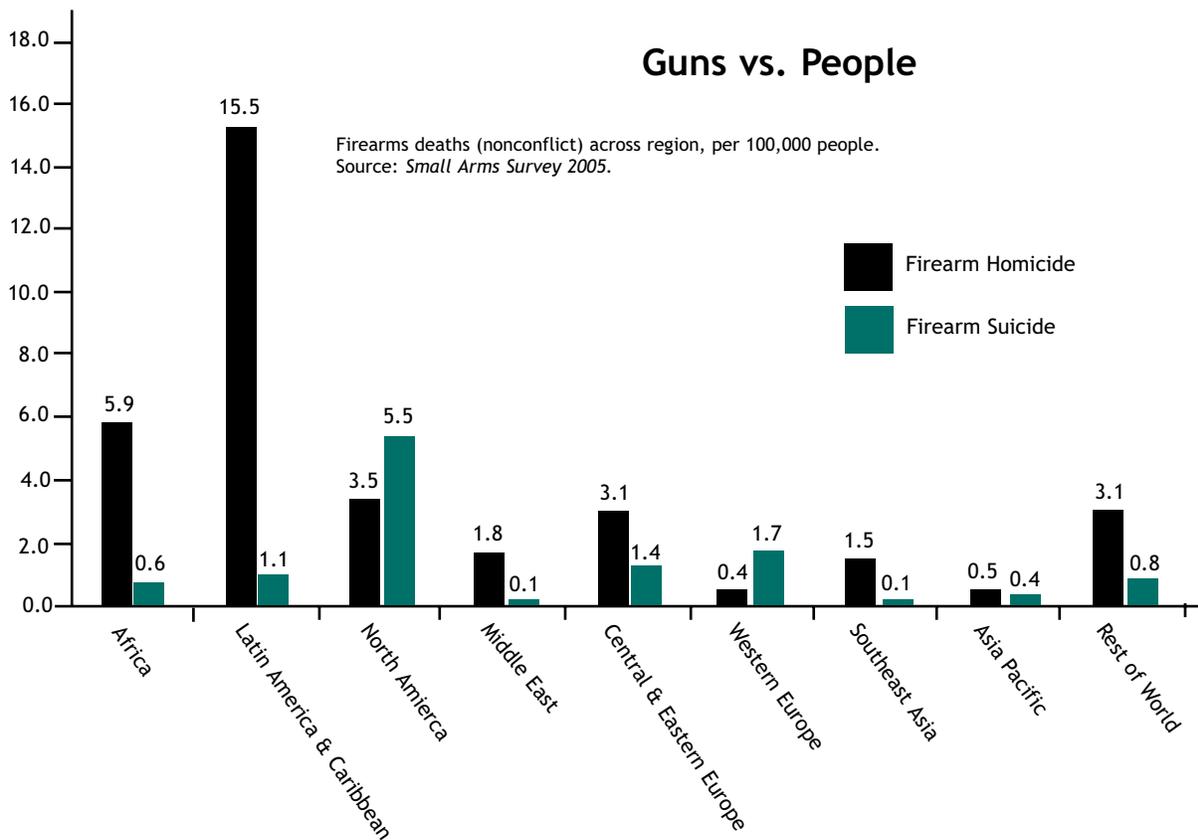


Guns and Bullets



Source: *Small Arms Survey 2005*.

Guns vs. People



Firearms deaths (nonconflict) across region, per 100,000 people.
Source: *Small Arms Survey 2005*.

US, Israel Seek to Cut Deal On China Arms Sales

Miles Pomper

Under pressure from the Bush administration and Congress to cut off arms shipments to China, Israel hopes to iron out an agreement this summer with the United States on how future potential sales to Beijing will be considered.

Israeli government officials and a non-governmental expert in Washington familiar with the issue said the two sides were seeking to fashion a memorandum of understanding that would make such sales more transparent by defining "rules of the road." The United States has considerable leverage over Israel as US defense technology is often incorporated in Israeli weapons.

"I believe that very soon we are going to agree on a procedure with regard to Israeli exports to China," Yuval Steinitz, chairman of the Israeli Knesset (Parliament) Foreign and Defense Committee told *Arms Control Today* in a June 8 interview.

Still, Secretary of State Condoleezza Rice acknowledged June 16 that some outstanding issues remain. "We have had some difficult discussions with the Israelis about this," Rice told reporters.

The nongovernmental expert said that the differences involved exactly how much Israel would defer to the United States on such sales and whether the agreement would be limited to Israeli sales to China or extended to Israeli sales to other countries. Israel is pushing for a limited agreement, while the United States would prefer a broader pact.

At the same time, a version of the fiscal year 2006 defense authorization bill approved by the House May 25 requires the secretary of defense not to procure any goods or services for five years from any firms that transfer arms to China, a provision that could affect Israel's defense sector, which is one of its largest industries. US officials have been pushing in recent months to prevent US allies from selling high-tech weapons to China, which might be used against the United States or Taiwan in a future military conflict. Under US pressure, the European Union has delayed plans to lift its arms embargo on

Beijing.

"Israel has a responsibility to be sensitive" to US concern about China, "particularly given the close defense cooperation between Israel and the United States," Rice said during a visit to Israel June 19. The United States provides billions of dollars of military aid to Israel each year.

Israeli officials contend that US complaints often reflect the desire of US defense firms to prevent competition from other suppliers.

The recent dispute stems in part from Israel's planned sale to China of spare parts for a fleet of as many as 100 Harpy Killer unmanned drones. The drone sale was singled out in a 2004 report from the US-China Economic and Security Review Commission, which said that the unmanned aerial vehicles could "detect, attack, and destroy radar emitters," posing a significant threat to command-and-control facilities on Taiwan and to US operational forces in the region. US officials fear that Israel planned to help China upgrade the systems and not just supply spare parts. In particular, they fear the addition of sensors that might be able to detect radar sites even when they are turned off.

The Israeli newspaper *Ha'aretz* reported June 26 that under the proposed memorandum, the Israeli government will not return the drone components to China and expects to pay compensation.

Ha'aretz reported June 13 that Washington has demanded that Israel provide details of more than 60 recent security deals with China. It claimed that, in the interim, the United States has suspended cooperation with the Israeli Air Force on developing a new fighter through the Joint Strike Fighter project and on other high-tech military equipment used by ground troops, out of concern that China could then obtain the technology.

Independent analysts and government

officials say that Israeli arms sales to China have fallen off since July 2000, when the United States persuaded Israel to cancel the sale to China of the Phalcon, an advanced, airborne early warning system. A senior Israeli government official said that incident "sensitized" Israel to US security concerns about Beijing and that it has subsequently been cautious about such sales.

By contrast, Israeli officials contend that US complaints elsewhere often reflect the desire of US defense firms to prevent competition from other suppliers.

As an example, they point to India, where the United States is considering selling a version of the Patriot missile defense system but has prevented Israel from selling the Arrow, a similar joint US-Israeli system.

US officials argue that they oppose sales of the Arrow because they would violate the provisions of the Missile Technology Control Regime, whose 34 members are supposed to restrict exports of missile systems and technologies capable of delivering a 500 kilogram payload at least 300 kilometers. US officials say the Arrow system exceeds this threshold while the Patriot does not.

But Israeli officials seethe. "It is one of the great absurdities of US-Israeli relations. We developed this system together, we produced together, we can earn together, we can gain together," former Deputy Defense Minister Ephraim Sneh, a leading Labor Party voice on defense policy, told *Arms Control Today* in a June 8 interview. "This is the best operational anti-missile defense in the world, and we are not allowed to export it?"

Miles Pomper is the editor of Arms Control Today. This article first appeared in Arms Control Today of July/August 2005, and is reprinted with kind permission. Arms Control Today is a publication of the Arms Control Association and is highly recommended to EPS members. You can subscribe online at <http://www.armscontrol.org>.

The UK Arms Trade and New Labour: Old Wine, New Bottles

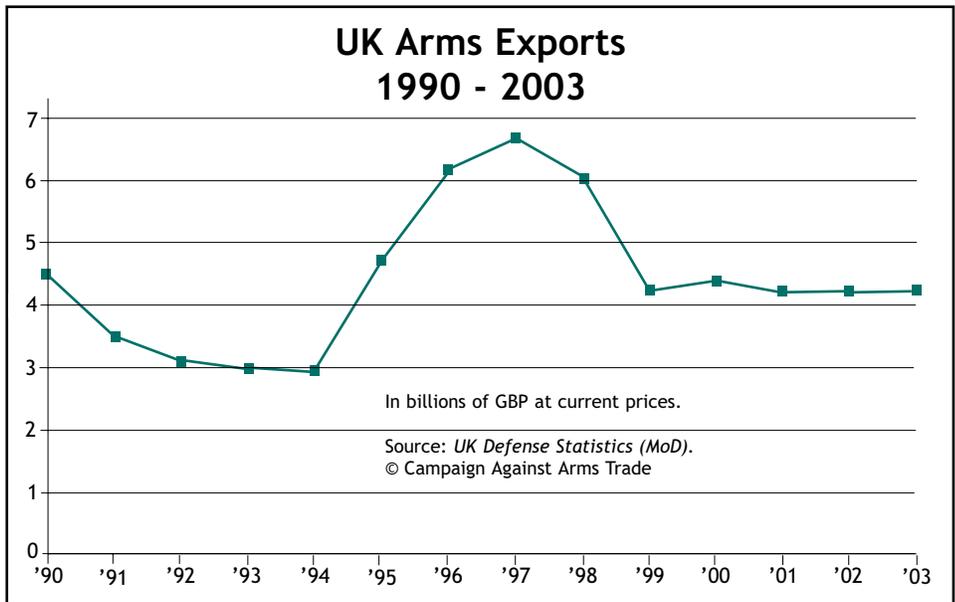
Nicholas Gilby

It appears no industry in the UK commands as much bipartisan political support as the arms industry. Despite its occasional use of the arms trade issue for political expediency (e.g., the Scott inquiry) and some rhetorical flourishes in the early days of Blair's government (the "ethical foreign policy"), Labour has been old wine in new bottles for UK Arms plc. [Note to US readers: "UK Arms plc" (public limited company) is used throughout to mean "UK military-industrial complex." - ed.]

Sales Follow Money, Not Licensing Policy

There has been little fundamental change in the level of UK arms exports in the past fifteen years. The "hump" in the graph in the mid-1990s reflects the delivery of large orders for Saudi Arabia and Indonesia among others, and Labour has not dented the high and stable levels of arms exports UK industry achieves.

The customer base has changed little as well, despite Labour's introducing formal criteria by which it licenses exports. Of the top ten recipients of UK arms exports in 1997, five were among the UK's top ten customers in both 2001 and 2004. And what change in major customers there has been merely reflects UK Arms plc following the money rather than any change of



licensing policy.

The UK has stuck by old friends through thick and thin; even crimes against humanity in East Timor merited a mere three month suspension of exports for the Indonesian Army, and only because Labor felt embarrassed at the behavior of their client.

New Export Control Act Makes Small Improvements

A new Export Control Act passed by New Labour has resulted in some advances: the system is slightly more transparent than before, some brokerage issues have been addressed, and the trade in "intangibles" has been brought within the system. But the UK still does not track what equipment is actually exported under each license issued, and there is no end-use monitoring of what is exported. The government's country-by-country delivery figures exclude sales to military cus-

tomers of "dual-use" aerospace items and military services (ranging from military training to aircraft parts), which are not monitored, meaning it does not know the actual value of UK arms exports to any destination. A system that allowed UK exports to help build Israeli WMD capability in the 1950s and an Iraqi weapons industry in the 1980s is largely unchanged.

Corporate/Government Collusion

The main reason for the lack of change is the arms industry's massive political backing. Mrs. Thatcher was famous for personally intervening to secure arms deals such as the massive Al-Yamamah deal to Saudi Arabia, and under New Labour ministers have continued to act as salesmen for UK Arms plc - Tony Blair himself successfully lobbied for a £3 billion arms deal to South Africa. At least 37 times in 2002 and 2003 UK ministers lobbied for arms sales - chiefly for the sale of BAES Hawk jets to India. A revolving door between government and the arms companies has continued; according to a government watchdog there is a "traffic from the [MoD] to the defense contractors who supply it," which includes former Labour ministers such as George Robertson. A dedicated government

(continued on page 10)

Top 10 UK Arms Industry Customers 1997 - 2004			
Rank	1997	2001	2004
1	Saudi Arabia	USA	USA
2	France	Saudi Arabia	Italy
3	Germany	Italy	Saudi Arabia
4	UAE	Germany	Oman
5	Kuwait	Canada	Germany
6	Brazil	Australia	South Africa
7	Indonesia	UAE	India
8	Oman	Kuwait	France
9	Italy	France	Turkey
10	Turkey	Switzerland	Romania

UK Arms Trade and New Labour (continued from page 9)

unit (DESO) of 600 staff is devoted to promoting arms exports, compared with around 150 who “control” arms exports.

This corporate/government collusion has allowed UK arms companies to have their cake and eat it too. While they have successfully lobbied for a formal Defense Industrial Policy in the UK (and are lobbying for a European equivalent), they have also been turning themselves into global corporations with multiple “home markets.” Mirroring New Labour itself, the UK arms industry has been cozying up to the US, and the Pentagon is an increasingly important customer. So BAE Systems has acquired the major US arms company United Defense, while other UK companies such as Smiths, GKN, QinetiQ, Rolls-Royce, VT Group and Cobham have also been acquiring small and medium-sized US arms companies. The importance to

these companies of such links and the extent of their influence are demonstrated by Labour changing its own licensing criteria to allow BAES to export HUDs to the US for incorporation into F-16s bound for Israel.

UK arms companies have successfully maintained their ability to administer bribes to secure deals. Labour promised to publish a confidential government report about serious allegations of corruption in the Al-Yamamah deal but it remains suppressed. Under Labour three arms companies - BAE Systems, Rolls Royce and Airbus - were instrumental in persuading the government to water down new anti-bribery procedures introduced in 2004. And in a recent report the OECD concluded that one Labour “MP with significant oversight responsibilities regarding sensitive industries stated...that...bribery in

international business transactions was inevitable, and that disallowing it could be dangerous as companies would then not be able to compete on a level playing field.”

With the government in its back pocket UK Arms plc will continue as it has always done to fuel conflict and contribute to global arms proliferation.

Nicholas Gilby has carried out extensive research over a number of years at UK-based Campaign Against Arms Trade (CAAT), including exposing the government's secret relaxation of conditions placed on the use of UK-supplied equipment by the Indonesian armed forces. His most recent publication is The UK Government and Arms Trade Corruption: A Short History. Campaign Against Arms Trade is online at www.caat.org.uk.

Katrina Changes Everything (continued from page 3)

nuclear weapons, proposed permanent bases in Iraq, Afghanistan and Central Asia, and other military systems that add nothing to our security. Bridges to nowhere in Alaska and other civilian pork should be cut immediately. Steel and concrete are needed, now, for more important things.

Next, Congress must declare a moratorium on all tax cuts. The estate tax should be restored at a fair level, not repealed as the Senate leadership continues to propose, at a cost of \$1.5 billion a week. The IRS and financial regulators should shut down offshore tax havens and bring those who abuse them to justice. New taxes as necessary should fall on those who can afford to pay: on capital gains, dividends, and those with high incomes. It was poor and middle class citizens who, above all, suffered catastrophe last week. The burden of helping them out must now be shared by prosperous Americans.

Finally - as if the above were not enough - we will need an assault on corruption in this country at every level: state, local and federal.

**That in the midst
of the disaster
Bush's minions
faked the repair
of the 17th Street
canal levee
for a photo op
tells you everything
you need to know.**

Looting is intolerable wherever we find it. But it's very clear that the worst looting we've seen has been the wholesale destruction of the capacity, and indeed the will, of the government to serve the peo-

ple. The shocking news, disclosed by Senator Landrieu on September 3, that in the midst of the disaster Bush's minions faked the repair of the 17th Street canal levee in New Orleans for a presidential photo opportunity tells you everything you need to know about the government we presently have.

It will take years to bring in a new government. It will require not only the defeat of the present administration, but a fundamental break with complacency, cynicism and indifference in both parties. Still, it is time now for Americans to unite around goals such as those set out here, and to build toward an overwhelming consensus for change.

James Galbraith and Michael Intriligator are Chair and Vice-Chair of Economists for Peace and Security. The Letter from the Director will return in the November issue of the EPS Quarterly.

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South Asia's Arms Race

(continued from page 2)

Condoleezza Rice said the deal should be viewed in a larger geopolitical context, since the F-16s would bring stability in the arc of countries that stretches from Afghanistan and Central Asia. She said the sale to India would position the US as a reliable supplier of high quality defense equipment.

The ultimate issue for both countries is the opportunity cost of defense spending. For example, the \$3 billion that Pakistan will spend on 75 F-16s could be used to improve the quality of life of millions who live below the poverty line. For that sum of money, the government could build some 8,000 primary health care units and 100,000 new village schools, double the budgetary allocation for higher education and health, and increase the number of cement plants and sugar mills by 50 percent.

By equating arms with survival and with great power status respectively, Islamabad and New Delhi have committed their nations to a fruitless arms race that ensures the continued impoverishment of their citizens. More dangerously, it carries within itself the seeds of a horrific conflict.

Ahmad Faruqi is an EPS member and a frequent contributor to the newsletter. This piece first appeared, in slightly different form, in the Daily Times of Pakistan and is reprinted with the kind permission of the author.



Transparency in the Arms Trade

Country	Company Sample	Level of transparency					
		Company Sources			Other Sources		
		(a) Exact Data	(b) Similar Data	(c) Enough Information	(d) Exact Data	(e) Similar Data	(f) No Data
World	150	41	33	12	33	25	6
Australia	3	1	0	0	2	0	0
Brazil	1	1	0	0	0	0	0
Canada	2	0	1	0	0	1	0
Czech Republic	1	0	0	0	0	0	1
Denmark	1	1	0	0	0	0	0
Finland	1	1	0	0	0	0	0
France	9	6	2	1	0	0	0
Germany	8	4	0	0	3	0	1
Greece	1	0	0	0	0	0	1
India	3	1	0	0	1	1	0
Israel	5	1	1	3	0	0	0
Italy	4	0	0	0	4	0	0
Japan	17	0	0	0	0	17	0
Netherlands	2	2	0	0	0	0	0
Norway	1	1	0	0	0	0	0
Russia	10	1	0	0	9	0	0
South Africa	1	1	0	0	0	0	0
Singapore	1	1	0	0	0	0	0
Spain	3	0	1	1	1	0	0
Sweden	5	2	0	0	3	0	0
Switzerland	1	1	0	0	0	0	0
Taiwan	2	0	0	0	0	0	2
Turkey	4	0	0	0	4	0	0
UK	13	7	0	3	3	0	0
USA	47	8	28	3	2	6	0

The levels of transparency are: (a) the company reports its arms sales in its normal reporting procedures, e.g., in an annual report, press release or website; (b) the company reports data that are similar to arms sales, e.g., sales to a defense ministry, some share of which may be for non-military applications; (c) the company reports sufficient information to enable a rough estimate of the company's arms sales, e.g., the defense shares of different divisions; (d) the company's arms sales are reported but not by the company itself in its normal reporting procedures, e.g., data are obtained by special request from SIPRI or are reported by a research institute, a trade journal or other media source—this may be with the cooperation of the company but not part of normal company reporting procedure, and is therefore considered to be at a lower level of transparency; (e) reports of data that are similar to arms sales are made by others than the company itself, e.g., reports by a government of the value of contracts awarded to a company in a financial year; (f) no data, or insufficient information to enable an estimate, were available to the standard SIPRI sources in 2003.

Extract from "Chapter 9: Arms Production." Elisabeth Sköns and Eamon Surry.
SIPRI Yearbook 2005: Armaments, Disarmament and International Security. Oxford University Press.

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Host Committee Chair: Sir Richard Jolly**Remarks by:**

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Sir Richard Jolly

His Excellency Ambassador Ronen Sen

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