# Guns v. Butter: Differentiating Armaments in International Relations

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The arms industry is often distinguished from other sectors of economic activity in both the Economics and the International Relations temperature. Independent journals, such as *Defence and Peace Economics* reinforce this dichotomy. But while the distinction amongst these research programmes is often present, it is rarely justified. So what makes the arms industry fundamentally distinct from other spheres of economic activity?

The arms industry is highly globalised and rapidly innovative; but these cliché descriptors are dreadfully banal, likely used by marketing directors for everything from software to frozen meals. There are plenty of differences between arms and other economic goods, but most of these differences are not fundamental: they are differences in degree, not in type. The fundamental difference is that the arms industry supports not only the pursuit of wealth, but the pursuits of both power and victory in war. In fact, the arms industry is often a sub-optimal pathway for economic growth, as the case of the Chinese arms industry illustrates.

**Not All Differences are Fundamental**

A number of dynamics set the arms trade apart from other sectors of economic activity without the differences being fundamental. While these differences are important to note, they are not what makes armaments distinct.

Firstly, armaments determine the structure of states and of the international system. Parker (1996) and Lorge (2008) note that military innovations have changed the form which states take in the past. For instance, Lorge (2008: 56) notes that the introduction of gunpowder in general, and the arquebus specifically, was instrumental in allowing Oda Nobunaga to consolidate power in Japan and later in assisting Toyotomi Hideyoshi temporarily occupy Korea. Moreover, the arquebus could be used by a relatively untrained peasant *ashigaru,* creating a crisis of identity for the samurai warrior class (62-4). But other sectors of economic activity have also shaped states. A desire for spices led European explorers to push into the Indian Ocean, opening trade routes for European access. It seems safe to say that these, and other voyages of exploration, had an enormous effect on the international system. So while it is certainly true that armaments are a partial determinant of state structure, other economic factors are as well. Armaments are not unique in this regard.

Arms also generate insecurity on a human scale: the availability of small arms is a constant low-level enabler of violence. Mkutu (2008) points out that small arms cause existing pastoral and tribal conflicts to escalate. Banerjee and Muggah (2002: 8) argue that when arms are plentiful, '[f]ear for life and physical well-being, as well as fear to freely exercise religious, cultural, political and economic rights and entitlements fundamentally arise out of this environment.' But historically, other sectors of economic activity have also created human insecurity. Most notably, the Atlantic slave trade involved insecurity on a massive scale, as Africans were forcibly captured and exported to the Americas. The link between armaments and insecurity may be more direct that the link between other sectors of economic activity and insecurity, but the difference is not fundamental.

Lastly, armaments are prestige goods. The great ships of the 16$^{th}$ century, such as the Scottish *Micheal,* or the English *Henry Grace à Dieu,* were built as much as expressions of royal power as they were for military utility (Parker

1996: 90). More recently, the HTMS *Chakri Naruebet,* the sole aircraft carrier operated by the Royal Thai Navy, spends more time as a royal yacht than as a military asset. The ship provides prestige, not military utility. But the prestige of certain assets is not unique to armaments. Sagan (1996-7: 74) points out in his discussion of nuclear weapons, 'Air Malawi, Royal Nepal Airlines, and Air Myanmar were not created because they are cost-effective means of transport… but rather because government leaders believed that a national airline is something that modern states have to have in order to be modern states.' These airlines likewise function as a source of prestige for states.

Armaments shape states, create insecurity, and provide prestige, but to say armaments are unique in so doing is incorrect. Armaments may have these effects to a greater extent than other sectors of economic activity, but the differences is in degree, not type. These differences do not justify armaments as a fundamentally distinct sphere of economic activity.

**Arms: What are They Good For?**

To determine the fundamental differences which distinguish armaments from other sectors of economic activity, it is first necessary to determine why states produce and buy arms. Krause (1992) provides the most widely used typology, identifying three separate motive forces. First, states are motivated by the *pursuit of power.* Not only do armaments allow a state to project power, but control over a first-tier armaments industry allows for exports to be used as a bargaining chip in international negotiations. *Pursuit of victory in war* is the second motive force. Armaments allow a state to defend itself—in other words, armaments can provide security on a national level. Thirdly, states are driven to procure armaments by the *pursuit of wealth.* Armaments are both an export good unto themselves and can be a catalyst for further industrial development. Herein lies the crucial distinction between armaments and other sectors of economic activity: while armaments satisfy all three motive forces, other sectors of economic activity pertain only to the pursuit of wealth.

The pursuit of power is one force which motivates states to acquire arms. Sophisticated armaments can allow states to project power via a variety of means, such as enhancing strike range and mobility. For example, the United States Navy is inarguably the most powerful naval force on the planet and uniquely able to project power at a distance. On 26 October, the United States dispatched the USS *Lassen*, a highly sophisticated guided missile destroyer to sail within twelve nautical miles of the Chinese military base in the Spratly Islands, to support its stance on freedom of navigation, and to reassure its allies in the region (Cooper and Perlez 2015). Control over the export of armaments can also be a useful source of leverage in negotiations with other states: much of the influence the United States held over the Shah of Iran, for instance, came by way of its large volume of arms exports to the Shah (Johns 2007). Such negotiations are an essential component of international politics, and are intrinsically linked to national power. In other words, armaments are vital to the pursuit and expression of power.

The pursuit of victory in war is another motivating force for states to buy or build arms. They are a major component of state security. Much of this security takes the place of military self-sufficiency: in the anarchic international 'self-help system,' a state which can produce its own arms, or that has a sufficient stockpile of arms, is more secure than one which is not. Greico, talking from a strict Realist perspective, (1988: 498) points out that 'the fundamental goal of states in any relationship is to prevent others from achieving advances in their relative capabilities.' States without access to armaments are militarily weaker than states which either import or which build sophisticated weapons, and so face a loss in relative capabilities. It is true that an absence of other economic goods can lead to a state feeling threatened: some historians have linked the Japanese declaration of war to American restricting exports to Japan starting in 1940 (Iguchi 466). However, the goods in question consisted mostly of oil and steel, which are intermediate goods essential for the use and production of Japanese armaments. The point remains: armaments are distinct from other goods because they are key to pursuing victory in warfare.

The pursuit of wealth, however, is not a motivation unique to armaments. Any economic good can be a source of wealth for a state. The example of the four 'Asian Tigers' (South Korea, Taiwan, Singapore, and Hong Kong) and their successful export-oriented industrialisation illustrates that wealth can come from a variety of economic sectors. And Krause (1996: 13) notes that arms are not fundamentally distinct in this regard, arguing that '[a]lthough arms are unlikely to be traded like other commodities, arms production is an industrial process that depends to a degree on

various inputs and factor endowments in an economy.' So armaments allow for the pursuit of wealth and are subject to economic constraints, similar to other sectors of economic activity.

However, armaments are not particularly effective with regards to the pursuit of wealth. While the export of arms can help lower unit cost via increasing economies of scale, arms are actually a sub-optimal way to pursue wealth. The arms industry has high barriers to entry. Sophisticated arms, like fighter jets or main battle tanks, are capital intense to produce, requiring large amounts of technical and organisational skill. It also takes a large injection of funds for a state to produce weapons, and even after the state begins to produce weapons, there is no guarantee of export success. Other avenues for industrial development, which require less technical and organisational capital are almost certainly more conducive to economic growth. While it is true that developing an armaments industry may be useful as a catalyst for further economic growth in a country, there is no reason for which armaments should be unique in this regard. The internet is a famous example of a military project while spurred advancement in the civilian economy, but civilian space projects, to name an example, have also catalysed the national economies. Moreover, a state which choses to import, rather than produce, armaments will also be diverting funds away from potentially growth inducing investments.

The claim that armaments are an inefficient way to pursue wealth is empirically supported. In reviewing the relevant literature, Lindgren (1984) finds that military expenditure and economic investment are substitute goods for governments, hence there is a consistently negative relationship between the two across states. Mintz and Huang (1990) find a similar association, albeit with a five year lag, though Chowdhury (1991) points out difficulties in identifying a direction of causality. To be fair, military expenditures and expenditures on armaments are not the same thing: military expenditures encompasses other costs, such as military salaries and pensions. But military expenditures and expenditures on armaments ought to be roughly congruent, so the point remains. The arms industry is a less effective mechanism to pursue wealth than other economic sectors.

The fundamental difference between armaments and economic activity is that armaments can be used for either the pursuit of power, the pursuit of victory, or the pursuit of wealth. Other economic sectors can only be used for the pursuit of wealth. In fact, armaments are a relatively inefficient way to pursue wealth. The next section uses the case study of China as a test of this thesis. If developments in the Chinese defence industry are motivated by the pursuit of power and the pursuit of victory in warfare, then the thesis is supported. The pursuit of wealth serves as a control: if the Chinese defence industry follows strictly economic motivations, then the thesis must be rejected.

**Armaments with Chinese Characteristics**

The motive factors for acquiring armaments are visible in Chinese foreign policies in recent years. New indigenous armaments have allowed China to pursue both power and victory in war, but the Chinese arms industry has been less effective than other economic sectors at generating wealth.

The pursuit of power as a motive force, by way of arms transfers, is clear from China's interactions with Myanmar. China has shipped more weapons to Myanmar than any other state has, including everything from type-69 main battle tanks, to type-053 frigates, to HN-5A surface-to-air missiles (SIPRI Arms Transfer Database). But these transfers are not simply economic transactions, they tie the powerful Myanma military to Chinese suppliers. Even seemingly economic transactions have their roots in power politics. China has built an oil pipeline from the Myanma deep-water port of Sittwe, on the coast of the Bay of Bengal, to Kunming, in Yunnan Province, circumventing the shipping chokepoint at the Strait of Malacca, as well as providing development funds for the port. But Sittwe is also another link in China's 'String of Pearls,' a network of port facilities across the Indian Ocean, meant to protect Chinese sea lines of communication (Peterson 2006). Moreover, China views the Mekong basin as a whole as a security interest, and has 'demonstrated a willingness to intervene to secure its interests [on the Mekong]' (Erickson and Strange 2014: 115) via international riverine law-enforcement operations. China is using its arms transfers to Myanmar to ensure Myanmar remains accessible to Chinese activities—in other words, to pursue power.

New armaments, chiefly naval assets, are also being used to increase Chinese power projection capabilities. The most prominent of these assets is the *Liaoning,* the People's Liberation Army Navy (PLAN)'s first aircraft carrier.

Operating an aircraft carrier is 'one of the clearest symbols of military strength on earth… able to control the ocean and project power across great distances' (Horowitz 2010: 65). China has also been improving its capabilities to project its power across the straits to Taiwan, building a set of new Type-071 Amphibious Landing Docks, designed to deploy a full battalion of marines. Both of these naval assets are demonstrative of the PLAN's growing power projection capability, an essential component of a Chinese pursuit of power. Other sectors of economic activity cannot do that.

New Chinese weapons systems targeted towards specific military needs are demonstrative of the motivating role played by the pursuit of victory in warfare. In recent years, China has developed a broad set of anti-access/ area-denial capabilities. Notably, China has developed a range of missile designed to exclude hostile ships from Chinese waters. The DF-21D terminally guided anti-ship ballistic missile, dubbed the 'carrier-killer' by Western observers (US Naval Institute 2009), implying the missile was designed specifically to counter the threat of US carrier strike groups. Even larger is the DF-26 intermediate range ballistic missile, which has been dubbed the 'Guam-Killer,' in reference to its ability to strike the major US naval base on Guam (Gady 2015). Lastly, the Chengdu J-20 is a fifth-generation multi-role fighter jet with limited stealth capabilities, likely built as a reaction to the United States' F-22 and the new F-35 joint strike fighter. The specific usages of new Chinese weapons imply that China is motivated to acquire arms by the pursuit of military security.

However, when it comes to actually turning a profit on its weapons, the Chinese defence industry chronically underperforms. Cheung (2009) notes a series of structural challenges which face the Chinese defence industry and make it difficult to turn a profit. The rare success of the Chinese shipbuilding industry highlights the constraints faced by other Chinese defence industries, as most Chinese defence industries were with the 'Third Front' initiative in the 1960s. The shipbuilding industry was never moved inland, away from the commercial centres. It committed relatively early to the export market, ensuring access to international specifications granting critical exposure to Western business practices, and it has had a healthy balance of domestic and export demands (Collins and Grubb 2008). Other industries had none of these benefits, and the majority of Chinese defence industrial corporations failed to turn a profit for much of their existence (Cheung 2009). While China's arms exports grew 143% from the period 2005-9 and the period 2010-14 (Wezeman and Wezeman 2015), World Bank data shows Chinese more broadly grew from 306% of 2000 levels to 887% of 2000 levels in the same period ('World DataBank'). While it is on the rise, the Chinese defence industry is not the most effective avenue to pursue wealth. China could pursue wealth more effectively via other industrial sectors, implying that China is motivated to maintain its arms industry by the pursuit of power and the pursuit of victory, but not by the pursuit of wealth. In short, the case of the Chinese defence industry supports the above thesis.

## Conclusion

What fundamental differences distinguish armaments from other sectors of economic activity? The difference is in the use to which armaments can be put. Armaments can be used to pursue power by enhancing a country's ability to project power at a distance and allowing it to use arms export as a bargaining chip in international negotiations. Armaments can be used to pursue victory in war, generating security for a country. They can also be used to pursue wealth, just like other sectors of economic activity, but armaments are a relatively inefficient way of so doing. While there are other differences between armaments and other economic sectors all these differences are of degree and not type, hence they are not fundamental. As the example of China shows, armaments are a many-faceted phenomenon. The various pursuits which they enable and by which they are motivated mean they leave an indelible mark on international politics, and deserving of study as fundamentally distinct from other economic goods.

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