

Preface

The Arms Debate: American Security or International Turmoil

The United States is the world's most prolific producer and distributor of arms and military equipment. Having exploded into the arms trade business after World War II, the United States has since dominated an industry worth an estimated \$100 billion each year and still growing. According to the Stockholm International Peace Research Institute (SIPRI), weapons sales between 2013 and 2017 were 10 percent higher than from 2008 to 2012. Much of this escalation can be attributed to the ongoing effort to combat radical militant organizations and the alleged need to provide weapons to war-torn regions to prevent instability. The United States accounts for 34 percent of all arms sales, an increase from 30 percent in 2012. Comparatively, the United States output of arms is 58 percent higher than that of the next most prolific arms dealer, Russia.¹

America's role in arms trading is controversial. When the United States started dealing weapons during World War I, allied lobbyists and politicians created the perception that the arms trade benefitted the American middle and working classes. As America progressed as an arms dealer during World War II, it was argued that arms trading was a necessary feature of American foreign policy, enabling the United States to exert indirect influence over allies and even potential enemy states and providing leverage for essential economic and foreign policy initiatives. Nevertheless, America has had an active, growing anti-arms trading lobby since World War II which argues that America's involvement in the industry is immoral and creates more problems than it solves.²

Exploring the Industry

After World War I, Congress enacted the nation's first round of arms trade reforms, designed to give legislators oversight to prevent arms trades that could compromise national security or international relations. Subsequent reform efforts have likewise focused on attempting to strengthen legislative oversight. In 2019, the U.S. Department of State's Bureau of Political-Military Affairs (PM) is responsible for overseeing both government-to-government arms transfers and sales and commercial licensing of arms. The most recent legislative acts establishing policies for the industry are the Arms Export Control Act, the Conventional Arms Transfer Policy, and the Foreign Assistance Act of 1961.

Two types of arms deals: Foreign Military Sales (FMS) and Direct Commercial Sales (DCS).

Foreign Military Sales (FMS) are sales that take place between the United States and another government and thus are part of a diplomatic process that begins with a formal request from another nation. The sale may or may not be subject to congressional approval, depending on its size, and is otherwise managed by the Department of State (and so by the executive branch). Negotiating FMS agreements is a complicated process that might involve direct presidential negotiations as well as negotiations between State Department representatives and representatives of a foreign government. The United States sells both weapons that are manufactured within the United States and also weapons that have been acquired through other channels. As of 2019, FMS agreements result in the export of some \$40 billion in defense equipment each year.

Direct Commercial Sales (DCS) represent the free market dimension of America's arms trade. DCS agreements take place between an American corporation and a foreign entity or government. These agreements are negotiated directly by corporate representatives and foreign representatives, and the U.S. government regulates the process through licensing. Companies wishing to deal weapons with foreign entities need to obtain an approved export license, which is potentially subject to congressional review, a process intended to ensure that DCS agreements do not pose a threat to American security or economic welfare. DCS agreements are, by far, the most significant aspect of U.S. weapons dealing activities, constituting \$110 billion in sales annually.³ Saudi Arabia is the leading recipient for American arms, purchasing nearly 18 percent of all arms sold by the United States, followed by the United Arab Emirates (UAE) with 7.4 percent, Australia (6.7 percent), Taiwan (5.7 percent), and Iraq (5.5 percent). Forty percent of American arms trades involve nations in the Middle East region.

Justifying the Arms Trade

Politicians often cite diplomatic or foreign policy goals when discussing arms trade agreements. Since World War II, arms trade agreements have been used to secure access to essential resources, especially petroleum resources, which explains much of the arms trade activity involving countries in the Middle East. Regions that suffer from instability are also characterized by a higher demand for weapons, a demand that might be met by competing nations like Russia or China if a vacuum in U.S. arms sales is created.

Though there is a perception that the arms trade is a major boon to the U.S. economy, research indicates that the economic benefits of arms trading, even in terms of denying economic advantages to competing nations, are relatively short-term and are limited in comparison to many other U.S. industries that come with lower levels of associated risk.⁴ Arms manufacturers do provide employment and companies involved in the industry can serve as anchors for working-class communities centered around manufacturing, although the impact is limited compared to other kinds of manufacturing.

The Trump administration claims that arms sales enable the United States to: maintain a technological edge over potential adversaries, strengthen partnerships that preserve and extend our global influence; bolster our economy; spur research and development; enhance the ability of the defense industrial base to create jobs; increase our competitiveness in key markets; protect our ability to constrain global trade in arms that is destabilizing or that threatens our military, allies, or partners; and better equip our allies and partners to contribute to shared security objectives and to enhance global deterrence.⁵

A primary argument in favor of arms trading is an economic one. Another is that it enables the United States to avoid direct involvement in military activities (by strengthening partners and allies) and to exert influence over the foreign policies of recipient nations. The theory is that if the U.S. exports its own global policy outlook to other countries, allies like Saudi Arabia and the UAE will engage in activities that ultimately enhance global or U.S. security. Meeting foreign policy goals has been a primary justification for arms trading since World War II, when the United States exported billions in military equipment to allies in Europe in return for recipient nations' consideration U.S. interests in future economic and foreign policy decisions. Politicians and arms export supporters have continued to believe that the arms trade provides U.S. leverage and international influence. It is also often argued that arms exports can increase regional stability and this has been used as justification for arms dealing to Iraq, Syria, and Saudi Arabia, with the intention of strengthening allies and consolidating power.

Unintended Consequences

The Syrian radical group known as ISIS in the U.S. press, but more generally known as the Islamic State or “Daesh” in the rest of the world, emerged as one of the world's most influential radical Islamist organizations in 2014. The group has conducted hundreds of attacks in Syria, Iraq, Afghanistan, Pakistan, and elsewhere, and fueled the rise of splinter groups in Africa, the Middle East, and Europe. Research indicates that 90 percent of the weapons possessed by ISIS, weapons that enabled the group to conduct successful military invasions in Iraq and Syria, were weapons initially sold by the United States and European countries to allies like Saudi Arabia. Likewise, the organization Al-Qaeda, which was responsible for the September 11, 2001, terrorist attack on the United States, possesses an arsenal that includes thousands of small arms and heavy weapons sold through U.S. FMS and DCS agreements.⁶

There is no doubt that U.S. trade in weapons has resulted in small arms and other weapons falling into the hands of extremist militant groups. Research also indicates that the arms trade may not stabilize troubled regions, but may actually exacerbate political and military disputes, making it more likely that violent conflict will occur.⁷ In some cases, such as Colombia and the Philippines, the American arms trade resulted in increased governmental power, yes, but also in the birth of more oppressive regimes. A 2017 study examining 189 countries between 1970 and

2009 found that the higher the degree of U.S. weapons and military training a country received correlated with a higher probability that the country would experience a military coup.⁸

Whether arms trades provide power to authoritarian governments, inadvertently increase the power of radical groups, or continue a cycle of violent conflict, there is little doubt that the trade in arms contributes to situations that threaten human welfare. Activists and social scientists, both in the United States and abroad, argue that the international arms trade does not benefit global society but, instead, fuels conflict and governmental abuse. Some seek to limit or at least reform the U.S. arms trade policy to better ensure that the United States does not engage in FMS or DCS when doing so carries a high risk of contributing to violent conflict.

Risk and Reward

In many ways, the U.S. arms trade business and foreign policy are permanently at odds. The arms trade flourishes when conflict occurs and yet politicians seek to use arms trades to limit conflict. Since World War II, the conventional wisdom has been that it is in America's best interest to dominate the global weapons trade and to utilize this power to secure American interests worldwide. Many U.S. corporate entities linked directly or indirectly to the arms trade profit from international turmoil and violence. At the same time, American politicians have a duty to protect the American people from harm and thus, address the international conflicts that pose a threat to Americans. It is unclear to what degree arms trading either secures America or exacerbates conflict and ultimately increases the risk to American safety and security.

While it is clear that the Trump administration plans on increasing arms trading, increasing public concern may pressure future leaders to reform the industry. The arms trade reflects some of the goals that Americans have identified as key goals for the nation's future, such as maintaining a robust economy and maintaining American influence abroad. But the arms trade also stands in opposition to other American values, such as promoting human rights and ending warfare. How this facet of American society evolves may come to reflect the degree to which the values of American society are changing and whether or not these changing values are more important to the American people than maintaining the advantages gained by adhering to the status quo of the preceding century.

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1 History



Image from Marek Tuszyński's collection of WWII prints, via Wikimedia.

Willys jeep used by Polish First Army as part of the U.S. Lend-Lease program, Warsaw 1945.

Risk and Reward: The History of Arms Trading in the United States

Though historical records are sparse, arms and armaments have long been considered a valuable resource that has been exchanged between nations and societies, fueling the growth of both nations and corporations and transforming the economic and military balance of power around the world. Recent historical evidence has uncovered a previously unknown chapter in the history of American arms dealing, the role that foreign arms played in Colonial American history. In the book *Thundersticks*, historian David Silverman describes how Cuban and British arms dealers took advantage of the power struggles between Native American societies and the expanding American Colonies by selling weapons to both sides. The Seminole people of Florida went on to repel the U.S. Army in a series of three wars, between 1816 and 1858, and were the only Native American tribe that was never defeated and never surrendered (and the only tribe that never signed a formal peace treaty with the U.S. government), thanks in large part to European weapons.¹

During the American Civil War, both the Union and the Confederacy depended on the international gun trade. In a *Military History* blog interview, historian Peter Tsouras explained that the Confederacy, when initially formed, possessed only a small fraction of the industrial capacity of the Union and so would not have been able to arm their military forces if not for the weapons trade:

The output of British factories, mills, shipyards, and arsenals flooded through the Union blockade of Southern ports to provide the bulk of Confederate needs. Without the massive support, the Confederacy would surely have collapsed within 12 to 18 months. Given that the bloodiest years of the war were 1863-1865, it was British material support that allowed the vast majority of the blood-letting to occur.²

The Enfield rifle, one of the most common and effective weapons on both sides of the Civil War, was, in fact, a British import. Likewise, British companies sold ships, guns, merchant equipment, and food to both Confederate and Union fighters, profiting from this fractured era of American politics. This trade also forever altered the arms business in America, as seized or traded European weapons were imitated by American manufacturers and fueled the rise of domestic gun manufacturers.³

America Becomes an Arms Dealer

The United States came into its own as an arms supplier during World War I, a transformation made possible by the fact that the United States remained neutral in the war for the first three years. Selling material to both sides proved enormously profitable for American companies and from 1914, when the war started, to 1917,

when the United States entered the war, American companies shipped more than \$2 billion in supplies to Europe. In 1916 alone, U.S. companies sold more than \$1 billion in arms to European forces. By 1920, the United States was responsible for more than half (52 percent) of the global arms trade. The evolution of the arms trade in the United States reflects a key characteristic of American conservatism: reluctance to regulate companies based on the belief that free-market forces will result in corporations serving public interests. In practice, this rarely occurs as companies tend to put maximizing profits before any other consideration. This was certainly the case during World War I, as the enormous profits reaped by weapons manufacturers resulted in a small number of companies accruing massive profit. The imbalance in profit was so great, in fact, that the federal government stepped in to establish a level of government oversight for companies supplying arms overseas.⁴

Much of Europe was devastated, both economically and physically, by the First World War, and many nations that purchased American weapons and supplies did so on credit and carried significant debt after the war. When World War II began in 1939, many of America's more fiscally-minded politicians were reluctant to allow American companies to deliver weapons or material to Europe. The 1934 Johnson Act reflected this sentiment, prohibiting the U.S. government from providing any credit to nations that had not repaid debts carried over from World War I. This became a contentious issue in Congress, and the 1939 Neutrality Act, formally declaring U.S. neutrality in the war, permitted the sale of weapons to belligerents only on a "cash and carry" basis. President Franklin D. Roosevelt, and other politicians wary of an Axis victory in the war, nonetheless searched for a way to provide aid to the UK, which could not provide cash payment for materials.

In 1940, the Roosevelt administration debuted a new arms trade policy, known as "Lend-Lease," in which the United States supplied the UK with weapons without requiring immediate payment. The Lend-Lease program also enabled recipients to repay the United States not by cash but by way of "consideration," meaning that the United States could influence the foreign policy of the UK and other recipients in return for forgiving debt. Through Lend-Lease programs, the United States distributed more than \$50 billion in assistance to 30 countries and, through this debt of "consideration" became a leader in international politics, utilizing the debt of other nations to gain economic and military advantage on the global stage.⁵

The Modern Arms Race

Though the United States has been a major player in the international arms industry since World War I, the importance of arms deals to foreign policy and the U.S. economy did not begin to approach modern levels until the Cold War, the long period of economic and military instability that followed World War II as the United States, Russia, and China competed for global military dominance. Arms deals were a major part of how the United States influenced foreign policy abroad between the 1950s and the twenty-first century, fueled by intensive federal investment in arms research in an effort to maintain a perceived advantage over Russia and China.

During the Korean and Vietnam conflicts, arms “transfers” were used extensively to further perceived American interests in Asia, and America’s arms trade policies since the Cold War have engendered mixed reactions within the region. During the early years of the Cold War, a majority of Americans had embraced the claim that it was important for America to contain communism, and yet American arms deals led to a number of controversial political situations. For one thing, dealing in arms essentially empowered the executive office to influence global military affairs in significant ways without legislative oversight. The problems with this system became clear during the Vietnam conflict when secret arms deals and Central Intelligence Agency (CIA) activities resulted in the executive branch fueling a war without congressional involvement. The result was the passage of the American Export Controls Act (AECA) in 1976, a new policy that gave the executive branch the power to negotiate and approve of arms deals, with oversight by the Departments of State and Defense, but that required congressional notification for sales over a certain value. It also required the White House to submit a political and military threat assessment to Congress for each proposed arms deal. Congress was further empowered to block arms deals within 30 days of notification.⁶

While well-intentioned, the AECA did little to limit presidential authority to conduct arms deals. Congress essentially abdicated legislative power to control finance when it came to arms dealing, in large part because there was little incentive for legislators to actively oppose arms dealing. Because each U.S. state has some direct investment in the nation’s arms production industry, politicians on both sides of the aisle have routinely taken a generally pro-arms-trading stance. In many parts of the country, the defense industry is a dominant one, so many Americans have come to equate growth in arms production and sales as a key to prosperity. Since World War II, the defense and weapons manufacturing industry has grown into one of the most powerful lobbies in America. Politicians who oppose arms deals often face possible political, financial, and public reprisal.

Congressional reluctance to interfere with arms dealing has meant that, since the passage of the AECA, Congress has rarely used its power to demand risk assessments or to hold the White House accountable for dealing arms to high-risk entities. The Iran-Contra scandal under the Reagan Administration highlighted the use of the proceeds of arms sales to Iran to fund anti-communist rebels (Contras) in Nicaragua, who became a violent and authoritarian regime.⁷

The U.S. government also provided arms and other military supplies to former Iraqi leader Saddam Hussein, creating Hussein’s dictatorial regime, which the United States then ended in the 2003 invasion of Iraq. Investigations of government documents have since revealed that the Reagan administration continued to support Hussein even after having direct knowledge that Hussein was using the nerve gas sarin, which is prohibited as a cruel and unusual weapon under international law.⁸

Following the 9/11 terrorist attacks on the United States, the United States has intensified its involvement in arms dealing in an effort to supply governments engaged in the process of fighting terror. However, evidence suggests that U.S. arms

dealing has instead fueled human rights crises and contributed to the destabilization of nations and regions. This has created a significant anti-arms-dealing lobby within the United States. Significant attention has been paid to how the arms deals conducted by the Reagan and Bush administrations, in particular, escalated many of the global conflicts still relevant today.

A 2018 research report from Cato Institute looked at the history of U.S. arms deals since the 9/11 terrorist attacks and found that U.S. policy has resulted in many extremely high-risk arms deals with the potential to increase instability and human rights issues. Researchers found that most of the revenues from arms deals conducted by the United States have been with high-risk countries like Iraq, Yemen, the Sudan, Afghanistan, Egypt, and the Philippines, countries where it is more likely that weapons will fall into the hands of bad actors or violent regimes.⁹

The risks associated with arms dealing and the role that U.S. arms have played in violent conflicts around the world have resulted in a small number of politicians, social activists, and human rights organizations lobbying for restricting or prohibiting U.S. arms exports. On the other hand, the defense industry lobby promotes the idea that expanding arms dealing benefits the U.S. economy and populace, as well as arms trading being an essential way for the United States to gain leverage and influence overseas and so, theoretically, to prevent violent conflict. As of 2019, the American people have little influence over federal policies in regard to defense, and public opinion has not been a predominant factor in the defense policies established under the Trump administration.

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