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# Armaments, an important asset for the US globalization leadership

Jacques Fontanel

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War is not the main concern of today's societies, but it remains a recurrent threat. If armaments are an economic activity, it is also a response to a demand for security, protection and defence. The power of the United States is so pervasive that it leads observers to believe that the world is at peace. However economic development, due the inequalities it causes, is not a factor of peace. In this game of wealth sharing, the great powers are often both the players and the referees, through international organisations. Globalisation profoundly modifies the content of national economies, which are often forced to find a specialization that increases their dependence and a new form of precariousness. World armaments sector was strongly affected by this evolution, but US Industrial military complex, with the development of the information economy, is a strong support to the superpower of United States.

La guerre n'est pas la préoccupation principale des sociétés actuelles, mais elle reste une menace récurrente. Si l'armement est une activité économique, il répond aussi à une demande de sécurité, de protection et de défense. La puissance des Etats-Unis est tellement omniprésente qu'elle fait croire aux observateurs que le monde est en paix. Or le développement économique, par les inégalités qu'il engendre, n'est pas un facteur de paix. Dans ce jeu de partage des richesses, les grandes puissances sont souvent à la fois les joueurs et les arbitres, par le biais des organisations internationales. La mondialisation modifie profondément le contenu des économies nationales, qui sont souvent contraintes de trouver une spécialisation qui accroît leur dépendance et une nouvelle forme de précarité. Le secteur mondial de l'armement a été fortement affecté par cette évolution, mais le complexe militaire industriel américain, avec le développement de l'économie de l'information, est un soutien fort à la superpuissance des Etats-Unis.

Arms industry, economic globalisation, military power, economic dependence

Industrie d'armement, globalisation économique, Puissance militaire, dépendance économique

Armaments have often enabled states to undertake globalisation or regionalisation by force. At the end of the last world war, the USSR considered that arms were a means of expansion and defence of communism in the world. Today, the expansionist role of armaments is reduced, especially with the nuclear option and the opening of markets. The diplomacy of international organisations is replacing, at least temporarily, armed conflicts and the rules enacted are a guarantee of globalisation (Fontanel, 1995). Since the end of the Cold War, it has rather favoured the predominance of the American economy and culture. The power of the United States is so pervasive that it leads observers to believe that the world is at peace. However, in this game of wealth sharing, the great powers are often both the players and the referees, through international organisations. Globalisation is at the root of the crisis of the state and the arms industry at the end of the 20th century. It profoundly modifies the content of national economies, which are often forced to find a specialisation that increases dependence and a new form of precariousness. The armaments sector was strongly affected by this evolution. Finally, as it stands today, with the development of the information economy, it is becoming a factor of Americanisation with the effective support of the military force as a support to the superpower.

## **I. Globalisation, a challenge to the economic role of states and the importance of military forces in relations between nations**

Today, the freedom of entrepreneurs and the reinvention of government are under consideration in the sense of deregulation. This is the discourse of a new fundamentalism based on the therapeutic virtues of the market, which should ensure justice, freedom and efficiency. However, the state has not disappeared from the international scene, but the dominant idea is the minimal state. Globalisation and regionalisation are not so much states of affairs as practices that allow the reorganisation of the economies of industrialised countries in favour of the most internationalised companies.

1) The World Trade Organisation (WTO) recognises that governments have an inalienable right regarding national defence and security (Fontanel, 1995). The state is responsible for the demand for military products. Its choices have important strategic consequences, but they also structure the economic landscape of the nation. The industrial orientations, the financing of military R&D and the constant demand for secrecy are all decisions that belong to the public authorities of nations. The states of the great powers have often used the military sector to implement an industrial policy. The import-substitution policy sought to substitute imports with domestic production (Fontanel, Saraiva, 1986). Supposed to save scarce foreign currency and promote the manufacture of imported intermediate and consumer durables, it never produced the expected results, due to defence secrecy and the accelerated obsolescence of the sector. By reducing the potential for economic development, domestic arms production can work against a country's security. The export-led development strategy for the military sector is dangerous when disarmament renders the international arms market asthenic, with the reawakening of competitors once obsessed with secrecy and grand systemic strategies, such as Russia, heir to the USSR's military-industrial complex. Investments in the production or organisation of goods and services needed for national defence have made certain economic sectors or regions highly dependent on military orders. In Russia, the conversion process is facing considerable economic difficulties, both because of the loss caused by the obsolescence or low competitiveness of the productive capital made obsolete by the force of international competition for civilian products (Fontanel, Borissova, Ward, 1995) and because of the issues related to the training of personnel (Skharatan, Fontanel, 1998). The export necessary to reduce unit costs thanks to economies of scale then creates economic dependence. There is a decline in politics, which is losing its substance, even though it should be rehabilitated. The state is no longer the guarantor of social coherence, because of growing inequalities and exclusions. For Douglas North (1989), competent public administration and good government are sources of competitive comparative advantage for nations. The lack of legitimacy of states in the South and East is an undeniable weakness, which favours the establishment of mafias, militias and arbitrary powers. Freedom and property are the result of effective governments. Strong civic institutions help economic development.

2) The Keynesian state has probably taken the exercise of state action a little too far. The satisfying objective of organisational theorists has often been lacking in rigour (Simon, 1997). The long-term crowding-out effect underlines the unproductive nature of the state (Bacon, Eltis, 1978). Assuming that public sector employment does not increase the country's productive capacity and that national competitiveness is dependent on the size of the labour force in the productive sector, the increased role of the state has an obvious perverse effect, namely the reduction of national productive and exports capacity. This analysis is based on assumptions that are not all verified, such as the unproductive character of all public activity or the internal character of public activities that neglect national export potential. Endogenous growth theories propose to rehabilitate state interventions. While the importance of compulsory levies can be measured, it is more difficult to demonstrate their benefits. Arms policy is part of this logic.

3) The theory of public choice challenges the economic presuppositions of the collective interest represented by the state. While competition leads to an optimal economic situation, in the 'political' domain it favours the constitution of 'small monopolies' of power. State action does not reflect the aspirations and needs of the nation. The "privatisation" of public authorities constantly biases the action of the state, without the effects of compensating markets, thus producing situations of irreversibility that are detrimental to society as a whole. It is therefore preferable, as far as possible, to let the long-term regulatory mechanisms of the market function normally, even in the case of armaments. With the arms crisis, technocracy is being strongly challenged. This sector is even one of the foundations of technocratic power, which legitimizes the increasingly exclusive political role of a social category that is supposed to be competent but is primarily interested in its privileges and caste interests. The technocrat defends a collective interest that he defines himself, according to his own interests. He is not a master of coherence and his analysis is often short-sighted, unable to conceive of tomorrow's society, which, moreover, does not fit into his personal objectives. Technocracy limits and perverts political will by its elitist and unilateral character? He refuses conflicts in the name of a questionable competence and for him democracy is a waste of

time, even if he knows how to use his connections to influence it. He therefore develops a strategy of secrecy, which all too often proves to be counterproductive and a fool's game for the citizens.

4) International crime and social polarisation are major risks today, as is the economic insecurity produced by an unpredictable and distant market. Trade liberalisation creates new opportunities for US multinational firms in emerging markets and Eastern countries. Arms markets have often preceded the development of this parallel economy based on technocratic decisions against a background of large kickbacks. They have been limited by most large-scale projects that require a relationship with the state or public authorities. The effects of high-level crime on state and market power are poorly understood, as are those of the arms market. In many countries, mafia groups exert influence on political power, they acquire powerful instruments of control over society and they invest in certain markets, using means that are criminal under the law. Organised crime intervenes in the usual channels of distribution. Multinational companies are ingenious in deceiving governments about their contributions (tax evasion and optimisation), through multiple accounting, fraudulent transfer pricing, and false offshore invoices. A government should not take for granted the loyalty of any company, even in the public armament sector, because all too often it is a question of price.

5) Capitalism forgets the future in its plans. It always preaches the theology of consumption, which is serious in the field of armaments, but also more generally on the future of society and the exhaustion of natural resources (Fontanel, 1979). In the new system of grey matter activity for armaments, the development of public technology is essential. However, the technology that prevails is the one that can be received. Companies feel that they no longer have short-term obligations to their workforces, unlike in arsenals around the world in previous decades. The social contract is broken and this is not without social tensions. By losing the sense of solidarity, nations are also losing the sense of the need for a national defence agreed by all citizens.

6) Trade interests have always played a central role in US foreign policy. While favouring the opening of external markets, Washington is more reluctant to open its own domestic market.

On several occasions, US foreign policy has come to support the interests of national companies or private interests (such as United Fruit in Latin America). Recently, the Big Three auto companies pushed the Clinton administration into a trade dispute with Japan. The Constitution gives Congress control over international trade policy, which leads to unlimited and constant lobbying by US firms. Competitive pressure is still strong between domestic firms and subsidiaries of MNCs. However, whenever a major country feels its national interests are threatened, it tries to circumvent the rules set by the specialised international institutions. For the Chinese, the rules are only momentary compromises. Globalisation complicates the links between Washington and the domestic business community. The role of firms as foreign policy agents is increasing, but conversely the state is at the service of private interests. This raises the question of the definition of the American firm, in order to determine which firms Washington can help or support. In terms of armaments, the state still intervenes in the choice of exported products, but the influence of industrialists is considerable within the Pentagon itself.

7) There are several reasons for the proliferation of international organisations. There are many opportunities for conflict and the nuclear threat still hangs over humanity. The primary purpose of international organisations is to reduce tensions. Furthermore, economic imbalances can no longer be solved at the national level alone. Technical upheavals lead to increased cooperation, either because technologies develop a capacity and speed of information that changes the perception of decision time, or because the costs of these techniques are high enough to lead to inter-state commitments, between producing and consuming nations; modern industrialisation implies international cooperation on standards. Multinational firms lead to a global perception of the economy. If the private sector opens up to globalisation, the states that are responsible for national economic development cannot disregard its action. As a result, international negotiations are becoming necessary between the countries concerned, particularly in the armaments sector.

## **II. Globalization as a factor in the disintegration of national economies and defence industries**

For Robert Reich (1992), the disintegration of national economies is inevitable, even at the cost of insecurity and the threat of impoverishment of the populations least integrated into the system. A country is not a company, as Krugman (1994) reminds us. However, national economies are dissolving, at least partially, in economic globalisation; money, technology and factories cross borders with fewer and fewer restrictions. Resisting globalisation is therefore politically futile and economically undesirable. Capitalism is supposed to be peaceful and to produce economic development. Globalisation does not lead to unification or equality, but in the long run it improves the living conditions of all strata of society (trickle-down theory). For Reich, the efficiency of market forms is incomparable, promoting technologies that are conducive to the emergence of an elite essential for the progress of modern society, while restoring, with a slight decline, the incomes of the majority of the population. The resulting globalisation is expressed in increased trade, the struggle for control of rival firms, an explosion of foreign direct investment (FDI) and increased oligopolistic competition.

1) For liberal globalisation theorists, war disappears with the spread of democracy and economic development. When products circulate, soldiers stay in their barracks (Crowe, 1994). Although globalisation appears to be triumphant, it nevertheless carries within it the seeds of a world economic crisis, which may become systemic in nature. Moreover, the man of the 21st century will undergo the process of Americanisation, under the name of globalisation; the large firms will validate the primacy of their private interests over collective interests and the fight against inequality and poverty will no longer constitute objectives defined by the states, at least in the short term. The processes of globalisation and regionalisation are justified on the basis of a dominant liberal credo (Kuttner, 1997), based on questionable postulates (rationality of individuals, optimal regulation of the market, progressive eradication of poverty) that hardly work in the arms sector, which is focused on secrecy, force and defence.

In this case, globalisation does not imply the diffusion of innovation throughout the world. The regulation of the market, centred on social links, facilitates the round trip between economic exchange and democratic political exchange. But Marat already denounced the trap of the Le Chapelier Law: "What will we gain by destroying the aristocracy of the nobles if it is replaced



by the aristocracy of the rich? Capitalism develops the endless consumerist aspiration even in the field of armaments. Producers seek to produce and find customers, even at the cost of armed conflict. Modern economic analysis always seems to omit these power relations that are expressed in the political, strategic and cultural fields and which profoundly transform the economic conditions of the functioning of markets. Yet, despite the many theories predicting its decline, the United States undoubtedly dominates this process. Although Washington does not hold all the keys to managing the process of globalisation, it does have sufficiently powerful instruments to modify the concrete implementation of regulations to its advantage. Arms are an important factor in American power, but they are not enough to force people to obey them. The "soft power" of globalisation is undoubtedly more effective.

2) Liberal analyses often confuse the Triad importance (USA, Japan, European Union) with globalisation. Triad countries conduct more than four-fifths of world trade. The globalisation of economic norms and actions is directed primarily at their members. Globalisation is not synonymous with the generalised and inclusive growth of a peaceful world economy. There is no homogenisation, but rather specialisation, chemicals and professional equipment for Germany, consumer electronics for Japan, arms, financial services and the information economy for the United States. The negotiations between the US and Europe to open up markets are well known, and the armaments sector could quickly be affected to the benefit of the US. As US law still allows for the protection of technologies that have a direct bearing on national defence, an uncontrolled globalisation process leads to an "Americanisation" of the arms sector. Washington has always preferred Americanisation to globalisation, especially in the field of military equipment, through NATO.

3) We are witnessing a process of regionalisation, even as economic citadels are being set up that contradict the idea of the global market (European Union, NAFTA, ASEAN, MERCOSUR, etc.). The question is whether regionalisation is more than a pedagogical step" towards the generalised market. This assumption is questionable. Viner (1950) analyses the welfare benefits of customs unions compared to the situation of universal

free trade. He highlights five cases in a two-country, one-product analysis.

- If the two countries do not produce the good, their union has no effect on either the production or the trade of the good in question.

- If the two countries are the best producers in the world of the good, there is no trade diversion effect, but rather a trade creation effect in favour of the more efficient country in the bilateral union.

- If the union removes a prohibitive tariff between two countries producing the same good, it produces a "trade creation" effect that is certainly interesting, but less important than that which could result from generalized free trade.

- If both countries produce the good, under economic conditions inferior to those of the rest of the world, the union is disadvantageous, creating a trade diversion effect. In this case, specialisation is achieved in the absence of efficiency criteria.

- If only one country in the union produces the good inefficiently, economic protection leads to a trade diversion effect that is very damaging for both economies.

In this context, regional union is not always, at all times and in all places, efficient. It is mainly interesting when it removes prohibitive customs duties, when the number of partners is large and when the economies of the members are sufficiently similar to engage in a restructuring of national economies following the integration process. Buzelay (1996) comes to the following conclusions:

- A country that is not subject to international competition has an interest in creating a customs union with a country that is subject to it.

- A protectionist country that allies itself with a country that does not protect the "good under consideration" is deflecting trade.

- Regional unions between substitutable economies are more suitable for integration than complementary national economies.

These rules also apply to military equipment. Arms production agreements have shown that the more comparable the economic and technological development of countries, the more feasible and effective such agreements are. In other words, the European Union is a second-rate optimum, not necessarily compatible with the process of globalisation, which is verified in the military sector, where certain US arms purchases clash with the interests of less efficient European producers. The preference for this economically sub-optimal situation for American arms producers

is based, however, on the independence and specific security that European countries can claim. The so-called "comparative advantages" then clash with the notion of security in the field of armaments. Regionalisation meets the needs of sufficiently large markets, while avoiding the disadvantages of global competition. Moreover, it is possible that international competition only makes sense within a homogeneous economic and political area.

### **III. Globalisation as a factor of Americanisation, with the effective support of the arms industry**

For Reich, the US is the home of tolerance and loyalty, globalisation will be American or it will not be. The control of information by the United States allows it to sell its technologies, its standards and its culture. The national information strategy is a condition of power, just like industry or the army. These new information technologies create a new vision of foreign policy, in favour of the liberal economy and democracy. American MNCs are well positioned to manage this sector of activity that is essential to the world of today and tomorrow, which should allow Washington to consolidate its leadership in world affairs, also using the weight of international organisations that are globally devoted to it.

1) In its history, the United States has given the impression of promoting free trade and peace. However, this attitude has not always been verified in practice, far from it. During the Civil War, Abraham Lincoln defended the interests of the industrial and financial power of the strongly protectionist Northeast against the free-trade agricultural South. This war witnessed a tremendous industrial development in a wild search for competition and monopoly. The American economy undoubtedly benefited from conflict and military production. The military-industrial complex took off in 1930 in California around the big arms manufacturers: liberals and intellectuals in the fight against fascism, Japan and communism supported it. In order to maintain a large part of the arms industries potential, the policy of 'demonising the enemy' was adopted. With arms exports as a means of selling American culture, the US used the military sector to expand its strategic, political, moral and ideological sphere of influence. Finally, the US discovered a vocation for power and universalism. The ideas of market universalism and equality between nations are part of the common language of the US, but not in the minds of the people.

Moreover, American military power has always been dominant since the beginning of the century, despite military adventures that have not produced the expected triumphal effects.

2) For Bill Clinton, each nation is like a large company competing on the world market. A country's security therefore depends on its comparative economic power. Geo-economists urge states to formulate economic and social policies within a globalised framework, in order to build their power and welfare. The desired globalisation is far from reality. It is not a question of defining common advantages resulting from exchange, but of obtaining differentiated advantages conditioning the standard of living of citizens. For Paul Krugman (1996), the analogy of a country with a company is inadequate. The American economy is not the ultimate conglomerate that would bring together all national economic activities, because it does not have an adapted strategy imposed on each component and steered from the White House in Washington. On the other hand, while the idea of competition between states is exciting, it is also reminiscent of the emergence of opposed values developed by wars. However, the growing obsession with competitiveness is not justified (Krugman, 1994), as the state cannot waste resources to strengthen competitiveness and then succumb to protectionism and trade wars. The pursuit of economic power relations by states is inadequate, it biases domestic policies and it threatens the whole international economic system. The competitive international market does not produce a zero-sum game. If for Krugman, there is no direct competition between countries, despite the rivalries of status and power, the same is not true for the White House. Bill Clinton proposed a reduction in the federal deficit, but he preferred to play on the patriotic side, pointing to the global market as a threat to youth employment. It is therefore necessary to engage in a targeted strategy towards the outside world, even if the United States remains practically independent for most of the products necessary for national production. Even Robert Reich (1991) has advocated a US industrial and trade policy. For him, the standard of living can only increase if capital and labour increasingly go to high value-added industries per worker and if the country's position is maintained at a higher level than its competitors. The arms industry is a necessary, but less and less sufficient condition to define the power of a state.

3) The collapse of the USSR has strengthened Bill Clinton's determination to reaffirm the superiority of the free trade ideology. However, the US government is transforming its geostrategic behaviour (for the moment ineffective because of the absence of a significant adversary in opposition to its power, especially systemic power) into a geo-economy. The Cold War led to the end of socialism, with the military and strategists as architects. The new doctrine is based on national security based on the enlargement of the community of market democracies, with the US as the indispensable country for stable political relations and free trade. The United States retains primary responsibility for responding selectively to dangers that threaten national interests, but also those of allies, to avoid destabilising international relations. Trade considerations play a fundamental role in US foreign policy. The US business community has to make peace with the use of unilateral export controls for foreign policy reasons. Bill Clinton reduced the number of products subject to state control, particularly in the areas of telecommunications and computers. The principles are as follows. First, when America does not have a monopoly, sanctions penalise American companies and multilateral sanctions should be negotiated. Second, a better understanding of the interplay between business interests and human rights needs to be developed, with the understanding that unilateral sanctions disadvantage US companies. In addition, the business community and the US administration need to work together to influence public opinion and Congress on diplomacy issues and train Americans to represent national business interests abroad. Finally, government must make it clear when corporate interests conflict with the fundamental interests of the American nation.

4) The concept of defence is not limited to the armament sector alone, it includes technological dimensions. Despite the idea of its decline, the United States has never been so powerful, as it leads the planet into the information age (Guellec, 1997). For Al Gore, the classical economy is based on the optimal allocation of scarce production factors, labour and capital. The economy of the future is based on an immaterial factor in almost unlimited quantity, information. The information superhighways are born. They will inform, entertain, educate, promote democracy, save lives, create jobs, improve productivity and competitiveness, but also constitute an instrument of power capable of competing with and

surpassing military force. The US government is proposing the globalisation of the National Information Infrastructure (NII) to shape a new world order as the key to growth and power. The American economy is thus undergoing a transformation. Companies are investing massively in information technology and the standards and references of this industry are mainly American. The United States has carried out 60% more research in this sector than Europe and almost twice as much as Japan. Information flows and financial transactions will redefine international relations. They herald an interdependent system with transnational, national and local variables, with subsystems of units with sometimes different but competing functions. Washington wishes to maintain its world hegemony, the spiritual and ideological direction of the planet, notably with pop-culture. With television and cinema, people are reached rather than governments. More than half of American transnational exports and imports are in fact only internal transfers necessary for the activity of these companies.

5) For Daguzan (1997), freed from the Cold War, the United States has engaged in undeclared economic warfare. The primacy of the economy in the new trade relations is affirmed. The American economy benefits from a growing technological and conceptual lead in the industries of the future (aeronautics, telecommunications, space, info sphere, artificial intelligence) and it has constantly reinforced its power of influence on the rules of the international game? American law has become universal, with technical standards being inspired by it under the influence of their negotiators. First, the US government has a decisive influence on the most powerful international organisations, such as the IMF, the World Bank and the WTO. Secondly, Washington is openly developing its economic intelligence services, since the Director of the CIA affirmed the end of American domination over computers for military use, semiconductors for smart weapons and telecommunications. The CIA is seeking to appropriate foreign industrial secrets and counterintelligence services are now directly involved in commercial and industrial activities.

6) The US system of international contract hunting (Advocacy Policy) is based on the Advocacy Center (or war room) created at the Department of Commerce in 1993. Its role is not to direct sales manoeuvres, but rather to facilitate the advent of commercial and

industrial operations by smoothing out administrative problems and providing information and operational support. It coordinates the government's support resources (financing, geopolitical expertise, coordination of ministries). It uses the Advocacy Network, which brings together the skills of political and administrative actors, who provide all the information useful for the American economic system. The system is interactive. The embassies and consulates scrutinise the calls for tender and listen to the wishes of the applicants. Furthermore, the main responsibility of the state is to determine whether the interests of American companies and workers are being treated fairly (which implies fighting corruption) and whether unfair barriers to competition have been installed. This diplomacy seeks immediate effect. It is accompanied by a coercive approach through intimidation (Helms-Burton and Amato-Kennedy laws against pariah states and states that work with these pariah states), making American law an important appendage of international law. On Japan, for example, it also exerts pressure regarding the revaluation of the yen, the fierce negotiation on sectorial technology exchanges, the opening of the Japanese market, the selective orientation of Japanese investments in the US.

7) There is one unknown: China and its 1.2 billion potential consumers, but also producers. Washington wants to open up the borders of this large country, in particular to satisfy 1.2 billion consumers, but also to make the case for the interest of each Chinese citizen in the consumer society dominated by the United States. However, it is also a gamble that, in the long term, may also pave the way for China to become a major world power again, despite the risks that its dictatorial system of governance poses to its economic and social potential. The Triad may well lose its strategic importance in the world economy, given the potential economic power of the Middle Kingdom, with its growing scientific capacity, low labour costs, ability to export and to conduct a centralised economic policy geared towards economic development through the conquest of international markets.

8) America is not only a great power; it is also a civilisation, a way of life, and a particular conception of material life. Globalisation in itself does not exist; it is a decoy to support Washington's master plan to remake the world in its image. The world-economy is a process of continuous creation of inequalities. For Brzezinski

(1971), the technological imperative commands the political reordering of the planet, with American society being analysed as the first global society in history. Its techniques are universal; it is a global model of modernity without being imperialism. The future does not lie in cannons, but in networks and the end of ideologies. The advent of the post-industrial society, based on the information industry, will modify the institutions inherited from the industrial revolution. Fukuyama's End of History (1989) leads to the dissolution of politics in the global media culture. It is a conception of consumer society as a society of transparency.

For a long time, capitalism had an identity based on the fear of communism. Deprived of its age-old adversary, capitalism no longer has a soul and democracy is no longer a unifying ideology. Everyone, every entity follows its own interest. In this context, the arms sector is in crisis. A crisis of demand in the face of a depressed market; a crisis of national identity in the face of the process of globalisation, which leads to the consideration of all possible cooperation and economic exchanges; a technological crisis in the face of a more flexible, less expensive and more efficient civilian sector.

War is not the main concern of today's societies, but it remains a recurrent threat. If armaments are an economic activity, it is also a response to a demand for security, protection and defence. To reject this particular sector on the basis of economic constraints alone is to believe that economic development, despite the inequalities it causes, is a factor of peace. However, history has always disproved such an assumption.

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