

# ***THEORISING MILITARY PRODUCTION***

## **CHAPTER SEVEN, Section B**

### **THE EXPORTS OF ARMS AND THE ACCUMULATION OF CAPITAL IN THE CENTRE AND IN THE PERIPHERY**

#### **1. Introduction**

In the previous instalment I have dwelt on two of the most well known theories of imperialism, on the one formulated by V.I.Lenin in the early part of this century, in connection with the outbreak of World War I, - and (much more briefly) on that formulated by Samir Amin half a century later, towards the closing of the US-war against Vietnam. Focusing on these two authors, I have argued that (most) theories of imperialism have grossly neglected the specific role which the manufacturing of weapons from the very start of the modern imperialist era have played in the accumulation of capital on a world scale, and in the division and re-division of spheres of influence between the main capitalist powers. By taking a fresh look at the historical evidence, it is brought out unmistakably that theoreticians of imperialism have left us with a gap in theory-building. Then, how to fill the gap?

Below I will endeavour to contribute towards the construction of a theory of imperialism and military production, by concentrating on the economic consequences which commercial exports of arms, more specifically major arms' systems, *from central to peripheral economies*, have had during the twentieth century. Surely, a theory of imperialism and military production cannot be constructed unless other key-issues be addressed as well. For example, it will be necessary, also, to take a close look at the interrelationships between the international flow of (both speculative and investment) capital on the one hand, and the domestic production of arms within, and arms' exports from, central economies on the other.

In the present instalment, I will only theorize the physical flow of arms from North to South. While a comprehensive assessment of arms' exports should also comprise the sales and transfers of large arms' systems between central economies themselves, such as between the US and (Western) Europe, - it is relevant to concentrate on arms' exports from North to South, since these reportedly have taken up *three-quarters* of the total since the 1970s, and have also constituted an increasingly large portion of world trade in general (see chart) (1). Below I will look at the issue of arms' exports both from the angle of their impact on the hegemonic economy, and from the angle of their economic impact on countries in the South.

#### **2. Arms' Exports and the Business Cycle in the Centre of the World Economy**

The first question to be discussed with regard to arms' exports is whether these do hold a significance for accumulation in the centre, more particularly for accumulation

within the hegemonic economy, that is anywhere comparable to the effects of (domestic) arms' purchases by the hegemonic state from Department III. Data on the business cycle in the United States in the 1980s, cited previously, have brought out how the state's policy of expanded military purchases have not only enhanced the realisation of profits in the military sector itself, but have - through the phenomenon of interconnected circuits of capitals - also been used to stimulate accumulation in other Departments. And although the given policy has turned out to be problematic, i.e. ultimately engendered a periodic crisis in the US business cycle, the hegemonic state in the world system throughout the 20th century has over and over again taken recourse to the same mechanism to ensure that social accumulation could continue.

Can or do arms' exports play a similar role for accumulation at the centre? First, there in principle appears to be no difference between the effects of domestic and foreign sales of arms on accumulation: whether the destination of the commodities heralding from Department III be the state or foreign buyers, the effect on the interrelated circuits of capital would appear to be the same. Foreign orders for submarines or fighter planes, like the orders placed by the state, result not only in resumption or expansion of production by companies in Department III (**MD**), but also do result in orders for suppliers of means of production and component parts located in Department I (**MP**), and in enlarged purchases of means of consumption (**MC**) from Department II by the salaried employees of arms' corporations. Hence, arms' export do represent a potential option for private and public policy-makers seeking to sustain individual and social accumulation respectively.

Further, arms' exports to an extent can fulfil the role of *replacement* orders in periods when the state is forced to restrict the amount of its own arms' purchases. This appears to have been the case for the United States in the 1990s, when the US-government actively promoted the commercial export of weapons' systems, such as through the provision of guarantees by the Eximbank towards contracts regarding arms' exports (2). Another means of promotion was the waging of the (second) Gulf War in 1991, when missiles and aircraft were tested in practice. Thus, over a four year period the US-share in the world's arms' exports substantially increased, from 34.5% in 1990 to 55% in 1994 (see chart). And although this increased market share reportedly was not equalled by a similarly large increase in the *value* of US-arms' exports, - there was nevertheless an enhanced impact on sustaining the production by arms' manufacturers and their suppliers, in a period of major contraction in purchases by the US state (3).

Aside from this crucial replacement effect, which can be noted for other world business cycles in the 20th century too (4), we should keep in mind that arms' exports do not need to be financed through taxing the surplus (**s**) or the wages of labourers (variable capital **v**) in the hegemonic economy. Whereas arms' purchases by the state on the whole do need to be financed, either in the short run or in the long run, by raising taxes, which then do affect the accumulation process in Departments I and II, - arms' exports from North to South are in essence financed through the drain of Southern economies. Hence, in a certain sense, arms' exports can more easily be used to promote the business cycle of central economies than the production of arms for the (domestic) state. Even if in quantitative terms, arms' exports represent only a very limited portion of the production

of weapons in the hegemonic economy, - their influence on the business cycle cannot be slighted.

### **3. Arms' Imports and Accumulation in Southern Economies**

The effects of these same arms' exports from North to South upon processes of accumulation in Southern countries are vastly different. Samir Amin, in analysing the nature of dependency within the structure of the 20th century world economy, has spoken of the 'disarticulation' of peripheral economies, and it is to this concept that we necessarily have to refer in attempting to assess what are the impacts of Northern arms' exports upon the South. In using the term 'disarticulation', Amin meant to emphasize the fact that the consequences of Southern participation in international economic affairs were/are qualitatively different from the effects of such participation by central economies. Whereas exports by the latter form part of an integrated chain of capital circuits in the domestic, Northern economies, - export sectors of dependent economies tend to constitute a *niche*, islands, within these economies.

Amin's theory of disarticulation did not refer to the role of arms' imports into the South, or to *imports* of dependent economies in general, but merely to the role of their *exports*. He cited, for instance, the case of oil exports which case is relevant to this study given the (implicit) connection which exists between the capacity of oil economies to earn foreign exchange, and the capacity of these same economies to import expensive weapons' systems. As he argued with reference to Kuwait, any progress realised in the oil industry will be 'without the slightest effect' on the country's overall economy, whereas the imports of Kuwaiti oil into Northern countries will be 'diffused' through many industries consuming the oil (6). Thus, not only do arms' exports have a pervasive influence on the business cycle in the centre, the effects of the oil imports (received in exchange for arms) upon central economies are 'spread out' as well.

The possibility that linkage effects exist between arms' imports and processes of accumulation in dependent economies, cannot be entirely excluded. Such linkages do, for instance, exist to the extent that expanded arms' exports by the North lead to expanded imports of certain raw materials (such as aluminium and steel) needed to manufacture the arms. They may exist, also, in the form of the international subcontracting, for instance of production of chips for electronic components of weapons' systems towards countries of South-East Asia, which may end up forming a part of weapons' systems exported towards the same South-East Asian countries. In such cases, the companies exporting minerals and electronic components function in a way as islands in the dependent economies. Yet it cannot be denied that the arms' trade does in some cases exert an (external) effect on accumulation processes in the South, via the production of means of production (**MP**) destined for Department III (production of **MD**) in central economies.

Such effects, however, are entirely subsidiary to the main thrust of the impact of arms' imports upon continents of the South. That impact is a vast drainage of resources which could, potentially, have been employed to build integrated, independent economies. Since the early 1960s, the *world trade in arms* has escalated from several billions of Dollars per year, to 26 billion by 1980, and onwards to roughly double this amount by the late 1980s. The precise proportion of the total that is bought by Southern

continents has, of course, varied, but overall the South has absorbed the major share. On the whole, the Southern countries' policy of spending on expensive weapons' systems manufactured in the North has represented a diversion of financial means. It has signified a redirection of money capital, away from investments in sectors and manufacturing processes that have a broad effect on the accumulation process in these economies themselves - towards investments that help sustain the business cycles of central economies.

#### **4. The Export of Weapons from North to South as Disparate Exchange**

I lastly wish to provide my own conceptualisation of the arms' trade between North and South, using Samir Amin's theory of unequal exchange as a reference point (7). Above, in the previous instalment, we have seen that the exports of arms between North and South does *not* figure specifically in Samir Amin's theory. That, however, does not mean that this theory has no meaning for the development of a general theory of military production. Since the monopoly corporations of Department III in countries of the North typically do sell their arms' systems to the South at prices above the value of these commodities, and since the commodities which the former countries receive in return are generally provided to them below the value of these imported commodities, the mechanism of *unequal exchange* does play a role in the arms' trade between North and South.

This may be illustrated through the example of the sales of arms to countries in Africa. The continent of Africa, as well known, is endowed with rich natural and mineral resources, which are coveted by countries of the North. A whole range of African products figure on the list of commodities the terms of trade of which have deteriorated in course of the 20th century. Further, when the flow of arms from North to South started expanding greatly, in the 1970s, Africa became one of the key importing regions. According to the Stockholm International Peace Research Institute (*Sipri*), by the early 1980s, Africa was 'the second largest arms' importing region in the Third World'(8). Since these imports inevitably need to be financed through the export of raw materials and other (agricultural and industrial) goods subject to unequal exchange, it is logical to presume that arms' imports have been an additional factor in the drain of the African continent.

Yet unequal exchange cannot provide us with a general, explanatory framework to understand the economic mechanisms at work in the flow of arms from North to South. The region that has imported the largest share of arms has throughout the second half of the 20th century been the Middle East. In the decade of the 1970s, for instance, countries of the Middle East according to *Sipri's* data imported almost half (48%) of all large weapon system transferred from North to South (9). Yet the expansion of arms' imports during this decade was facilitated precisely by a movement that was contrary to the deterioration in terms of trade, namely through an increase in oil prices by about 400% in 1973-1974 (10). While the enormously large quantity of oil resources held by the Middle East did condition the imports of arms, the improvement in the prices paid by countries of the North for oil to countries in the Middle East helped facilitate enlarged arms' exports to the region as well.

The term unequal exchange meant to pinpoint deteriorating terms of trade, then, may not give us an adequate general typology of the mechanism(s) at work in the flow of arms from North to South. Instead, I would hypothesize that these transfers should be designated as '*disparate exchange*', meaning that the commodities which the North receives in exchange for the weapons' systems exported, are fundamentally different in kind. Whereas the exported commodities represent waste-products, which may be designated as  $C = W$  (all values contained in the commodities are wasted), the commodities imported by the North in exchange for the given exports, represent  $C$  (commodities with a definite use value). These commodities are very varied (they may be means of production or means of consumption), but in any case they so far have not generally been means of destruction. Hence, it is valid to speak of *disparate exchange*, when referring to the phenomenon of 20th century exports from central to peripheral economies.

### **5. Disparate Exchange and the Actual Consumption of Means of Destruction**

The implications of disparate exchange should, lastly, also be viewed in terms of the destructions wrought by wars, which have been and are actually fought with weapons supplied by Northern countries to countries of Southern continents. Most of the mass slaughters which have taken place over the last half a century, i.e. in the period when the world trade in large weapons systems has expanded, have occurred in continents of the South. Moreover, not infrequently Northern military corporations have sold their deadly commodities to both sides in ongoing armed conflicts, as is unmistakably the case for instance for the Gulf war which was fought by the oil states Iran and Iraq over a seven years' period in the 1980s (11). It is, then, valid to raise the question of the consumption of means of destruction in this instalment on arms' exports from central to peripheral economies.

How to analyse the question of arms' consumption proper? Critical economic theory, unfortunately, has not provides us with a formula or handy instrument to assess the negative consequences of the consumption of the means of destruction. It has left us with an unfinished task of elaborating on the ultimate outcome of the consumption of means of production and labour power in the course of the manufacturing process in Department III. Previously I have noted that the latter form of consumption, i.e. that in phase ...  $P$  ... of the circuit of capital, should decidedly be understood as unproductive consumption, and not as productive consumption. In this instalment, I have further argued that this interpretation inevitably also imposes the need to re-conceptualise the *outcome* of the manufacturing process. It can no longer be viewed as simply  $C' - M'$ , but should be visualised as  $C' (= W) - M'$ . The outcome, in short, is a commodity that is entirely a waste-product.

Yet the massive wastage of resources via the production of large weapon systems and means of mass destruction does not end here. For the formula  $C' (= W) - M'$  only covers the outcome of the manufacturing process in III. It does not yet cover the subsequent use of arms in practice, the 'consumption' of tanks, missiles, submarines and fighter planes in wars. It may be difficult to measure the consequences of this, the

consumption proper of arms, beforehand. The destruction of capital resources and non-commodified human and natural resources wrought by a weapon or weapons' system in war surely varies. And yet it is obvious that the social waste resulting for the consumption of arms in quantitative terms may be manifold the exchange value of the weapons used. Hence, it is valid to theoretically express these economic effects through a further formula,  $W \times X$ . The negative ultimate outcome of the manufacturing in Department III is not limited to the size of  $C'$  ( $= W$ ), but (at least potentially) extends far beyond the value of weapons as commodities. The consumption of the commodities of III has the singular effect, amongst others, of destroying commodities turned out by I and II.

Moreover, where the means of destruction are manufactured in the North, and consumed in countries and regions of the South, the impacts on the respective business cycles in the centre and in the periphery diverge quite absolutely. Whereas arms' exports may function as temporary substitute or as complementary support for the business cycle of the United States, - economies in the South in the selfsame process may suffer from the additional drainage of resources, of disparate exchange. But on top of this, various Southern countries' efforts to build a capitalist economy through the decades from the middle up to the end of the 20th century, have also been disrupted by the actual use, the consumption, of means of destruction manufactured in the North. In short, a proper history of 20th century arms' exports needs to, also, comprise a measurement of the destructions wrought by these arms. Which measurement may provisionally be stated through a separate letter code as  $C' = W \times X$ .

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