



## Importing Western Technology

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**With more money to spend, developing countries are no longer content with purchasing weapons from Western producers. They want to be able to manufacture the arms themselves.**

**T**HE United Nations is tracking a rising new trend in the global arms trade: the transfer of military technology from developed to developing nations.

As an integral part of arms contracts, "just about every country wants it now," says David Gold who monitors the world's arms trade for the United Nations. He said that although the practice of seeking technology transfers goes back to the 1960s, there has been a sudden increase in such transactions in recent years.

"As arms markets shrink, buyers are exercising more power in the weapons trade," he told IPS.

Several Asian countries, including South Korea, Malaysia, Taiwan, China, the Philippines, India, Pakistan, and Middle Eastern states Kuwait, Saudi Arabia and the United Arab Emirates are demanding that some of the weapons systems they are buying from the US, France, UK and Russia also be co-produced locally.

As a result, Third World arms buyers are now seeking "offset agreements" as part of their weapons contracts.

Under such agreements, an arms supplier has to invest part of the value of the contract in joint ventures with local investors, mostly to manufacture the weapons system locally or even its component parts.

Gold said that the newly-industrialised Asian countries, armed with huge international reserves, are very much interested in offset agreements because their economies and industries are growing at a faster rate. In contrast, "Africa has almost disappeared from the global arms market."

In its annual "World Economic and Social Survey 1997" released in early July, the United Nations said that a wide variety of international collaboration agreements have become more common, and represent an important aspect of the growing internationalisation of military production.

"Asian developing countries have also looked towards international collaboration as a means of stimulating domestic military industries," the report said.

South Korea, the report says, is co-producing the US-developed, state-of-the-art F-16 fighter aircraft, and hopes to use the knowledge gained to create a domestic aircraft industry.

The United States, which has contracted to sell 120 of the sophisticated fighter planes at a cost of \$5.2

billion, will provide only 12 fully-assembled aircraft to South Korea.

Of the remaining 108 aircraft, 36 are to be assembled in Seoul from US-supplied aircraft kits and the balance will be fully manufactured in Korea under a licensing agreement with the aircraft manufacturer, the Texas-based Lockheed Martin Corporation.

South Korea is also manufacturing its own helicopters, battle tanks, submarines and surface-to-air missiles — mostly with military technology from the US, Britain and Germany.

The UN study points out that China has developed several weapons systems based on designs obtained from the former Soviet Union as part of its arms agreements with Moscow. Kuwait, one of the world's largest arms buyers since the 1991 Gulf War, insists on a 30 per cent offset requirement that obliges

arms suppliers to return 30 per cent of the value of the contract to a local industry.

According to the Washington-based Defense News, current offset commitments by Kuwait's arms suppliers include \$295 million from three British defense contractors for infantry vehicles and air-to-air missiles and \$228 million from Russia for multiple launch rocket launchers and armoured infantry vehicles.

The United Arab Emirates has generated more than \$259 million in offset agreements, mostly from Western arms suppliers. The monies are being plowed back into 14 industrial projects in the Gulf sheikdom.

The UAE's biggest offset deal is with France's Giat Industries which received a \$3.5 billion order for 436 battle tanks.

Since Saudi Arabia has continued to be the world's number one arms buyer, some of the major offset agreements by the US and UK run

into billions of dollars. In 1990 alone, Saudi Arabia purchased \$20 billion worth of arms from the US — a purchase prompted by the Iraqi invasion of neighbouring Kuwait in August 1990.

The New York-based World Policy Institute says that "offsets frequently mean taking business from American companies and giving it to foreign suppliers — thus drastically reducing the sales' benefits to our economy."

In a three billion dollar sale of fighter aircraft to Finland in 1992, the US defence contractor agreed to help send two billion dollars in business to Finnish companies, the Institute said.

"The fact that arms sales are increasingly accompanied by transfers of technology tends to result in a spreading of the ability to produce weapons among a larger number of countries," according to the UN report.

"This has led to paradoxical situation where the substantial decline in global arms sales has been accompanied by a proliferation of the ability to produce weapons and equipment," it noted.

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