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Title:

The arms industry in the global downturn: the integrative and protective role of finance

Abstract :

With its revenues rising in 2010 and robust market outperformance, the world's leading arms industries are apparently immune from the global economic squeeze. Long-term contracts, the monopsonistic character of the arms market and the stimulating effect of ongoing conflicts are protecting them from the immediate consequences of shrinking defence budgets, while the sector's future growth depends on the permanence of war and global instability.

To secure its future, the arms industry has undertaken, since the 1990s, a finance driven consolidation process, which has considerably strengthened the collusive relationship between finance, politics and armaments. Mergers and acquisitions, including transatlantic, will continue and probably accelerate, according to a recent Deloitte report. Particularly in the EU, aggressive export policies targeting emerging markets (Russia, East Asia,...) is also part of their strategies to offset the narrowness of their national markets.

This article analyses the recent trends in financial performance and ownership structure of the arms industry in the U.S. and the EU. In a general context of budgetary austerity, it questions the nature of the new State/industry relationship, and highlights the lack of effective countervailing powers. It reopens the debate about the status and ownership of the arms industry: In 1969, the prominent economist John Kenneth Galbraith published, in the New York Times an evocative article entitled: "The Big Defence Firms Are Really Public Firms and Should be Nationalized."

His analysis remains pertinent. In the 1980s, influenced by the neoliberal wave of privatization and financialization of big firms, including strategic ones such as armament, the armament sector evolves henceforth according to a strict financial logic which meets the expectations of the markets and stockholders but not necessarily those of the foreign and defence policies and, above all, the common interest of collective security.