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EVOLVING ARMS TRANSFER RATIONALES:
THE CASE OF ITALY

by

Charles K. Pickar

June 1987

Thesis Advisor Edward J. Laurance

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Evolving Arms Transfer Rationales: The Case of Italy

by

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Captain, United States Army
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Submitted in partial fulfillment of the
requirements for the degree of

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ABSTRACT

The conventional wisdom about European arms suppliers holds that these nations are motivated primarily by financial considerations when faced with a decision to sell arms. This paper argues that the economic rationale is becoming less important in the Italian case. The evidence suggests that as Italy moves into the next decade, the political rationale will become more important. Italy is using arms transfers for reasons of policy rather than economics. There are three reasons for this change. First, the Italian government has recently instituted a number of changes in the arms transfer mechanism designed to increase control over the export process. Second, the new and still developing defense policy offers Italy an opportunity to use arms sales to increase Italy's power in the Mediterranean. Finally, the Italian nation, long the objects of scorn from their northern European neighbors, is gaining a sense of pride in its accomplishments. Italy's gross national product exceeds that of Great Britain.Italian technology is becoming increasingly in demand. These developments have resulted in Italy being treated as a serious

middle-level power and is reflected in the arms transfer area.

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This work is dedicated to my wife Rita, as well as our children Kathy and Christopher. Their loving support allowed me to complete this difficult project.

People who are familiar with the field of arms transfers know that getting information, the basic data on which to establish a research project, is extremely difficult when arms sales are mentioned. This problem is made doubly difficult when the information to be used must be obtained from a foreign country.

I am, therefore, extremely grateful to Mrs. Yanna Rankin for her continuous support in that endeavor. Thanks also to Captain Jeff Groh, formerly of the Italian Fifth Corps, for his assistance.

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I. INTRODUCTION

The export of arms by the industrialized countries of the world affects not only the countries receiving the weapons, but also those that do the exporting. As in any debate, there are several aspects to consider. One can question the morality of manufacturing and exporting ever-increasing numbers of lethal arms to those countries of the world that are known as "trouble spots" and denounce those who make the decisions to transfer arms for increasing the risk of war. Conversely, one could argue that these "trouble spot" countries will buy from any country that makes the arms available. The morality of the issue is not questioned; rather these "pro-arms transfer" proponents argue that they view the issue pragmatically--in purely economic and political terms. The major European exporters--Great Britain, France, West Germany, and Italy--are often accused of using arms exports to subsidize their own defense and defense industries, an illustration of this latter school of thought.

Most agree that the arms trade can be quite profitable. Defense industries in an exporting country regularly show profits, thus staying in business and maintaining the national defense industrial base for any crisis that may arise. Because the price of weapons is spread over greater numbers, the governments of exporting countries are able to develop and produce weapons for less cost.

Economies of scale, longer production runs, and unemployment are but a few of the "economic rationales" for arms transfers. To assert, however, that these rationales are sufficient justification for the sale of weapons, especially in the European countries and specifically Italy, is misleading. Ulrich Albrecht, in the Summer 1986 issue of the Journal of International Affairs, makes such a claim:

> Italian arms exports are especially notable for being commercially motivated...Italy (insists) on maintaining an independent arms industry, not for the traditional reasons of autarky, but for reasons of technology and employment policies. This decision necessitates an active arms export policy, with little consideration for foreign policy concerns.[1]

Since the late 1970's, there has been a movement, albeit limited, within the Italian defense and foreign policy community that would have Italy reassert itself

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[1]From Ulrich Albrecht, "West Germany and Italy: New Strategies," in Journal of International Affairs, Vol. 40, No.1, Summer 1986, 142.

on the world stage. This new generation of diplomats and thinkers rejects traditional ideas about Italy's role in the world and the future of her foreign policy.[2] Italians and their government are shedding the vestiges of years of foreign policy complacency. The foreign policy applications of arms transfers are gradually being discovered. This awakening sense of Italy's potential is a direct challenge to the conventional wisdom on Italian motives in the arms export business.

A. OBJECTIVES OF THE RESEARCH

The purpose of this project is to determine if, as Albrecht notes, the prime motivation for Italian arms exports is the economic factor. Additionally, the research will examine other motives to ascertain whether they may better explain Italy's actions in the arms trade.

B. HYPOTHESIS

Italy is moving away from the economic rationale for arms exports to the use of arms transfers

---

[2]Many experts view Italian foreign policy as little more than an extension of the American national interest. For an alternative view, especially in the wake of the Achille Lauro affair, see Joseph La Palombara, "The Achille Lauro Affair," in The Yale Review, Summer 1986, 543-563.

(including technology transfer) as a foreign policy tool. This is due to an increased awareness of Italy's potential in the Mediterranean, a new and developing defense and foreign policy, and a desire for prestige.

C. METHODOLOGY

The first step in this research consists of an examination of the Italian arms industry and its governmental controls. If the arguments for the economic rationale are overriding, the origins must be found in the arms industry and the way the industry interacts with the government. Second, the rationales, economic and political, will be examined to determine their relative importance, especially in light of the conditions of today's international system and the increased Italian interest in international affairs.

The research leans heavily on data provided by the United States Arms Control and Disarmament Agency (ACDA) in their yearly publications, "World Military Expenditures and Arms Transfers," as well as the similar publications of the Stockholm International Peace Research Institute (SIPRI). The data's reliability has been commented on by some of the most distinguished scholars in the field and, therefore, will not be repeated. A final, vital source is the Italian Defense Ministry's White Papers of 1977 and

1985. The documents are unique in the history of Italy and are rarely discussed outside the country. Although the White Paper's are the government's most optimistic estimation of its position, they are nevertheless valuable for their insight into the policy apparatus. Moreover, because of the secrecy the Italian government practices in all matters related to defense, the White Papers are the only available view of the defense policy and process.

D. DEFINITION OF THE VARIABLES

The dependent variable being examined in this study is the decision, by a government, to authorize the transfer of weapons, materials, and training to another government. The independent variables are those elements that influence or have an impact on the decision to transfer the armaments. The common term describing these independent variables are rationales. Generally, the rationales can be divided into three categories: economic, political, and military. Figure 1.1 lists the most commonly accepted rationales for the transfer of arms. The list is not meant to be all inclusive, nor do all the rationales apply in the case of Italy. The list is presented as an acknowledgement of the myriad factors associated with the international transfer of arms.

POLITICAL

International Stature
National Pride
Treaty Committments
Demonstrate Friendship
Ideological Affinity
Access to Military Elites
Influence
Arms for Oil (Strategic Resources)

MILITARY

Strategic Access
Stockpile for use by Supplier
Demonstrate Military Power
Collective Security
RSI
Control Regional Conflict
Maintain Indigenous Defense Industrial Base

ECONOMIC

Balance of Payments
Lower Unit Costs
Employment
Spur Commercial Transactions
Union Pressures

Figure 1.1 Rationales for Exporting Arms

Of the three major categories, only two will be examined in this study, the political and economic rationales. Military rationales are excluded because of the lack of evidence that they are at work in Italy's case. Military motives are better suited to the great powers--the United States, the Soviet Union, and, to a lesser extent France and Great Britain.

Economic rationales are employed to assist a country in its financial posture. Since the nation-state is the level of analysis; one must consider the macroeconomic picture as opposed to a microeconomic view of one industrial sector. [3]An economic rationale persuades the decision making authority in the government to approve an arms transfer for primarily economic reasons.

The second major grouping of rationales is political. A political rationale is defined as one in which the benefits to be gained from the approval of a sale are politically motivated. As Figure 1.1 shows, the range of motives is great. The key to a political rationale is the advantage, either perceived or real, that the nation-state may gain from the transfer in the international arena. Gains in the form of guarantees

---

[3]Although the nation-state is the intended level of analysis, examination of the Italian defense industry and its economic constraints requires an analysis of a lower level.

for access to oil and increases in international stature are only two examples of this phenomenon. Finally, a central element of the political rationale is power, either through influence or recognition. This is a study of the advantages to be gained from the use of arms transfers as a political tool and will focus on the concept of prestige as a benefit of those arms transfers.

II. THE ITALIAN ARMS INDUSTRY AND ITS PROBLEMS

It is no secret that the Italians have developed a competent defense industry. Since World War II, its standing has fluctuated between fourth and sixth place in the world. Figure 2.1 shows Italy's position compared to the largest weapons producers. Unofficial 1986 estimates indicate Italy's market share has remained the same.[4]

Among the "Big Four" European weapons-producing countries (France, Great Britain, West Germany, and Italy) Italians hold a second place share in the African market and a third place share in the Latin American market. (See Figures 2.2, 2.3, and 2.4.) Much like the economic recovery of the nation, the Italian arms industry astounded the world with its growth.

Following World War II, Italy, much like the rest of Europe, needed to revitalize its economy. The country suffered from the sting of moral humiliation and faced financial disaster. This sting of moral humiliation, a legacy of Italy's part in the Second World War, would lead one to suspect that Italians would be none too willing to resume producing the instruments of war. Further, the costs to Italians to

---

[4]Difesa Oggi, December 1986.

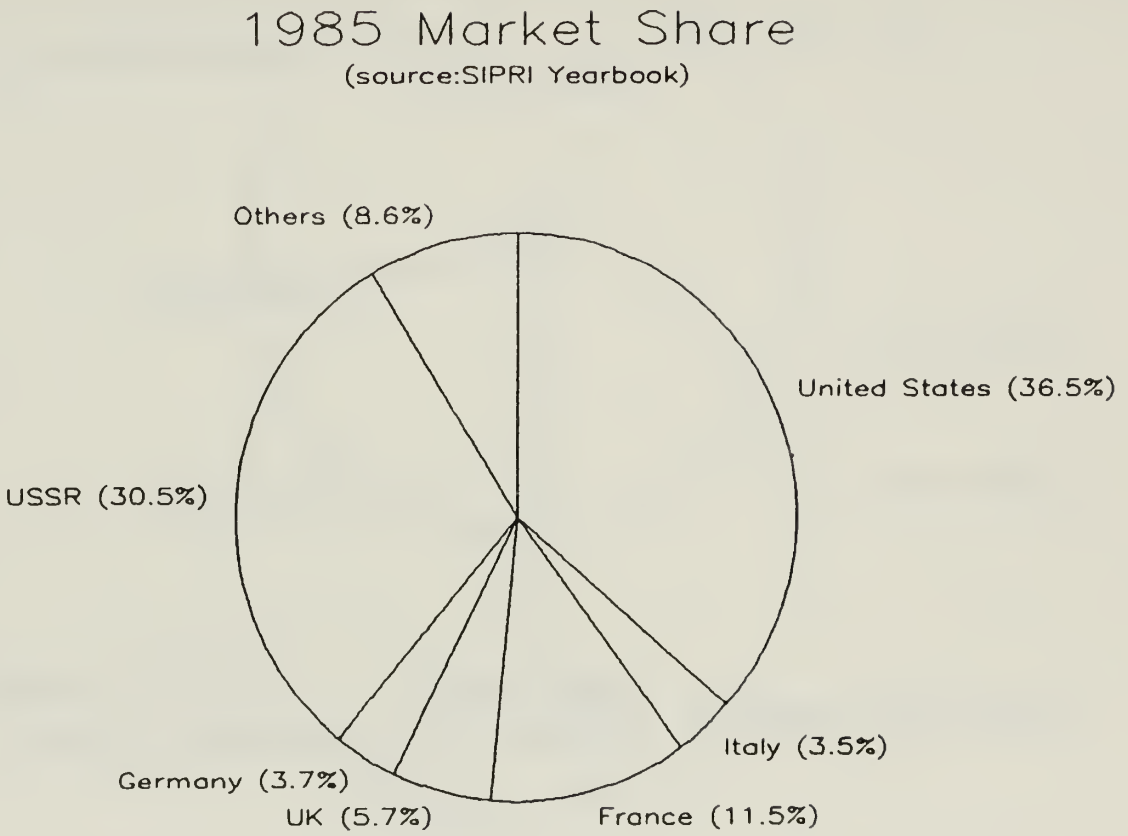

Figure 2.1 1985 Market Share

Figure 2.2 Latin America Market Share

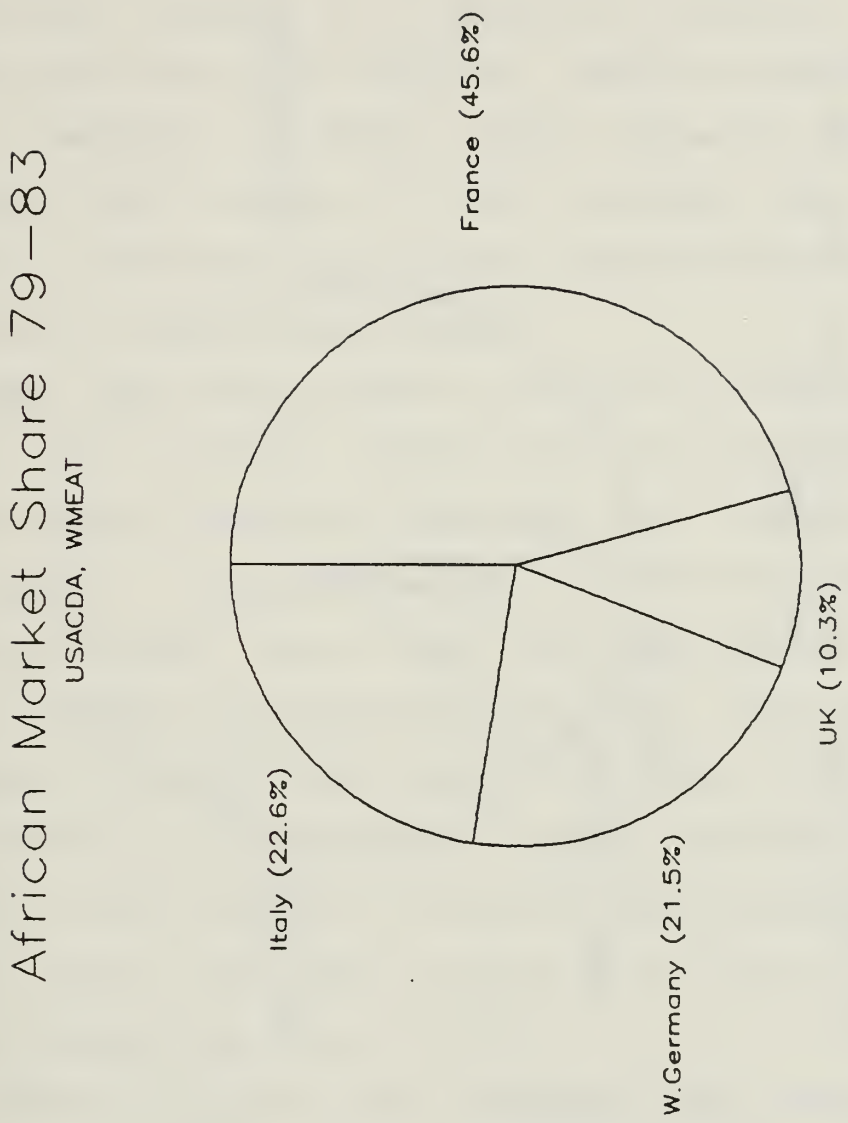

Figure 2.3 African Market Share

Figure 2.4 Middle East Market Share

maintain an adequate defense had already proven prohibitive. From 1900 to 1910, the ratio of defense expenditures to national income fluctuated between two and three percent.[5] During the First World War, that percentage climbed to twenty-five percent. In the second World War, the ratio of defense expenditures to Gross National Product (GNP) exceeded twenty-five percent. Such a drain on the economy and, for that matter a drain on the people could have been none too welcome in the recovery period.

When the Italian Peace Treaty was signed in 1947, Italy was severely restricted in her military forces and military industrial capacity. The treaty regulated, for example, the size of the armed forces. Submarines were prohibited, heavy armor was destroyed, and those arms Italy required were provided from surplus US stocks. Similarly, the Italian aircraft industry (both the military and civilian sector) had been decimated. From a total workforce of 40,000 during World War II, there were only 4000 employed in 1948.[6] In short, there existed no arms industry.

However, the Cold War changed that situation, and Italy, in accordance with the agreements of the North Atlantic Treaty Organization, (NATO) began to

---

[5]Libro Bianco-La Difesa, 1977, 57-92.

[6]Ibid.

reconstitute and reequip her armed forces. The 1950's were tumultuous for the activity in all areas of the economy, particulary because of the rebuilding of the Italian defense industrial sector.

No stranger to defense industries, Italy's entrepreneurs began to rebuild and re-tool with a flourish.[7] In the spirit of capitalism, any and all who desired to enter the industry did--there were no controls established by the government. Since most of the defense industry is government owned, this has led to severe competition between elements of the State holding companies. Not surprisingly, the inefficiency stemming from this duplication of effort within the companies has had its costs. The current Defense Minister notes:

> The national armaments industry, consisting of a number of remarkably heterogenous firms, developed in the 1950's, 1960's and 1970's as a consequence of entrepreneurial efforts to meet the increasing foreign demand rather than within the framework of a specific industrial development plan.[8]

Government and industry met in July, 1984 to address this problem and attempt to streamline the defense structure of Italy. The results are mixed but

---

[7]See Robert Harkavy, The Arms Trade and International Systems, Cambridge: Ballinger Publishing Company, 1975., for a discussion of the early arms trade in Italy.

[8]La Difesa--Libro Bianco, Ministero della Difesa d'Italia, 1985. 74.

in recognizing the problem, the government has taken that first, important step.[9]

A. THE PHASES OF INDUSTRY DEVELOPMENT

The evolution of the Italian defense industry can be divided into four separate and distinct phases.[10] (See Figure 2.5.) The initial period consisted of Italian dependence on the United States for military grants and comprised the earliest beginnings of a domestic defense industry. During this period, the main weapons systems produced were those designed by the United States. Since Italy had retained some expertise from the war years, however, she was soon able to begin development of indigenously designed weapons. An example is the FIAT G-91, a mainstay of European attack aircraft during the 1960's and still in service, albeit in reduced quantities in the Italian and German Air Forces.

---

[9]See "Conferenza nazionale sull' industria per la Difesa." Informazioni della Difesa, No. 7, July 1984, 2-13, for a complete report of the conference.

[10]See Louscher and Salamone, Assessing the Relationship between Technology Transfer and Security Assistance provided by the United States, 1985, for an alternative method of dividing the phases.

Fighters	F-86	F-104	Tornado	AMX	EFA
Trainers	G-91	MB-326 SF-260	MB-339	?	?
Helicopters	H-47	AB-204 AB-205	Sea King CH-47	A-129	EH-101
Missiles	---	Sea Sparrow	Aspide	Milan OTO112	MAF?
Armor	M-47	M-60	Leopard OTO6616 OTO6614	OF40	?
Artillery	M-56	M-109	FH-70	Palmaria	?

Figure 2.5 The Evolution of Italian Arms Production

B. PHASE TWO--LICENSING

The second stage of Italian arms industry development began in the mid 1960's. Indicative of this period are the licenses granted Italian firms to produce equipment developed and designed outside of Italy. This period is characterized by the developing cooperation patterns between the United States and its European allies. The most notable example of this new cooperative pattern was the coproduction of F-104 aircraft. During this second phase the "wave of the future" becomes evident in the Italian defense industry. While most of the weapons produced during this period were of a design that was not domestic, the MB-326 trainer, an aircraft still in service today, was designed, developed, and produced indigenously. A charge, often leveled by detractors of the Italian defense industry, holds that Italy only copies designs and then markets them under a new name, thus undermining the original manufacturers interest. Recent criticism of this practice, certainly not unique to Italy, was reported in the New York Times:

> The practice of linking foreign sales of military hardware with technology transfers, trade favors, and other contract prerequisites...hurts US industry... Selenia Industria Elletronica's "Aspide" air-to-air missile, which was developed with technology acquired from Raytheon as part of

an export contract, is now cutting into the sales of Raytheon's "Sparrow" missile.[11]

This "quest for technology" is a mainstay of all Italian arms purchases, something now common to the new "second tier" producers.

C. PHASE THREE--SELF-SUFFICIENCY

The next stage in Italian weapons industry development is marked by an increase in the number and type of licenses acquired, as well as a definite trend towards self-sufficiency in the industry. Two major examples of this self-sufficiency are the development and marketing of the MB-339 trainer, and the "Aspide" air-to-air missile, which have been sold to over seventeen countries. This third stage, the mid-1970's, also marks the point when the Italian arms export business registers tremendous volume increases.

The high cost of technology, always a problem for a country with an economy the size of Italy's, had essentially slowed the prospects for an increased Italian market share in the world markets by the 1970's.[12] Well aware of the dangers inherent in falling

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[11]The U.S. Giveaway, New York Times, 7 December 1986, f1.

[12]Although the Italian economy is healthy and growing, the fact remains that it is not capable of supporting a government's desires for high technology research. Indeed, some argue the United States is

behind in the race for technology, but unwilling and unable to fund the research effort on its own, the Italian government entered into a number of co-development projects during this period. Of particular interest for its technological value, as well as the political significance of "European" coproduction, is the Tornado aircraft which was developed and produced by Italy, Great Britain, and West Germany.

The most significant action during this period--indeed, in the entire history of the industry--was the promulgation of the Legge Promozionali, or Modernization Laws, passed during the second half of the 1970's. Touted as a means of modernizing the Italian armed forces, a second, equally important aim was to bolster the Italian defense industries.[13] The sudden increase in orders allowed the Italian industry to flourish, and with few exceptions, exceed the long term buying power of the Italian armed forces. It is, in great measure, this overproduction that has placed Italian armaments industries in the world position they hold today.

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asking too much in its pursuit of research for the Strategic Defense Initiative.

[13]Some experts believe that the Parliament was also trying to quiet political stirrings of the armed forces. While this may have been a secondary motive, there is no evidence that the Parliament was overtly trying to prevent such possibilities.

D. PHASE FOUR--TECHNOLOGY AND THE FUTURE

The latest era in the maturation of the Italian arms industry started in the early 1980's. The Italian government reversed the role it was so long accustomed to filling, namely that of recipient, and took the major step of becoming a "big brother" supplier of technology to other nations. With the AMX aircraft, jointly developed and produced with Brazil, Italy was able to exercise a dominant role in the technology transfer process. Offsets and technology transfer are generally seen as a necessary evil in the weapons trade, something that must be done to "close the deal". The ability to transfer technology is, however, an expression or indication of a country's standing in the industrial world.

By continuing practices honed during the previous decade, the Italian firm, OTO-Melara, introduced the first tank designed and produced indigenously in Italy since the end of the War. The arms industry and the government appear to be pursuing the co-production route for all those items requiring high technology. This co-production can assume one of two forms, the traditional subordinate relationship Italy has had for so long, or the newer, superior relationship cultivated with Brazil. Both arrangements have advantages.

E. PROBLEMS FOR THE INDUSTRY AND GOVERNMENT

A fundamental tenet of Italian defense policy is the maintenance of an adequate defense industry. This is a relatively new phenomenon closely linked to an articulation of a new defense industrial policy. The government has passed laws and established cabinet level offices to oversee the industry, as well as to insure its viability. The commitment is reflected in this quote from the 1985 White Paper discussing the state of the industry:

> ...This technological evolution draws necessarily attention to the relations between defence and industry. A strong, diversified and vital defence industry is more and more indispensable--against all demonizations and simplifications of the past--to keep national independence in an era in which the technological development of weapons systems produces very rapid shifts and imbalances in the military ratios among the various countries. Italy can not become the hostage of decisions made within the military and industrial systems of other countries.[14]

Addressing the posture of the industry, Minister Spadolini makes a clear connection between the defense policy of the Republic of Italy and its armaments industry.

> ...to play an effective role within the Atlantic Alliance, which is our firm reference point, we must have an efficient national defense industry--an industry that, depending on economies of scale like all other industries, must necessarily have a marked presence in foreign markets; this presence,

---

[14] Libro Bianco, p.xiv. This quote is a portion of the introduction to the White Book written by the Minister of Defense, Giovanni Spadolini.

> however, is to become more and more transparent as a result of precise regulations on weapons marketing.[15]

The Italian government, long criticized by the industry as insensitive and incompetent in their regard, is taking bold and positive steps to bolster the armaments sector. The 1985 Italian Defense White Paper discusses the steps the government has taken, generally keyed to the massive procurement program underway in the country. Spadolini comments on the government's concept of a role for the industry:

> ...between the two equally dangerous options of autarky and of an indiscriminate expansion in Third World countries, the Italian industry can play a much more constructive role....[16]

F. THE STRUCTURE OF THE ITALIAN ARMS INDUSTRY

The structure of the industry is depicted in Figure 2.6. The Italian government, through its two major holding companies, Ente di Particpazione e Finanziamento Industria Manufattura (EFIM) and Istituto per la Ricostruzione Industriale (IRI) control approximately 70% of the industry. The third major manufacturing entity is controlled by the FIAT automobile corporation.

---

[15]Ibid p. xv.

[16]Ibid.

EFIM

Finanziaria Breda

Breda Fucine (G)
Breda Meccanica (ON)
OTO-Melara (NMG)
SIMMEL(O)

Breda Ferroviara

G. Agusta (A)
Ellicotteri Meridionale (A)
Fonderie Berento (A)
Industrie Aeronautiche (AM)
SIAI Marchetti (A)

IRI

FINCANTIERI

Cantieri Navale Breda (N)
Cantieri Navale Muggiano (N)
Cantieri Navale Riunite (N)
Grandi Motori Trieste (N)

FINMECCANICA

Aeritalia (A)
Aermacchi (A)
Alfa Romeo (A)
Elletromeccanica (N)
Stabilimenti Meccanica (G)
Termomecanicca SpA. (N)

FIAT

Applicazioni Industriale FIAT (OM)
Elletronicca per L'Automazione SpA. (N)
FIAT Veicoli Industriali SpA. (G)
Generale Missilistica Italiana (M)
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Turbo Union (A)
SNIA BPD (E)

A = Aircraft
E = Ellectronics
G = Ground Forces Equipment
I = Infantry
M = Missiles
N = Naval
O = Ordnance

Figure 2.6 Italian Arms Industry Structure

A major portion of the 1985 Italian Defense White Paper is devoted to a discussion of the problems faced by the defense industry today. The greatest problem is the lack of any coherent division of labor. For instance, nine separate shipbuilding concerns compete not only on the world market, but also in the much smaller Italian market. Through the Ministry of State Participation, the government has attempted to streamline the entire industry with only limited success. The entrenched bureaucracy of the state-owned companies has become expert at turning away threats to their existence. Moreover, the bureaucracies of these companies have succeeded in enlisting the support of a number of the smaller political parties in the Italian political system, affording the companies the clientela status important for survival in the Italian political system.[17]

If the government owns the industry, it follows that control of sales and transfers should be made easier. This does not appear to be the case. The industries are relatively autonomous in their actions and by some reports have established effective lobbies

---

[17] Clientela refers to the system of favors, an "I'll scratch your back, you scratch mine" system that is prevalent in all aspects of Italian politics.

to further their sales.[18] Italian firms also regularly develop weapons for export, sometimes working on the specifications provided by a foreign government. However, Italian firms that develop weapons for export must still have the export request approved by the government.

G. SUMMARY

Italian armaments production has progressed from an initial, rudimentary defense establishment to an industrial sector capable of rivaling those of the most advanced countries. With few exceptions, the Italian industry is capable of producing the most advanced weapons available, and in some cases, is the sole supplier of technology and armaments to the United States and elsewhere.[19] As the industry and the nation proceed into the future, technology will be at once the key to the future as well as one of Italy's greatest dilemmas. It is the greatest dilemma because of the tremendous costs associated with research and

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[18]See Sandro Acciari and Pietro Calderoni, "Porto d'Armi," L'Espresso, 23 November 1986, 9.

[19]The United States Navy recently purchased the OTO-Melara ship turrets, generally recognized as the best in the world. The United States Army also contracted with the Beretta Company of Italy for the procurement of handguns for the entire U.S. military. That contract has been challenged by the Congress and U.S. handgun producers.

development. Italy has regularly cut research and development monies in an effort to control the budget. Technology is also the key because of the possibilities it offers Italian policy makers as a foreign policy tool, especially with those countries of the Third World.

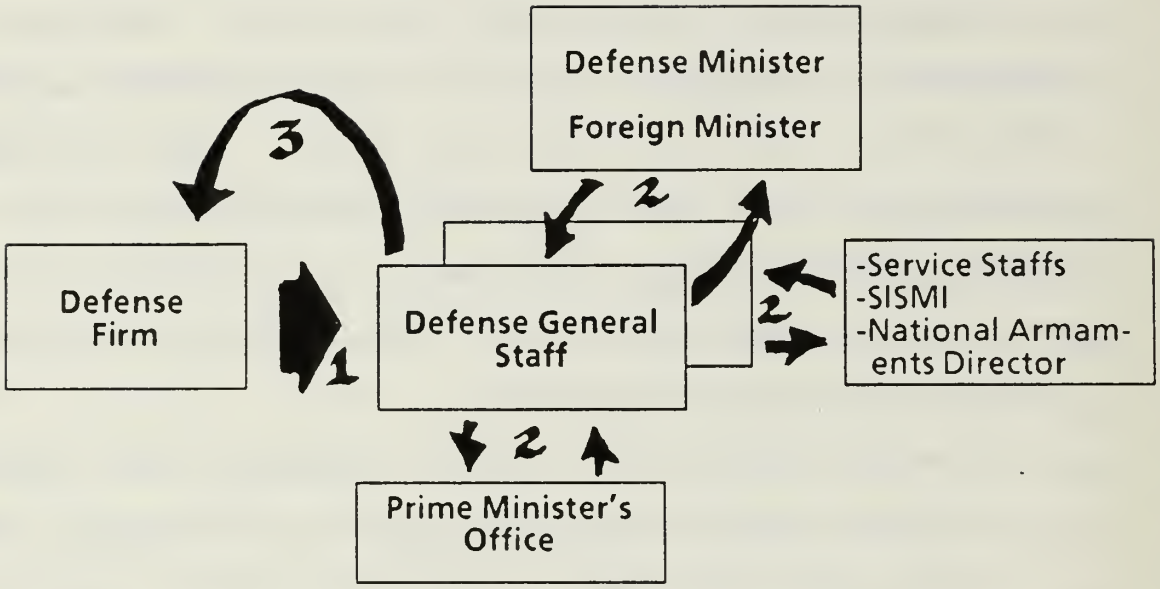
Italian defense industries have long prospered and existed with only the most minimal attention afforded by the government. This lack of government interest has been reversed at the request of industries that find themselves competing with each other for an ever smaller market. As the government turns its attention to the armaments industry, there will be more and more consolidation of effort to reduce duplication. An important side-effect, from the governmental standpoint, is the almost certain increase in control that will accompany the streamlining process.

It is this control, the "power of the purse," that will allow the Italian government to exercise increasing levels of supervision over this important industrial sector. This same control will permit the Italian government to use the policy tool of arms transfers to its utmost efficiency.

III. ARMS TRANSFER MECHANISMS

The approval procedures for arms transfers are depicted in Figure 3.1. All arms exports with the exception of small pistols and certain hunting weapons require an arms export license in accordance with the Decreto Ministeriale (Ministerial Decree) of 1939 modified by the decrees of 1975 and 1984. The process consists of three stages:

1. The firm wishing to export weapons first requests authorization from the Ministry of Foreign Trade. This authorization is similar to that required by the United States government.
2. The Ministry of Foreign Trade submits the request to the Interministerial committee. Indications are that the Foreign and Defense Ministers possess an absolute veto over any sales. The Prime Minister has final authority, although in practice, the decision seldom goes to that office. The National Armaments Director, a subordinate of the Defense Minister charged with the control of technology transfer and internal force readiness, regularly examines the request. Additionally, as shown in Figure 3.1, each service chief as well as the



Current Procedures for Granting Export Licenses

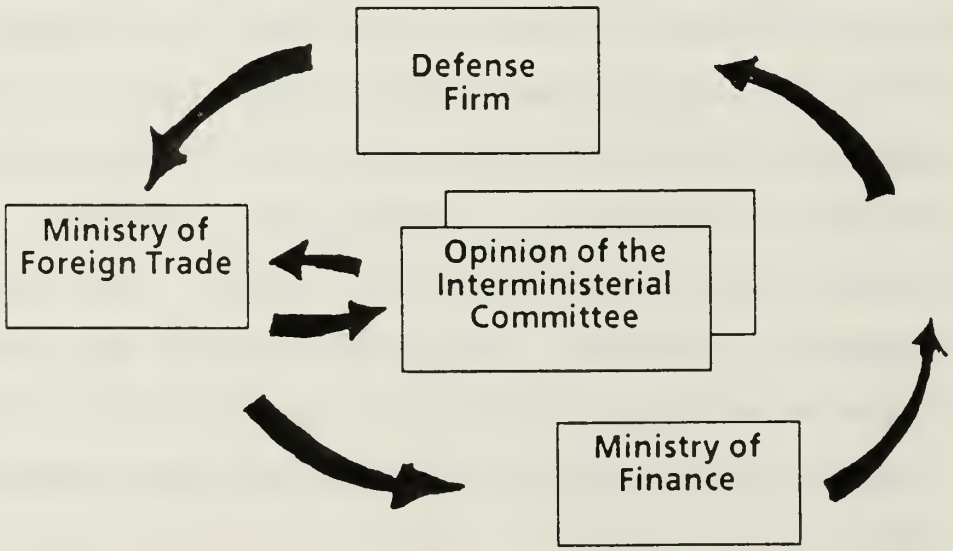


Figure 3.1 Licensing Flowchart

Director of Military Intelligence (SISMI) are requested to comment.

3. The final step in the procedure is the issuance of the export license by the Ministry of Finance.

More and more companies have started to bypass the Foreign Trade Ministry and to present their case directly to the Foreign Ministry. This developing pattern can be explained by postulating that the Foreign Ministry is the key player in the approval process. If the Foreign Minister is the key player, this marks a consolidation of power, as well as a conscious effort to apply foreign policy criteria to the approval process.

A former chairman of the Italian Parliamentary Defense Committee, the retired naval captain Falco Accame, has been one of the most outspoken critics of government procedures for granting permission to export and is credited with the reforms that have recently been enacted. Accame began expressing concern over the "indiscriminate sale of Italian arms to other countries."[20] His concerns were over the lack of parliamentary control in arms procurement and arms sales. Interviews with Accame stress his belief that pressures from arms manufacturers were driving the

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[20]From "Italian Arms Trade Rides Out Economic Storm", The Middle East, November 1982, 23-26.

modernization plans of the Italian military into a "more is better" frame of mind.[21] His solution, supported by a great number of the deputies, especially those on the left and in the opposition, consisted of parliamentary control similar, as he noted, to the control exercised by the other major powers.

Prior to the 1977 White Paper there was generally uncritical examination of the technical and budgetary aspects of Italian security policy. The laws passed in 1975 and 1977 to upgrade the armed services, which were essentially supplementary budget authorizations, were apportioned on the basis of size of service rather than well-defined and debated policy considerations. These laws allowed the military and civilian leaders of the defense establishment to procure virtually anything desired, without a requirement to justify decisions to a parliamentary committee.[22] Procurement activities and arms transfer authorizations have only recently come under the scrutiny of the Italian parliament.

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[21]Antonio Pelliccia, "The View from Italy", NATO's Fifteen Nations, August-September 1978, 91.

[22]The aircraft carrier Giuseppe Garibaldi, is an example of the freedom of action permitted the services. Until recently, the navy was not authorized fixed-wing aircraft because of laws that established the air force. Faced with the "fait accompli", parliament recently authorized the Navy to purchase and fly fixed-wing aircraft.

Recent steps taken to increase control of the weapons transfer process include the establishment of an office similar to that of the United States Office of Munitions Control and the creation of an exporters list. According to the Defense Minister, the exporters list is required, "...to guarantee a clear and fair behavior on the part of specialized operators (namely their professional and entrepreneurial reliability, their observance of penal and anti-mafia laws and the legislation relevant to secret associations)."[23] Also, all weapons have been classified by category and included in an armaments list.

The 1977 White Paper is a landmark because the Italian government (apart from the actual management control exercised through state-owned entities) finally established a policy for the defense industrial sector. That policy has further matured and developed in the 1985 White Paper.

Analysts frequently note that Italian defense industry has been "running out of control," that is, the government exercises little regulation. The 1977 paper marked the first attempts by the government to gain control of an otherwise "free market" industry. Faced with a forceful government policy for the first time, armament manufacturers have reacted. The main

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[23]Libro Bianco 1985, 80.

argument used by both the private and public companies notes that the armaments industry is a valuable instrument that improves the national welfare, but an instrument that would suffer under parliamentary control. The industries further argue that since the parliament had not seen fit to provide a sufficiently large research and development budget to support national arms procurement programs (a requirement for the industries to stay competitive even in Italy) that "...it is necessary to surmount ethical and political obstacles hampering the export of arms to less industrialized countries.[24]

In summary,the debate over the new governmental controls and enforcement is by no means settled. Difesa Oggi, an Italian defense trade magazine, regularly sponsors papers by industry experts on the state of the industry and the effects of government regulations.[25] In examining the titles of topics for discussion, an observer would conclude that the industry is disconcerted with the turn the government has taken. Italian industry regularly complains about bureaucratic

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[24]See Antonio Pelliccia, op. cit.

[25]L'Internazionale Defence Forum di Difesa Oggi, regularly sponsors seminars on the defense industry. One example of a recent paper was: The Italian Aerospace Industry Contesting the Politics that Control It. The title is representative of the mood of the industry.

procedures required by its government, but the appearance of argumentative papers on the government's export policy is indicative of the trend towards new control.

It is unjust to say that the Italian experience prior to 1977 was similar to that of the "merchants of death" era, but the generalization would not be far fetched. The laws requiring government approval for arms transfers were passed almost fifty years ago, but, as is often pointed out, they have not been effective. In The Arms Trade with the Third World, published in 1971, SIPRI researchers noted:

> The role of any government in the export of weapons is generally twofold: to promote and to restrict the flow of weapons. The Italian government does not play an active role in either of these directions.[26]

Cannizzo, describes the "Merchants of Death" period as one in which the principal characters of the day were unashamed to "... give arms to all men who offer an honest price for them, without respect of persons and principles."[27] Pragmatically, such a description is accurate of the Italian arms trade, at least before 1977. While government approval was required for

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[26]SIPRI, The Arms Trade with the Third World, New York: Humanities Press, 1971, 274.

[27]Cindy Cannizzo, "Trends in Twentieth-Century Arms Transfers," in Cindy Cannizzo ed. The Gun Merchants, 1.

export, more often than not, this was a mere formality. The latest trends, notwithstanding critics such as Albrecht, suggest that the emphasis is on control. It was only in 1977, many years after the other major producers, that the line was finally being drawn, and the Italian government was at last attempting to assert control over the weapons industry.

Some of the most convincing evidence for increased political controls is being demonstrated by the arms manufacturers themselves. Although not prevalent enough to be called a trend, there are signs that the industry representatives, recognizing the political emphasis on arms sales, are going directly to the source, the Foreign Ministry, rather than using established channels to gain approval for export.

Finally, the antagonisms between the government and industry are sure to continue. Italians are fond of saying that a result of their history is the inability of any government to rule the country. The White Paper shows that the government has a "design" for the industry and is not willing to permit the industry to regain the upper hand. This is the eternal fight--the confrontation between politics and economics--recognizable in most weapons exporting countries. The evidence which surfaced during this discussion on the

arms transfer mechanisms seems to indicate that the politicians are winning.

IV. THE IMPORTANCE OF ECONOMIC FACTORS IN ITALIAN ARMS TRANSFERS

Most Western European nations, as well as the newer "second-tier" producers of arms, recognize that exports are vital to the maintenance of a domestic defense industry. Logic dictates that the size of the industry must be sufficient to produce the requested weapons for the domestic market, but that the domestic market is not large enough to totally support the industry. The Republic of Italy is no different. The key issue is the extent to which the economic factor drives weapons exports and influences governments to forsake moral considerations in exporting arms to areas or nations that would otherwise be censured.

A review of the literature indicates two schools of thought on the economic rationale as a motivator for arms sales. The two schools essentially disagree over the impact that economic factors have on the export industry. The Andrew Pierre school dismisses the economic primacy of arms sales as a major rationale:

> It may be, however, that the economic importance of arms sales--the "explanation" most often given for their existence and expansion--is not so great as often believed to be. The widespread perception that high levels of arms sales are necessary for the national economies of the principal suppliers

is based upon vague, general notions rather than hard data.[28]

On the other hand, Ulrich Albrecht argues that the sole reason nations export (especially nations the size of West Germany and Italy) is for the economic benefit:

> The new commercialism in the area of arms exports can be explained, especially in the case of Italy, ...by a shift in export policy decision-making from government to industry. Foreign policy considerations are losing their importance. In a dispute over a potential weapons sale, it is increasingly likely that economic motives will prevail over diplomacy.[29]

Throughout his article Albrecht emphasizes the economic rationale for Italian arms sales at the expense of any foreign policy aims. Economics certainly play a part in all arms transfers--including those of the superpowers. It is not clear whether in the case of Italy, economics is the sole or even the most important motivator for arms exports.

If the foreign policy rationale for arms exports has been subordinated to economics, there are two possible explanations for such a result. Either the government has relinquished control to the industry as Albrecht theorizes, or it is ineffective in its efforts to assert authority. Neither explanation applies in Italy's regard.

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[28]Andrew J. Pierre, The Global Politics of Arms Sales, Princeton: Princeton University Press, 1982, 25.

[29]Albrecht, 142.

The Italian White Book-1985 states the official Italian policy on the economic issue:

> ...in order to achieve the economies of scale necessary for a balanced productive structure which can only partially rely on an inevitably limited internal demand, the industry must be able to export a substantial part of the armaments of national production (although within the strategic and political choices for achieving cooperation and strengthening internal security).[30]

Critics of Italian policy note that the government has proven itself incapable of controlling to any large extent the arms trade; therefore, policy pronouncements are meaningless. This section examines possible benefits the Italian government derives from the export of arms to determine if in fact the economic factor is the dominant one.

A. ARMS TRANSFERS AND GROSS DOMESTIC PRODUCT

Figure 4.1 shows the fluctuations of Gross Domestic Product (GDP) from 1975 to 1984. Noteworthy is the period 1979-1982 when Italy slipped into the worst recession it has seen since the end of the War.[31] Figure 4.2 depicts the production of the armaments industry over the same period. If the armaments

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[30] Libro Bianco-1985, 73.

[31] "Survey: The Italian Economy," The Economist, 14 September 1985.

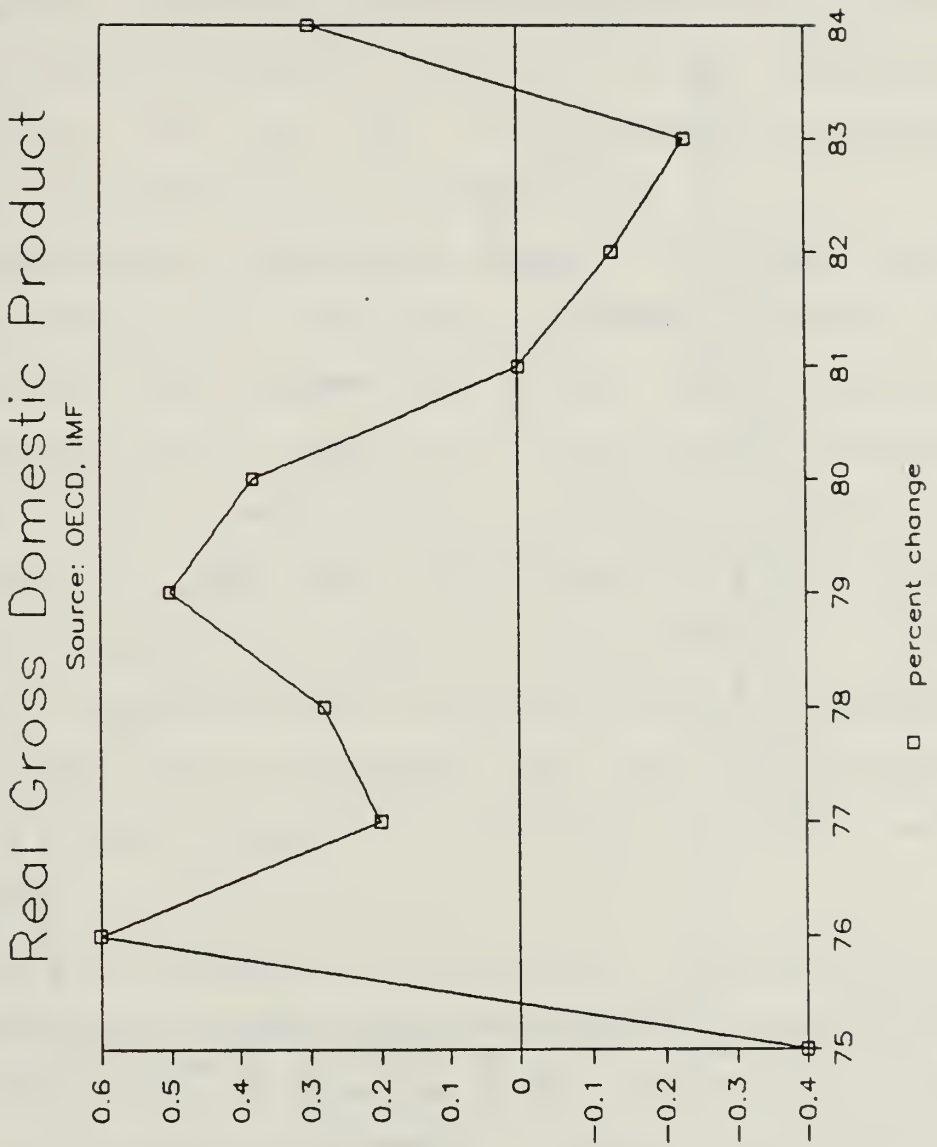

Figure 4.1 Gross Domestic Product

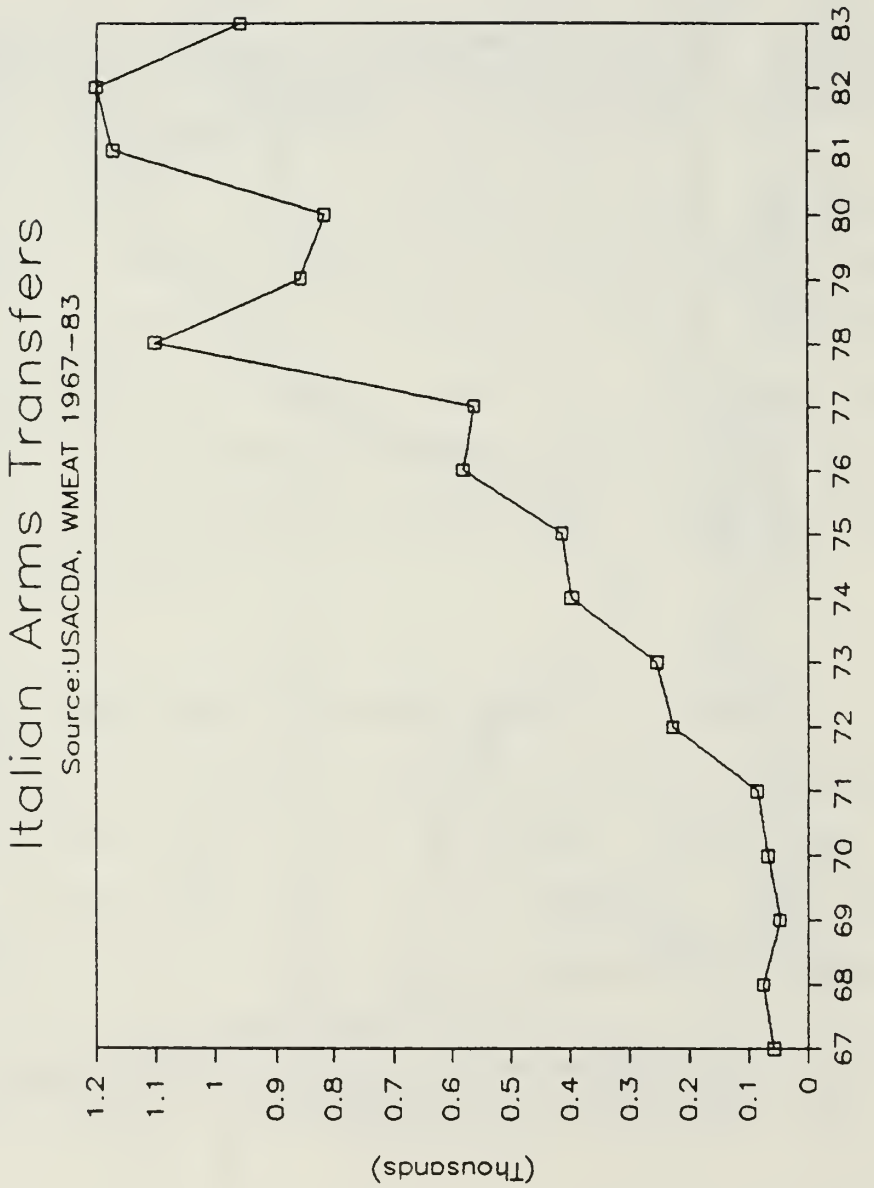

Figure 4.2 Arms Transfers 1967-1983

industry was essential to the economy, then the measurement of GDP should reflect a strong positive relationship. That is, as arms production and sales increase, the measurement of gross domestic product should also increase. Clearly this is not the case. While the average percent change in GDP fell during the period from 1979 to 1983, the arms exports figures actually rose during two of those years.

An aggregate regression analysis of the World Military Expenditure and Arms Transfers (WMEAT) data suggests that arms exports and gross national product are correlated up to the start of the Italian recession in 1979. That correlation, however, falls off drastically in 1980-1984; the adjusted r-squared value is -0.457, indicating a negative relationship.[32] Figure 4.3 shows the scatterplot obtained from the analysis. Obviously the data available are not sufficient to predict a trend. However, it appears as though a shift has occurred.

There are a number of plausible explanations for the correlation in the 1970's, the most logical being the "arms-for-oil" question. The reversing of this trend can be explained by the oil market "glut" or,

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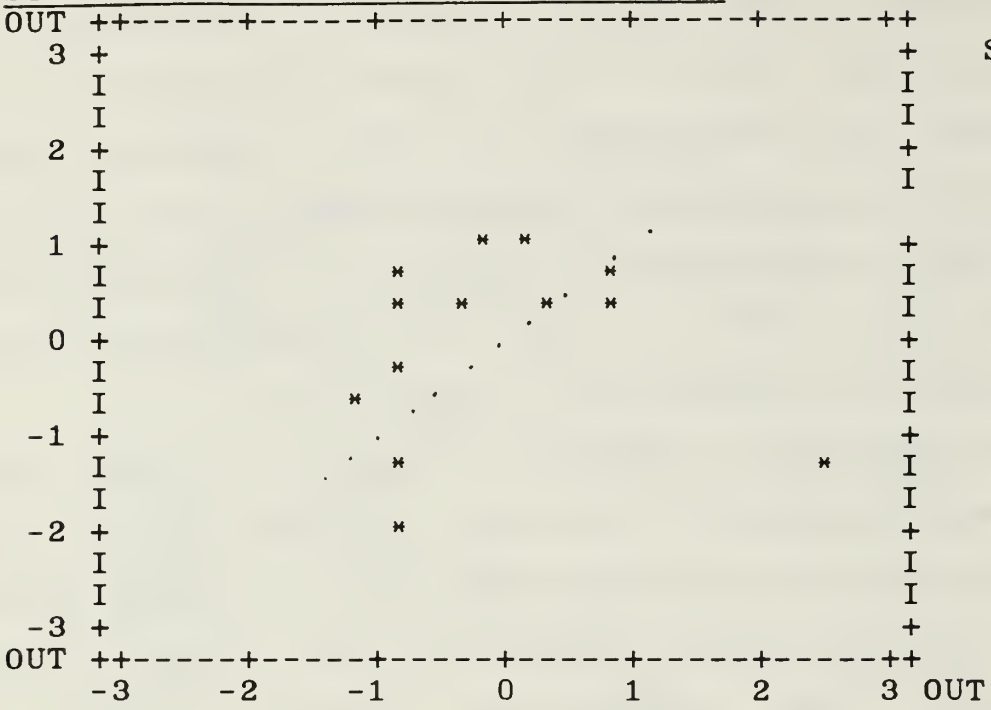
[32]The regression analyses were performed as part of a graduate level methodology course at the Naval Postgraduate School. All results are unpublished papers. The results are available from the author.

STANDARDIZED SCATTERPLOT 1967-1979



STANDARDIZED SCATTERPLOT 1980-1983

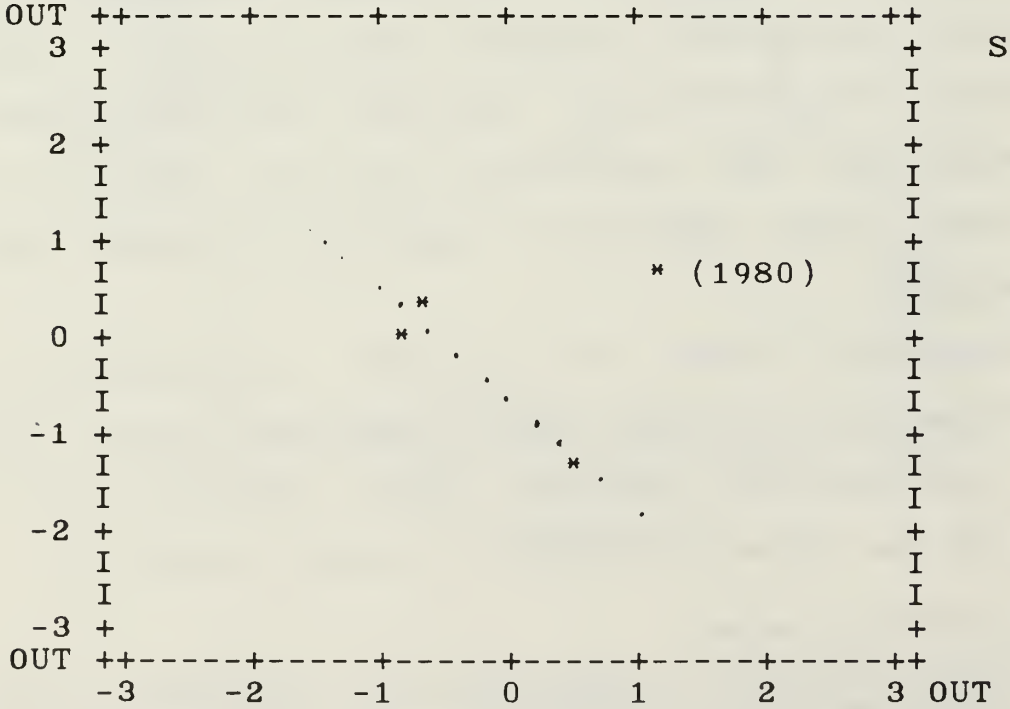


FIGURE 4.3

more likely, a conscious increase in the control of the sales of weapons abroad by the Italian government.

It is also conceivable that Italian government economists tracking the fall in GDP would have recommended a liberalization in arms transfer policy to aid in economic recovery, but the size of the industry is insufficient to have made any real change. Moreover, the international arms market is relatively inelastic. An easing of restrictions would not necessarily generate improvement in the economy because the demand for arms in peacetime is generally steady with few highs and lows. For instance, even the reverse in the economic fortunes of the Mid East oil exporters has not caused sharp changes in the world-wide demand for weapons. From this analysis we can draw the conclusion that an argument citing the all-important benefits of arms transfers on the national economy is not valid.

B. THE SIZE OF THE INDUSTRY

A more thorough examination of the economy is enlightening. An investigation of the industrial sector shows that, among those depicted, only the minerals industry is smaller than the armaments industry. (See Figure 4.4.) Mondo Economico, a widely respected Italian trade newspaper, reports that the armaments and munitions businesses comprise 3.7 percent of the

Figure 4.4 Manufactured Goods by Sector

industrial sector. In 1984, that 3.7 percent share was equal to approximately forty-two billion Italian Lire or three billion dollars. That three billion dollars is equal to some four percent of the gross national product. The figure is certainly significant, but hardly a key determinant in the context of the entire economy.

If the government was purely economically motivated or if the "decision-making authority had shifted from government to industry," then one could expect an emphasis on armaments trade similar to the French example where military attaches are salesmen first and military professionals second.[33] This does not appear to be the case in Italy. In fact, the government has been singularly unsuccessful in attempts to streamline the armaments sector. The Financial Times Survey of the Italian Defence Industry asserts that as long as the major groups, IRI and EFIM are controlled by the Christian Democratic party and Socialist party respectively, streamlining the sector is politically impossible. A government keen on profits for industry would take steps to prevent such needless duplication of effort and waste of limited research and development

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[33]Edward A. Kolodziej, "France and the Arms Trade," International Affairs, January 1980, 54-72.

monies.[34] Conversely, as already described, an industry bent on exporting would not be adverse to a rational division of labor, freeing resources for better applications, including new products.

C. EMPLOYMENT AND UNIONS

The defense industry employs some 80,000 persons out of a possible 22,804,000, employed in the country, equivalent to less than one-half of one percent (.35%) of the Italian workforce.[35] Since the government, through its holding companies (IRI and EFIM) controls approximately 70% of the industry, there is an obvious vested political interest in maintaining the jobs. It is, however, difficult to imagine a government at the mercy of such a small portion of the populace, even when that government is known for the favors it dispenses.[36]

The unemployment level for 1986 is approximately 10.7%. Any drastic change in unemployment figures, given the high rate would be political suicide, something Italian politicians are unwilling to do. Albrecht discusses the power organized labor is

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[34]James Buxton, "The Italian Defence Industry," Financial Times, 28 July 1986, 10-11.

[35]Source: OECD Economic Outlook, 1985. Paris: OECD.

[36]See the explanation of clientela above.

attempting to bring to bear in the industries.[37] Not surprisingly, the workers are concerned for their jobs. In their quest for legitimacy in their work, as well as the maintenance of their jobs, workers are turning to the unions for assistance.

A new development is the non-partisan aspect of these unions. The Italian Communist Party (PCI) has until recently been the protector of the defense industries unions. It was also until recently the only political party that had attempted to focus systematically on the military and industry relationship.[38]

It may be coincidental, but the PCI has been losing influence, and the present five party coalition has, to date, outlasted any other post-war government in Italy. The unions are attempting to diversify their political support in an attempt to guarantee the future of their jobs. It is, however, unclear how much political power these particular unions will be able to wield, especially in light of the decline in union prestige

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[37]Ibid.

[38]See Ciro Zoppo, The Defense and Military Policies of the Italian Communist Party, Santa Monica: Rand Corporation, 1977.

after the FIAT incident in 1984 and the revision of the scala mobile.[39]

During the FIAT incident, a group of workers deliberately crossing strike lines led to the near devastation of at least one union. The scala mobile referendum similarly emphasized the waning sympathies unions have received in the country, and it lessened their ability to mobilize support. In staking their reputations on the referendum, the major unions were severely damaged by losing. The results of that referendum must be considered in any analysis of the future of the Italian union movement and its possible effectiveness in the political arena, especially in an area as sensitive as arms transfers.

D. SUMMARY

An essential element of the economics rationale requires the government to passively allow foreign and security policy concerns to become subordinated to economics--the eternal quest for scarce resources. That quest for resources, in Italy's case at least, is driven by, rather than inferior to, the country's national interest.

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[39]A wage-inflation index enacted to protect the union members during the era of 25% inflation in the Italy of the mid-1970's. The measure was repealed by a 1984 referendum initiated by the Craxi government.

The arguments Ulrich Albrecht uses to prove the direction Italian arms transfer policy is taking--namely economic--are not convincing. Albrecht's central arguments concentrate on the unions and technology transfer, but those same two themes are sources of proof for the counter argument.

The Italian unions are facing an era of reduced importance. For this reason, the unions' ability to act as the politico-economic force driving arms production and by extension, the arms transfer approval process is not only diminished, but non-existent.

The second element of Albrechts' argument is the effect of technology transfer on exports. He argues that Italy is using technology transfer to further her economic fortunes. No one can argue that Italy has been heavily engaged in technology transfer. However, as will be demonstrated later, the prime reason Italy transfers technology is not for the economic benefits, but rather the influence and prestige available from doing so.

Two other traditional arguments, the contribution to GDP and the Industry Share, that could support the economic rationale are also inappropriate in the case of the Italian Republic. Cursory analysis reveals that there is no correlation between gross domestic product

and arms exports. In fact, the negative correlation produced from the analysis could suggest that as arms transfers increase, gross domestic product decreases. A government faced with a choice between increasing arms transfers, a very small part of the Italian industrial sector, and decreasing GDP, is unlikely to encourage many arms sales as an economic move.

In Italy there are so many conflicting motives for arms exports and sales that it is folly to say that any one rationale is the basis. Economics certainly are important, especially as Italy rebuilds and reequips her armed forces. But, to conclude that the economic question is the first and last point in the decision-making process is clearly unjustified by the data introduced to this point.

V. EVOLVING DEFENSE AND FOREIGN POLICY

An important element of the political rationale for arms transfers can be found in the foreign and defense policy of the nation being examined. For instance, the American weapons sales to Iran in the 1970's, followed the American policy of trying to strengthen the Shah of Iran, thereby reducing the risk of war in that volatile area. Similarly, the sales of United States weapons to Israel demonstrates the American commitment to that country.

Although Italian defense policy is, relatively speaking, a new phenomenon, it is fundamental to the examination of the political rationale. Italy's new interest in defense matters is not limited to the NATO connection nor to the military. Instead, it is representative of an awakening of the Italian political conscience regarding all things associated with defense including the Italian armaments industries. A study of the policy development shows three distinct stages of evolution. The first is marked by the realization that Italy is susceptible to threats other than those posed by the Warsaw Pact. The second stage is the reaction to the first ever White Paper published in 1977, and the third, originating with the 1985 White Paper, is only

beginning to develop. This section will examine each of these stages and analyze their impact on the weapons industry, on the newly realized role Italy has to play in the world, and on the developing political rationales behind arms transfers.

A. ITALY IN THE MEDITERRANEAN PERSPECTIVE

Geographically and historically, Italy sees itself as the link between the European continent and the Mediterranean and Middle East. The importance of this geography, history, and to a large extent, sociology is important to Italian leaders. Of the "modern" European nations of the Mediterranean, Italy's economy is more than twice the size of Spain's and ten to fifteen times larger than Greece, Portugal, and Turkey. As a result of the skills and diplomatic talents of her immediate post-war leaders, Italy is also one of the founding members of The European Community and the North Atlantic Treaty Organization. Italian democracy has lasted through what many call precarious times and has of late experienced unprecedented stability. Although Italy is only now coming into her own on the international

scene, she is and has been the greatest power in the Mediterranean for some time.[40] Both foreign and defense policy are influenced by these factors.

Italian defense policy builds on the tenets of the foreign policy by taking the concepts of the political authorities and refining them in terms of national security. The stated Italian defense policy consists of four basic points:

1. The refusal to use military force as a threat.
2. Adhesion to the NATO alliance.
3. The promoting of Europe as an integrated, cohesive political entity, eventually capable of self-defense.
4. The Mediterranean and littoral, and its security and importance for the Italian State.

B. ITALY'S NEW INTEREST IN DEFENSE POLICY

Prior to the 1977 White Paper, the Italian government (as well as the populace) had generally ignored defense issues. A simple fact of Italian political life is that domestic politics take precedence over all else. As long as foreign and defense policy remained unobtrusive, the attention of

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[40]Although France borders on the Mediterranean, her outlook tends more to Central Europe. Italy, on the other hand, has always concentrated on the Mediterranean and littoral.

the populace remained in the provinces and maybe every so often turned to Rome. The Italian attitude towards defense matters is reflected in its adherence to the NATO alliance and its acquiesence in all things within that forum.

The United States is hard pressed to find a more loyal supporter of American policies than Italy. In 1970, for instance, a former Defense Minister remarked, "NATO is Italy's cheapest and most effective form of defense."[41] Indeed, the NATO option allowed Italy to concentrate on rebuilding the economy, defense industries included, while not draining precious resources. Italian armed forces paid the price for such an attitude, while the defense industries were allowed virtual autonomy in the expansion.

The impetus for a new defense policy came as early as November of 1972, when Admiral Eugenio Henke, the first naval officer appointed to the office of Chief of the Defense Staff (equivalent to the US Chairman of the

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[41]From Walter Galling. "Swords into Plowshares? Not in Italy," The Daily American, 19-20 April 1970.

JCS) announced publicly that Italy "...intended to carry out a defence policy autonomous with respect to threats that we cannot expect will induce immediate support from Allied countries."[42] This pronouncement, reflecting a new awareness of Italy's potential problems as well as her potential abilities, was followed by Parliament's approval of a ten-year modernization program.

In 1977, the first White Paper, La Difesa--Libro Bianco 1977, was published. The White Paper addressed the major issues that were politically significant at the time. In response to the deepening recession of the late '70's the major issue centered on how the armed forces would operate in light of the necessity for budgetary cuts.[43] The laws passed in the mid-1970's, those laws authorizing the modernization of Italian military forces, as well as the promotion of various industrial sectors of the defense industry, had been

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[42]As reported in Antonio de Marchi. "Italian Defence in the 1980's," Jane's Defence Review, Vol.2, No.4, 1981, 259-260.

[43]The original thrust of the budget cuts was to be reductions in the size of the Army. A December 1977 NATO press release expressed disquiet at the reductions. Shortly thereafter, all talk of reductions in strength were clarified by the Italian government as restructuring in an attempt to trade quantity for quality.

proposed and passed without debate.[44] This time, Parliament desired to make its voice heard.

The military had greatly benefitted from the new interest in defense generated by the Legge Promozionali. In a similar manner, though not for the same reasons, the defense industries had also profited. In addressing the budgetary issue, the 1977 White Paper emphasized the necessity to control the modernization process, while controlling and contributing to the defense industrial sector which "forms the [Italian] second line of defense in the international context."[45] There is no question that the Defense Ministry and the Services recognized the need for, and importance of, the defense industries. It is at this point in time, the mid-1970's, that the concept of defense policy as the watchdog over the defense industry was born. The best example of the need to watch over the weapons industries is the establishment of the Office of National Armaments Director as a separate agency reporting directly to the Minister of Defense.

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[44]The decision to modernize rested on two major assumptions. The first recognized the need to assist the defense industry or accept its demise. The second was a sincere attempt to contribute materially to the collective defense concept of NATO.

[45]Libro Bianco--1977.

C. DEFENSE POLICY IN ACTION

Three major events, firsts in the history of modern Italy, mark the second stage in the development of Italy's defense policy. First was the decision by the government to accept cruise missiles on Italian soil. The second was Italy's participation in the peacekeeping forces in Lebanon. The Italian guarantee of neutrality to the island nation of Malta, a guarantee backed by military force was the third component in Italy's second stage of evolution.

According to retired Italian Army Brigadier General Luigi Caligaris, the renewed interest in defense matters was spurred by the 1979 decision to accept Cruise missiles.[46] This decision is the watershed of the evolution of Italian defense and foreign policy in the NATO arena. For the first time, Italy was in the same league as West Germany and the other Central Front alliance members in that nuclear weapons with a strategic capability would be deployed. The decision spurred discussion that even today affects the public perceptions of defense. This decision is important for a number of reasons, but most important for the fact that it accentuated defense in the public eye so soon after the events of 1977. The truism "out of sight, out

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[46]Luigi Caligaris, "Italian Defense Policy: Problems and Prospects," Survival, March-April 1983, 68-76.

of mind" is especially germane in the Italian case of defense.

It is also important to remember the "fears" that were being voiced in the various western capitals over the very real danger of the Italian Communist party coming to power in the 1979 elections. The Italian "reconfirmation" of western ties, by recognizing the necessity of taking a stand, allowed other populations in Europe to accept the missiles. The Italian desire to expand in international affairs--to accept the role of great power--can be traced to the missile decision and is the most important step in the evolution of Italian defense policy.

Italy's contribution to the peacekeeping forces in the troubled area of Lebanon--to this day a source of national pride--is the second major event in the Italian defense maturation. For the first time Italian forces were sent overseas to assist in a mission that for Italy, more than any other nation participating, had personal meaning, i.e. keeping peace in the Eastern Mediterranean. To indicate the importance attached to the mission and its impact on military planning, the authors of the 1985 White Paper note:

> The mission in Lebanon provided an important test of a whole set of principles which are the cornerstone of our national defence concept. ...(It

also) confirms the need of setting up pre-established joint "ready deployment" units....[47]

These two actions served to further public interest in defense when, according to past experience, it would have flagged. The continuing emphasis on the military allowed the Services to continue their modernization plans. It was also during this period that for the first time since World War II, the Italian government undertook to guarantee the sovereignty and neutrality of another country, Malta.

D. ITALY AS PROTECTOR

The decision to support Malta arose from a multitude of factors that is the natural consequence of the tensions in the Mediterranean over the last ten years. As already noted, Italy stands at the crossroads between north and south. The Mediterranean separates those more modern, industrialized countries of Europe from the traditional, although generally wealthy, nations of the Middle East. All Mediterranean countries are increasing their military power through the purchase of arms, either to protect themselves from encroachments or to bring pressure on neighboring countries.

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[47] Libro Bianco-1985, Annex, 168.

It is this context in which Italy finds herself deeply involved. A partial reason for the Italian decision to assist Malta comes from a 1980 Libyan demand that Malta cease oil exploration in disputed waters. That demand was reinforced by the appearance of a Libyan submarine close to the Maltese drilling platform. One isolated instance of aggression is not necessarily a reason any power chooses to defend another. The implication, however, consistent with the new defense policy, is that Italy is acting to protect her own vital interests in the Mediterranean, and that the concept is moving from rhetoric to reality.

The decision is significant for what it suggests for the future directions of Italian foreign and defense policy.[48]

If the Malta decision is examined instead in the context of the developing defense policy, the reasons

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[48]See, for instance Caligaris, noted above, and Stefano Silvestri, "The Italian Paradox: Consensus amid stability," in Gregory Flynn, ed. The Internal Fabric of Western Security, London: Allanheld, Osmun and Co., 1981.

for this guarantee, do offer major advantages for Italy. For example, since the opening of the Suez Canal in 1869, the eastern Mediterranean has been the major line of communication between the Atlantic, Indian, and Pacific Oceans. Equally important, the Canal also offered Italy the opportunity of new markets for the finished products the Italians have exported for years to the Middle East. The Mediterranean also is the conduit for the raw materials, including energy supplies, that Italy needs to survive. In this light, the 1973 statement by the Chief of the Defense Staff referring to the necessity for Italian autonomy in the Mediterranean, and the decision to back Malta with the "military might" of Italy, is only natural.

E. THE THREATS TO ITALIAN SECURITY

The 1985 White Paper acknowledges that while the Soviet Union remains the greatest threat to Italian and NATO southern flank security, there is emerging a newer threat. From the Italian point of view, the Middle East is the most likely region for superpower confrontation. Implicit in that recognition is the role Italy must play although not required to do so by the NATO treaty. The threat is shifting from the traditional

northeastern sector, long central to Italian military planners, to the north-south axis.

Significantly the White Paper only addresses the Soviet forces. This omission, whether intentional or not, is addressed in the January-February 1987 edition of Rivista Militare, in an article by a senior Army officer. The article's emphasis is on the military forces of the countries of the Mediterranean not judged to be friendly to the interests of Italy. The list includes Yugoslavia for its ideological ties to the USSR, but is otherwise devoted exclusively to Middle Eastern countries considered threats to Italian security. The list encompasses Algeria, Iraq, Libya, Syria, and Tunisia. The author concludes that because of the economic and political factors inherent in her position both geographically and within the alliance, Italy has assumed, "a role (in the Mediterranean) of primary strategic importance."[49]

F. FOREIGN POLICY AND ARMS TRANSFERS

Italian foreign policy, much like its defense policy, depends on the domestic concerns of the government in power. Those domestic concerns throughout the 1970's overshadowed the conduct of foreign policy

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[49]From Luigi Salatiello, "Il Problema Operativo Italiano," in Rivista Militare, (Rome: Italian Ministry of Defense) January-February 1987, 28-44.

to the exclusion of any other concern. The country was faced with the choice between the ineffective (up to that point) Christian Democratic party, and the unproven and perhaps dangerous Italian Communist Party.

The official position on Italian foreign policy was approved by the Chamber of Deputies (Italy's lower house) on October 19, 1977, and by the Senate on December 1, 1977. These declarations emphasize five major initiatives that, according to the decrees, are to form the centerpiece of Italian foreign policy for the foreseeable future. The five major initiatives are:

> 1)...to participate actively in the process of European integration, working for a widening of the Community, and supporting the (creation) of more democratic and more valid institutions starting from the European Parliament and from the adoption (of) a new type of structural and programming policy....
>
> 2)... to participate along with the allies [NATO] in all the initiatives taken in Vienna, Geneva, Belgrade and the UN Special Assembly to promote detente, to slow down the nuclear and conventional armaments race and to bring about the application of the Helsinki agreement, ...while safeguarding national security.
>
> 3)...to contribute--in the observance of the right of self-determination--to eliminate through negotiations the hotbeds of war in Africa,...and to eliminate, in Southern Africa, segregative regimes and all forms of apartheid...
>
> 4)...to encourage European initiatives aimed at overcoming the serious North-South imbalance, and ...to broaden East-West relations within the framework of the EEC and COMECON....
>
> 5)...to commit itself to constantly support in the Middle East all current efforts aimed at convening the Geneva Conference for a just peace as soon as

possible....(The Senate) hopes (further) that the government's action for problems concerning the Mediterranean will contribute to their solution....[50]

A comparison of Italian foreign and defense policies demonstrates a consistency not always apparent in other western countries. The emphasis on the Middle East and Mediterranean, already noted in discussing defense policy, is a recurring theme throughout Italian diplomatic history.

The events of the early 1980's recession and recovery, deployment of the INF, and the Malta guarantee marked the beginning of a new era in Italian foreign policy. Perhaps even more important was the election and surprising durability of the five party government under Craxi, the first Socialist Prime Minister the country had seen. Elected in 1983, Bettino Craxi has served longer than any other Italian Prime Minister with the exception of Mussolini.[51] The stability provided by this five party government, and the fact that for the first time the Defense and Foreign Ministers also served for longer than one year,

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[50]See Libro Bianco 1985, La Difesa. Each parliamentary body passed a separate resolution. The five points listed are those major points both houses had in common.

[51]As this paper was being written, the Craxi government resigned in accordance with a "power-sharing" formula reached with the Christian Democratic Party.

has permitted the government to proceed with longer-term policies beneficial to the country. That arms transfer policies are also affected by this longevity is logical. Until 1983, the average duration of a government was ten months. It is possible that conflicting instructions, governmental crises, and bureaucratic politics could have allowed the arms export licensing mechanism to be subverted, or at the very least, ignored by the key decision makers who were perhaps, more intent on gaining power than administering an arms transfer policy.

Italian foreign policy had not undergone any radical changes since the war. On the contrary, it can be argued that, notwithstanding the instability of the government, there is a thread in Italian foreign policy that has never changed. That particular thread is the careful cultivation of a friendly relationship with the Middle East, and specifically, the Arab world. It is important to note that while policy may generally endure, as long as there is governmental instability solid games are more difficult to obtain.

Italy's Middle East policy must be examined by considering the interests the Rome government has in maintaining strong, friendly relations. The first motivation has already been introduced, Italy's desire to play a role in the Mediterranean. Finally, the

Italians, mineral poor as they are, require oil to survive.

These three foreign policy concerns will be analyzed in the next section to determine if a relationship exists between the foreign policy outputs of the Italian government and its arms transfer policy.

G. SUMMARY

There is a tendency in the United States to separate defense and foreign policy and believe that they can stand separately. This tendency is not apparent in Italy. Italian foreign and defense policy planners realize they must work within the same international framework, and most important for a country of Italy's size, they must work together. For purposes of examination, the two have been separated in this study; the simple fact is that they are inseparable. This inseparability forms the basis for Italy's arms transfer policy. As long as foreign and defense policy are inseparable and as long as the defense "side" controls the armaments industries, there is no way one can remove political considerations from the arms transfer policy process. This inseparability constitutes what a leading British historian calls a

nation's "total strategy".[52] This "total strategy" which includes economic, social, political, and military considerations, is the determinant of Italian arms transfer policy.

Italian defense and foreign policy, both declaratory and documented, emphasizes the supremacy of the NATO commitment and membership in the European Community. The latest Italian foreign and defense policy initiatives however, have little to do with those commitments. Instead, these initiatives are out of the NATO and EEC context altogether. The most obvious examples are the Lebanon peacekeeping forces, the neutrality guarantee to Malta, and the fact that the Italian government is developing a small, but well-equipped "rapid deployment force" for use outside of Italy and NATO.[53] Why should Italy, a country allegedly only interested in the economic rationales associated with arms transfers, be willing to undertake such commitments? Like most countries--economics do not overshadow the Italian national interest. The actions Italy has undertaken serve notice that the Italians are to be taken seriously in the arena of

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[52]Correlli Barnett as quoted in "The Relationship Between Foreign and Defense Policy," in RUSI-Journal for Defence Studies, May 1983, 3.

[53]Libro Bianco-La Difesa 1985.

international affairs. An expression of the Italian national interest is beginning to appear.

The Italian national interest comprising the three main foreign policy concerns of oil, the terrorist problem, and the undiminished Italian desire to play an important role in the Mediterranean serve as the foreign and defense policy inputs to the political rationales that are the basis for Italian arms transfers. These inputs, coupled with the demonstrated Italian desire to steer its own course in foreign and defense policy, form the framework that will guide Italian arms transfer policy into the next century.

VI. ITALIAN ARMS TRANSFERS: A DEVELOPING POLICY

Each of the three major foreign policy issues--oil dependency, terrorism, and the Italian desire for international acknowledgement of its Mediterranean role--offers rationales for the transfer of weapons. Of the three, the oil problem and the role question are the two most significant motivators. The effect of terrorism on the nation can be explained as that catalyst which permitted the people to recognize the need for a strong defense. In terms of its effects on the developing arms transfer policy, it can be seen as a filter, an intervening variable which changes, ever so slightly, the expected outcome of a response based on a cause.

It is for this reason that it is necessary to examine the impact of terrorism and domestic factors on the arms transfer policy development process.

A. DOMESTIC ISSUES AND THE EFFECT OF TERRORISM

Concurrent with the oil crises and regime instability, Italy, more than any European country, was plagued by the terrorist wave of the 1970's. The almost daily incidents, culminating in the murder of Aldo Moro, the most prominent and able Christian Democratic

statesman of the day, brought the country to the brink of anarchy.

The main effect of these three threats to Italian democracy was the almost total concentration on internal affairs. Such a focus, reversed only in the early 1980's, precluded any serious concentration of effort on those external issues that were slowly building in the Mediterranean.

The country rallied behind the government of emergency that sought to control the terrorism that ran rampant.[55] By the early 1980's, the terrorist incidents had decreased, but there was no evidence that the "war" had been won. Concurrently, the uneasy truce between the parties of the "constitutional arch" was beginning to weaken. The Dozier incident, in 1982, again brought the parties together.[56] By early 1983, the Italian police and paramilitary forces had not only rescued General Dozier, but they had also exterminated the "Red Brigades" in Italy.

The Dozier rescue is a source of pride for all Italians. It is proof that Italy has control over her

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[55]The emergency government was an effort by all parties to put aside parochial interests for the time being in an attempt to create the unity required to respond to the terrorist situation.

[56]The "Red Brigade" kidnapping of U.S. Army Brigadier General James Dozier, from his home in Verona, Italy.

own future. It also marks the beginning of a new era in Italian politics.

Bettino Craxi, the first Socialist appointed Prime Minister, presided over the most enduring government post-war Italy has seen. Offered the prime ministership at a time when the normally ruling Christian Democrats were in disarray because of infighting, Craxi has guided Italy into the independent position she has attained.

Craxi's greatest achievement (as far as Italians are concerned) was his handling of the Achille Lauro incident. Polls taken by L'Espresso, and Panorama, in the wake of the October 11, 1985 American capture of the Achille Lauro hijackers, expressed irritation and resentment with the American attitude in the affair. Sentiments such as "Italy is not a banana republic" and "Allies but not servants" were being voiced in the press as well as in the Parliament and are further proof of a new Italian position.[56]

A key element of Craxi's leadership has been the Italian focus on Mediterranean issues. As noted, the Mediterranean has always lured Italian politicians, but no leader had been able to take up the quest because of the eternal domestic problems.

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[56]See Silvio Senigallia, "Taking on Washington: Italy's Mideast Strategy," The New Leader, 21 October 1985, 3-4.

The two domestic factors of terrorism and the Craxi government's independence have permitted the Italian government and people to pause in their daily worries over internal problems and cast a questioning eye outside the country's boundaries. These two issues have had an effect on the Italian arms transfer policy process and will continue to influence Italian defense and foreign policy for some time.

B. THE "ARMS FOR OIL" POLICY CHOICE

Italy's dependence on foreign oil is no secret. The country is devoid of any energy resources and depends completely on the oil-producing nations of the world for her survival. A basic question that must be addressed is the extent to which this oil dependency drove the government to adopt an arms-for-oil strategy during the 1970's and the effect the strategy has had on arms transfer policy since that time.

The major recipients of Italian weapons during the period from 1970 to 1979 were Libya with some 450 million dollars worth, Iran 350 million dollars, Saudi Arabia 130 million dollars, and Venezuela 110 million dollars.[57] Appendix A shows the equipment Italy exported during the period from 1970 to 1983. These

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[57]See the Appendix which is a listing of all Italian arms transfers from 1970-1984.

four countries, all members of OPEC and major oil exporters, accounted for fifty-seven percent of the value of Italian arms transfers to Third World countries during the period in question. The figures for the period from 1980 to the present show a decline in the correlation. This decline is mainly because of actions taken by the government to deny transfer licenses to Iran and Libya, although the oil glut has certainly made the denial of those exports easier by assuring greater access to the energy.

Laurance, in An Assessment of the Arms-For-Oil Strategy, suggests that nations may have employed the arms-for-oil strategy for five major reasons:

1. Regional Internation Stability
2. Internal Stability in Oil-Producing States
3. The General Security of Oil-Producing States
4. General Political Influence
5. Interdependence [58]

This framework provides an appropriate analytical vehicle for examining the motives Italy may have had in selling arms-for-oil.

1. Regional Stability

The Italians stand more to lose in the event of Middle Eastern conflict than any other Western European arms producer. First, Italy is absolutely dependent on

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[58]From Edward A. Laurance, "An Assessment of the Arms-for- Oil Strategy," in Donald J. Goldstein ed. Energy and National Security, Washington D.C.: National Defense University Press, 1981, 59-89.

Middle Eastern oil; second, and most important, Italy is located near the probable centers of conflict. Given the Italian propensity for friendship with the Middle East, and faced with the real dangers of conflict spreading into the Mediterranean, Italy's life-line, it is feasible that regional stability played a role in Italian considerations of arms transfers to the area.

Although the Italians took no concrete action to assert themselves in the region in the 1970's, the Lebanon peacekeeping forces constituted in 1982 and the Italian mine sweepers sent to the Red Sea in 1984 are evidence of a growing sense of commitment. In retrospect, it also seems clear that the "Italian threats" alluded to by the Defense Ministry and senior military officers in the mid-1970's referred to fears spawned by regional instability in the oil producing nations of the Mid-East. It is logical to assume that the actions taken by the Italian government to approve arms exports to the countries of the Middle East that produce and sell oil to Italy were in some manner motivated by the desire to assure stability in the region.

Of course, the weapons sales to Venezuela tend to counter this regional strategy. However, during the period in question, Italy only imported some 0.7 percent of its oil needs from that country compared to

21.6 percent from Saudi Arabia, 15 percent from Libya, and 12.7 percent from Iran.[59]

2. Internal Stability

Internal stability had to be considered for many of the same reasons cited in the discussion of the regional stability strategy. The Italian government's dealings with Libya's Colonel Qaddafi have always, at least until recently, been cordial. This suggests that the Italians had a vested interest in selling weapons to a "known quantity," Qaddafi, thereby assuring themselves of an uninterrupted supply of oil rather than denying Qaddafi the weapons he desired, perhaps inadvertently contributing to a coup, and facing an unknown, perhaps more radical head of state.

3. Insure Capability to Produce and Supply

Although the Italian government has been concerned about the ability of the Middle Eastern States to protect themselves and their oil producing assets, it has taken little action to support them. The Italian government, consistent with the above analysis on defense policy, was content to allow the United States to train and maintain the indigenous forces of the region. To be sure, the Italians have trained

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[59]CIA, International Energy Statistical Review, 7 March 1979, as listed in Laurance, An Assessment of the Arms-for-Oil Strategy. The other major sources of Italian imports were: Iraq, 12.1%; Kuwait, 8.8%; and UAE, 3.8%.

personnel from Middle Eastern countries, but nothing comparable to the efforts of the United States.

4. Political Influence

The concept of political influence is extremely amorphous, and because of that, difficult to prove. Given Italian concerns for oil supplies, it seems logical that the government would seek political influence in an effort to insure uninhibited access to that precious resource. The greatest difficulty arises when one attempts to define influence. Is influence, for instance, the power one nation acquires over another that results in the nation being influenced to do something it would not ordinarily do? Or, is influence the benefit one nation gains from having assisted another nation, a sort of reward? The concept of influence will be discussed in detail later. Referring to the arms-for-oil strategy, the logical conclusion is that Italy gained influence from arms sales to oil producing nations. The best examples of such influence (using the reward definition) are the tremendous investments placed in Italy and in Italian firms both public and private, by the country of Libya. The investments, recently revealed and just as recently liquidated, represent a form of present day offset, but in reverse. In other words, the arrangement might have been as follows: Libya is permitted to purchase arms,

Italy is assured of oil supplies, and Libya further buys into the Italian industrial establishment providing much needed foreign currency at a time of high oil prices.

It appears that the political influence strategy was employed by Italy, but not in a manner that sought to influence the policy of a recipient nation. Rather the Italians were content to maintain or enhance friendships, thereby insuring access.

5. Interdependency

Interdependency, for many of the same reasons as were discussed for internal stability, does not seem to have persuaded Italian decision-makers to approve the transfers. The government throughout the 1970's still depended on the United States to maintain stability in the region. Secondly, the Italian Republic, while a major arms exporter, did not export sufficient quantities to create the circumstances for interdependency. Lastly, all recipients of Italian arms had at least one, if not more, alternative suppliers that, during the lean oil years, supplied more materials than did the Italians.

6. Summary of the Arms-for-Oil Explanation

The "arms-for-oil strategy" framework emphasizes those factors that took precedence during the years of oil crises. More importantly, the framework highlights

those strategies the Italians have used in the past to insure access to oil, or more simply stated, their national interest. Those strategies, regional stability, internal stability and political influence are present today as the centerpieces of Italian foreign and defense policy.[60]

The oil crisis period, the years 1973 to 1979, were instrumental in the development of Italian arms transfer policy. Although the threat of oil embargoes has subsided, the Italian policy makers seem to have continued with the strategies devised during the late 1970's, and refined them to their present state.

Perhaps most important, the arms-for-oil strategy provides proof that the Italian government had, for the first time, used the arms transfer policy tool for something other than economic gain or to assuage the defense industries. The need for oil, combined with the increased control the government established in the wake of the Legge Promozionali, allowed the government to make full use of the political aspect of arms transfers.

C. INFLUENCE: AN ALTERNATIVE EXPLANATION?

[60]See La Difesa-Libro Bianco 1985, and 1984: One Year of Italy's Foreign Policy, both publications of the Italian government, for a discussion of the importance of regional stability in the Mediterranean to Italy.

The motives for transferring arms that have been examined thus far are not in and of themselves sufficient to explain present Italian arms transfer policy, especially in light of the aforementioned evolution in foreign and defense policy. There is something else, an intangible element of the policy that cannot be explained by economics, arms-for-oil, and other common explanations for the transfer of weapons. The concept of influence suggests itself because it offers the host country the maximum in benefits from foreign policy decisions, something compatible with Italian interests.

Quandt defines influence as the ability one country exercises over another to alter the policy of the recipient.[61] Rubinstein further elaborates:

> A country seeks to exercise influence in order to obtain specific short term advantages, though very often the motives and consequences of a successful influence attempt may have the most significance for the influencer as part of his long-term objectives. Like breathing, influence becomes especially noticeable when pressure is applied or concern heightens. Influence may be considered to have a certain number of characteristics.
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> 1. It is a relational concept involving "the transferral of a pattern (of preferences) from a source (the controlling actor) to a destination (the responding actor or system) in such a way that

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[61]William B. Quandt, "Influence Through Arms Supply: The American Experience in the Middle East," in Uri Ra'anan, Robert Pfaltzgraff and Geoffrey Kemp eds. Arms Transfers to the Third World: The Military Buildup in Less Industrialized Countries, Boulder, CO.: Westview Press, 1978, 121-129.

the outcome pattern corresponds to the original preference pattern.

2. It is issue-specific and situation specific: the duration of influence is restricted to the life of the issue or the situation within which it transpired, and when these change so does the influence relationship.

3. It tends to be an asymmetrical, mutual interaction process: there is no fixed pattern of achievement costs.

4. It is a short lived phenomenon.[62]

Rubinstein's characteristics require two important ingredients: first, a conscious act by the "controlling actor" to persuade the "responding actor" of the former's established ability to influence the respondent's action; and second, it assumes that the "controlling actor" has already accumulated some degree of power that is enough to affect the respondent. If a controlling actor offers to sell weapons in an attempt to influence a respondent's behavior, then the controlling actor must have some superiority over the respondent in addition to an arms production capability in order to exercise influence. That superiority could be economic or military, but it is more likely a combination of both that is universally recognized.

The definitions of influence suggest a degree of control and power that is absent from Italian exercises

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[62]Alvin Z. Rubinstein, Soviet and Chinese Influence in the Third World, New York: Praeger Publishers, 1975, 10.

of influence if the Italian version can indeed be called influence. In Italy, the key element of power is present, but it is not recognized by the international community. It is only of late that the government has attempted to exercise power in the international system (thereby demonstrating its presence). Italy is, of course, a member of all the alliances and groupings of the industrialized world, but that has not stopped one Italian diplomat from noting, "...the tradition of Italian diplomacy [has been] to be always present, wherever possible, whatever the reason." This statement suggests that it has been sufficient for the Italians to be members of the international system, but they have not necessarily used it for their own aims, nor have they attempted to assert themselves in pursuit of their own national interest.[63] Indeed, in one forum, NATO, it has been noted that:

> ...Italy's presence in the alliance is hardly commensurate to her importance, as the appointments allotted to Italians in the NATO institutional machinery demonstrate. Indeed, Italy often fares worse in this regard than do smaller partners. ...Italy's silent partnership has convinced others that her claims can be appeased at small cost.[64]

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[63]Ambassador Roberto Ducci, as quoted in Caligaris, "Italian Defence Policy: Problems and Prospects."

[64]Caligaris, "Italian Defence Policy: Problems and Prospects," 72.

The research on the concept of influence in arms transfers has generally concentrated on the superpowers. Quandt, Rubinstein, and Cahn have written about the effects and uses of influence in the Third World as it relates to the superpowers.[65] In examining the Italian case the research and findings on influence do not fit. This is not unique to Italy, but to other arms exporters that do not fit the "great power" or the "second-tier supplier" definition. An underlying theme, for instance, in the analyses of United States influence relationships starts with the premise that influence is used in an adversarial manner, i.e. to deter an action by a recipient state. This is a valid use of influence, but because of the difference in size, economy, and power between Italy and the United States, such a premise is not valid. There are similarities, but the influence attempts of a country the size of Italy cannot be compared to the great powers.

It seems clear that the Italian government's arms transfer policy has changed. It is also clear that the Italians stand to gain from an increased use of the

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[65]In addition to the works of Quandt and Rubinstein already noted, see also Anne Hessing Cahn, "United States Arms to the Middle East 1967-76: A Critical Examination," in Milton Leitenberg ed. Great Power Intervention in the Middle East, New York: Pergamon Press, 1979, 101-125.

arms transfer foreign policy tool. The difference is in the power aspect; or, more appropriately, the difference lies in the desired result of the application of some form of power. The Italians do not seem to be employing **influence** as a policy tool. Rather, the Italians are using their newly discovered power and the world demands for security assistance to seek **prestige.**

VII. PRESTIGE: THE NEW ITALIAN POLICY

The Oxford American dictionary defines prestige as "respect for a person [or nation] resulting from his good reputation, past achievements, etc."[66] Another way of expressing the concept of prestige in the nation-state context is to call it international stature. Prestige can be seen as an evolutionary aspect of a nation's arms transfer policy, a point between policy driven by economic rationales and policy that attempts to change the actions of nations--influence.

Prestige for a nation-state could be described as the earned respect of other, important states resulting from a good reputation as evidenced by participation in international organizations or peace-keeping efforts, a good reputation for maintaining its word on difficult policy issues, or the reputation a nation gains from the design, development, and export of high-technology, reliable weapons systems. The United States, for example, has reached the utmost in prestige for its weapons systems. Because of political and humanitarian concerns, however, its prestige is tarnished because of it seeming inability to keep its

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[66] Oxford American Dictionary, New York: Oxford University Press, 1980, 528.

word. A prime example was the political inability of the Reagan Administration to sell certain weapons systems to the Kingdom of Jordan after the President had promised the sale. This is, of course, a simplistic example, but for the majority of Third World countries, a man's word is his bond. The United States, however, does not need to rely on prestige to make weapons sales, to protect itself, to gain influence, or to make its voice heard in the international system. Italy does not have that luxury and depends on the good will it cultivates in the world.

The difference between prestige and influence is one of a state of action. Influence is an active policy that actively seeks to sway a nation's actions. Prestige, on the other hand, is a passive policy choice. The actor nation, while it welcomes the effects of prestige, is not actively pursuing that result. Instead, it is enough for the actor nation to provide the circumstances and await the forthcoming result. A nation seeking prestige does so because it lacks the basic power necessary to use arms-for-influence as a policy tool, but has moved beyond a necessity to export arms for solely economic reasons.

A basic question that must be addressed in the issue of prestige is, what does a country stand to gain? The conventional wisdom on influence generally

agrees that a nation will attempt to exercise influence if it has the capability and opportunity. That exercise of influence is linked to that countries national interest.

Prestige is also linked to a country's national interest, but is checked by the lack of the element of power noted above. A country seeks prestige to:

1. Gain recognition as a great power in the international system, and to gain the acceptance and respect of greater powers.
2. Become recognized in the region as a local power.
3. As a domestic tool to demonstrate a government's effectiveness.
4. To further boost sales of weapons, through the reputation factor.
5. As a "stepping stone" to the exercise of influence.

A. RECOGNITION AS A GREAT POWER IN THE INTERNATIONAL SYSTEM

In Italy's case, recognition as a great power is her first priority and has been so since the end of the War. Not only is this concept addressed in the White Paper, it is also a central issue in each party's

platform. A recent English language publication of the Italian Foreign Ministry amplifies this point:

> ...Italy's government has sought out its own room for action on the international scene, has made known its belief that the time is right for taking initiatives that will pick up the threads of [East-West and North-South] dialogue again... In the western camp, besides her intense consultations with her European partners, the Federal Republic of Germany, France, and Great Britain in particular--these having been favored by their common membership in NATO and the EEC--she has won a relationship of special confidence with the American administration, witness to this being the not few letters exchanged between Prime Minister Craxi and President Reagan, on the most burning questions of the day.[67]

A country seeking recognition must, of necessity, do something to create attention and build respect; arms exports fulfill both requirements. From February 1985 to June 1986, for instance, there were a tremendous number of exchange visits between the People's Republic of China and the Republic of Italy. These visits, the first of their kind in recent years, were accomplished by senior officers of both countries' defense establishments. These visits came in the wake of the signing of a bilateral agreement by Italian Defense Minister Spadolini and China's Defense Minister

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[67]Ministero degli Affari Esteri, 1984: One Year of Italy's Foreign Policy, in Italy Documents and Notes, Rome: 1986. 3-34.

Zhang Aiping which "...provides a general framework within which specific arms deals may be concluded."[68]

China is especially important to the Italians because of its size and market potential, but most importantly because of its strategic significance and importance in international affairs. The "opening" of China has been much discussed in the United States and is seen, in a strategic sense, as an opportunity for capitalism to triumph over communism. The importance of China's international position is not lost on Italian governmental leaders, those that approved the bilateral relationship in the first place. If Italy is in a position to provide China the weapons she needs to defend herself, then clearly Italy stands to gain. Secondly, and more importantly, the "goodwill" generated by the export of weapons (and probably technology) to China provides Italy the opportunity to raise her international standing not only among the superpowers, but among important Third World nations that look to China for guidance.

Another example of the Italian quest for great power recognition is the case of Brazil and the AMX aircraft. Why would a modern, industrialized country like Italy, a member of the strongest military alliance

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[68]"Current News," Jane's Defence Weekly, 10 April 1985.

in the world be willing not only to co-produce, but also co-design a new generation of fighter? Albrecht argues that such coproduction is based on purely economic aims, that Italy is only seeking markets.[69] In the framework of prestige, however, the production agreements appear to make more sense. Aware that Brazil has the potential of becoming a great power in the not too distant future, Italian politicians are assuring themselves of Brazilian recognition and friendship. A side effect that certainly is calculated is the effect such arrangements have on the United States. Arms transfers involving technology are of great interest to the U.S.

B. RECOGNITION AS A LOCAL POWER

It appears that prestige is also related to the second, very attainable goal of major regional power status for Italy, rather than mere economic realizations. In the February 9, 1987 edition of CAMBIO 16, a Spanish news magazine, Giovanni Spadolini hinted at what appears to be a new Italian policy. The interview was entitled, "A `Contadora' for Mediterranean Peace," a reference to the Latin American group attempting to maintain peace in Central

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[69]Albrecht, 142.

America.[70] Participants at the meeting included the Prime Ministers, Foreign Ministers, and Defense Ministers of both Spain and Italy. When asked about the subject of the talks, Spadolini answered that the discussion had centered around Mediterranean security and the role Italy and Spain may play in that goal. He expressed concern about the situation in the Mediterranean and asserted a belief that it can only be righted by a concerted effort of the Mediterranean countries.

In response to a question about the military technology assistance Spain could expect from the Italians, Spadolini replied that the key to the future lay in co-production. He emphasized that such cooperation would of necessity require technology transfer and intimated that there would be no difficulty in such arrangements. While the Spanish armaments industry is capable, it lacks the sophistication of the Italians. Spadolini's comments regarding the possibility of technology transfer are an example of the pursuit of regional power status. The unspoken comment in the interview was, "As long as Spain supported Italy's leadership in this 'Contadora' process, the technology would be forthcoming."

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[70]See Francisco Rivera, "Un <<Contadora>> para la paz en el Mediterraneo," CAMBIO16, 9 February 1987, 66.

It is possible that the agreements concluded at that conference, while not yet public, are an exchange of military assistance for the recognition and prestige that Italy desires. This recognition is not influence. There is no discernable attempt by the Italian government to influence the internal politics of Spain. It is, however, an exercise in prestige. The Spanish government is not being coerced into supporting the Italians. Instead it appears they are being co-opted. Italy's announced foreign and defense policy, in this case at least, can be used as a map to plot the Italians' future directions, at least in the Mediterranean.

A second example of Italy's new rationale is to be found in the arms export relationship with Somalia. In October 1985 after a visit to Somalia, Prime Minister Craxi pledged his full support for Somalia and indicated that he was prepared to approve the transfer of some 100 M-47 tanks to demonstrate Italy's support. Additionally, Craxi announced that Italy would improve its military assistance in the technical field and also train more Somalian officers at Italian military schools.[71]

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[71]As reported in Jane's Defence Weekly, October 12, 1985, 784.

The former colonial ties between Italy and Somalia may have had a small part in this arms transfer decision, but it is best seen as another example of Italian prestige-building in the local region. If Italy is willing to openly support Somalia in its war against Ethiopia, then Italy must be recognized as a force in the region. Moreover, the Italian government proved it was willing to stand up for its allies, thereby proving itself trustworthy and worthy of respect. It is important to remember that in that region of the world--in the Middle East, North Africa, and the Horn of Africa--the bonds between nations are shaped by the respect one nation has for another.

There are two reasons for the decision to support Somalia. First, the Italians still feel some attachment to their ex-colony and therefore are willing to approve sales that can help it retain its independence. Second, the political gains involved with the sale, especially because of the situation in Somalia and the threat of war, are potentially high. Those political gains can be translated into increased prestige and increased political presence in the area. All these gains are the precursors to the exercise of influence.

C. DOMESTIC POLITICAL TOOL

The Italians have developed a formidable industrial base capable of competing with any European manufacturer; and although the high technology trend seems to be co-production, the technology base is present in Italy. An important part of the new rationale is the desire to be recognized as a power. Italians are proud of their achievements; and after so many years of being a second class country, they are ready to move up. The best example of this new pride is the Italian reaction to their exclusion at the Group of Seven meeting in Paris. By walking out, the Italians served notice they no longer wish to be used; they are now demanding to be consulted. Finally, a recent Italian survey indicates that even without the "black economy," Italy's GNP now surpasses that of Great Britain.[72] For the Italians this is something to be proud of and to maintain.

National pride is difficult to measure, but how many Americans, for instance, do not feel a sense of satisfaction when a European airline announces it will buy American aircraft because they are the best? Apart from the obvious capitalistic emotions, such an

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[72]The "black economy" refers to that sector which is unknown to and uncontrolled by the government. Normally it consists of the second jobs held by workers for which no taxes are paid.

announcement gives the listener a certain sense of superiority, an "ours is the best" attitude. So it is in Italy. Too long have Italians been forced to be the recipients. For the first time, Italian technology, in the form of modern weapons, is in demand in the world.

The initiatives discussed above--China, Brazil, Spain and Somalia--are only a sampling of the foreign policy actions undertaken by Bettino Craxi and his government. The Italian political system is much too complicated to be discussed here.

D. THE EFFECTS ON SALES

Although economic rationales are not central to Italian arms transfer decision-making, economic factors are considered. In the pursuit of prestige, the economic factors actually can be instrumental. If the United States Air Force had purchased the Northrop F-20 aircraft, then that aircraft probably would have been purchased by other countries. Lacking the sale to the Air Force, the F-20 program died. This is an example of prestige as a sales vehicle. Similarly, one reason Third World countries buy US weapons is because they are perceived as having the highest prestige value. Buying weapons, or more accurately, the granting of export licenses, is a positive act by a supplier country that says, "I accept you as a sovereign nation,

mature enough to handle these weapons." Such implicit approval also raises the prestige of the recipient country.

The intriguing question is which comes first? That is, must a supplier nation be prestigious before a recipient nation will buy, or does a nation gain prestige by sales to a recipient nation? It appears that there is no clear answer. Rather the answer is a combination of the two concepts.

For Italy, prestige gained from the sale of weapons to other nations adds an intangible component to a weapons system that increases its value. In practical terms, this increase in value translates to more prestige, then more sales, meaning more prestige, that will or could eventually be used as influence once the requisite power is attained.

Malaysia, a small Southeast Asian country, recently invited Italian officials to that country for talks:

> Malaysia is seeking to interest Italy in using the South East Asian country as a manufacturing base for defence equipment sales in the region. The invitation to a foreign country to use Malaysia as a manufacturing base for sales in the region marks a shift of policy for the [Malaysian government]. While they are interested in creating a local arms industry, production was [to be] purely for internal consumption. ...Malaysia purchased four mine countermeasure vessels in mid-1986 and Italy provided training for the Malaysian personnel associated with these vessels. The possibility of extending the training to other sectors of the navy

is under study at the Italian and Malaysian defence ministries.[73]

Why did the Malaysians choose Italy? Why not Brazil, a member of the Third World? In reading the article one gets the impression that since the Malaysians were satisfied with the training and equipment the Italians had provided in 1986, they chose to continue with a proven supplier. This simple explanation may be close to the truth. Italy had gained prestige in its sales of 1986, and that prestige was a factor in the decision to expand the Malaysian arms industry, inviting an outside nation to assist.

In such a situation, Italy stands only to gain. Not only did she export weapons, but those weapons were the key that opened up new possibilities that, though initially are centered on economic issues, could possibly develop into influence at a later date.

F. STEPPING STONE TO INFLUENCE

All of the explanations of Italian arms transfers have concentrated on the prestige factor. The prestige factor is one step removed from influence. Because of that and because the Italians have been on the receiving end of influence for so many years, they are

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[73]"Malaysia Woos Italy in Joint-Venture Sales Plan," Jane's Defence Weekly, 14 February 1987, 218.

well aware of the gains to be made by exercising influence. As already noted, the opportunity, however, has never presented itself. As the arms industry continues to increase in competitiveness and as the government builds up national prestige, the Italians will be able to use the influence tool as a foreign policy weapon.

G. SUMMARY

Not all countries of the industrialized world are capable of exercising influence, either through diplomacy or arms exports as policy tools. The simple fact is that a nation must have established itself on the international scene before any exercise of influence can be attempted. This process of establishing national credentials is called prestige.

A nation seeks prestige with any of five policy goals in mind. The first, recognition by other powers, allows the country to establish itself in the international arena, and, in a sense, have its power validated by the other **great** powers of the international system. This Italy has accomplished through technology transfer. Closely related to the concept of international recognition is the idea of regional acceptance. This second goal allows Italy to become in a sense the local "hegemon", reinforcing

international recognition, while seeking prestige. This goal had been accomplished by trading Italian modernity in weapons manufacturing for tacit acceptance of a leadership role. Third, Italy's government has used the newly acquired recognition to further its own domestic political goals. Although the government has called for early elections (something typical for Italians) the successes won by the judicious transfer of arms as a policy tool have made an impression on those who seek the highest offices. The fourth effect of prestige has reinforced Italy's position in the world markets as an arms manufacturer, while continuing to contribute to her reputation. Finally, the quest for prestige is not an end, rather a step along the way. If they have not already recognized this fact, the Italians are sure to do so in the future and will exploit their status in attempts to influence other nations.

VIII. CONCLUSION

In concluding his article on Italian arms exporting strategies, Albrecht states, "The flow of arms exports from the European countries, as opposed to those from superpowers, must be interpreted primarily as an outgrowth of economic and industrial policies, rather than foreign policy."[74]

The results of this study suggest that Albrecht's statement is not entirely true, at least in the case of Italy. There are three major reasons for this finding: increased governmental control, a reduced importance of the economic rationale, and an awakening of the national conscience.

The government has of late made a concerted effort to not only exert its control over the industry, but to streamline and make more efficient those steps necessary for arms transfer approval. An industry that is controlled by the government is more susceptible to controls--when they are exercised--than is an industry that is privately owned, like most industries in the other arms producing giants.

Italian observers have long noted that although Italy paid lip service to arms transfer restraints and

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[74]Albrecht, 142.

controls, there never seemed to be any substance. The research suggests that this may have been true, up to ten years ago. But since then, Italy has joined the ranks of those nations that have positive controls over their arms export industries.

Those that subscribe to the conventional wisdom argue that economics, as an arms transfer rationale, is more and more widespread; and according to some experts, is a sign of future trends in the arms industry. To argue that economics do not play a role in today's arms export decisions is foolhardy. But economics are not the main determinant of arms export policy for Italy. Instead, as the Italian economy grows, economics will have a smaller and smaller effect on the decision-making process.

Until 1978, the major influences in export agreements centered on the arms-for-oil issue. There occurred concurrently an awakening of the collective national conscience in the areas of foreign and defense policy. That new impetus in the foreign and defense policy field will be the prime rationale for future arms transfer agreements.

A primary aim of the government is to bolster the effectiveness of the Italian defense industries. Minister Spadolini is committed to increasing the traditionally weak, underfunded research and

development departments of the industry. Rapid technological developments threatened to leave Italy in the position of the Third World arms producers, that i.e. dependent on technology from the more advanced states.

The plan for industry is not isolated. At the same time industry is being revitalized, the aim of reasserting the power of the country is to take place. This new venture is already underway and assumes two main forms. The first is the area of weapons sales and export licenses, and the second uses the lure of technology to further the political aims.

Concurrently, the export procedures have been revamped in the Ministries of Defense and Foreign Trade. An examination of the latest arms transfer agreements indicates that Italy is moving in a new direction of a more critical appraisal of the transfer requests. Moreover, the government has announced and for the first time the data validate the bans in effect for such countries as South Africa and Libya. The furor over the role the Italian government may have had in the U.S.-Iran arms scandal is indicative of a new sensitivity to arms transfers--at least indiscriminate ones.

The first thing a student of Italian politics and culture learns is that nothing about Italy is one

dimensional. Economics and industrial policy are important for all arms producing countries. It is, however, but one facet of those countries' motives for the export of arms. Italy is no different, especially in light of the developing foreign and defense policy. The Italian rationale for the export of weapons is primarily politically motivated and will remain so for the foreseeable future. Economics and industrial policy are important, but not supreme.

The present day heirs to the traditions of Machiavelli are finally gaining control of an industry and policy that has gone too long ignored. Because of their heritage, they are more than ever likely to seek other benefits from such a sensitive business.

The political will to have Italy reassert itself as a major European power is present, although the political courage to accomplish this task remains to be demonstrated. Italians have an adventurous and imaginative spirit. Time will tell.

As Italy gains confidence, as her citizens become used to a new international respect for things Italian, and as the government realizes its ability to choose in the foreign and defense policy field, Italy will move towards using influence as a policy tool. The first result of this new self confidence will be the establishment of a local alliance, within the NATO

framework, of southern tier countries that will coordinate defense activities on this important flank.

The immediate future of Italian arms transfer policy is not so clear. Although Italy has broken away from strict subservience to the United States on weapons issues and although she is independently pursuing new technology, she will have to continue on her path slowly because of US export restraints and rules. It does seem clear, however, that Italy's "Merchant of Death" days are over and that she is determined to use the arms transfer policy as a tool of government, rather than a crutch for industry.

A. SUGGESTIONS FOR FUTURE RESEARCH

In the process of writing and researching this study two problems became evident. First, with the exception of work done by Robert Harkavy, Edward Kolodziej, and Ulrich Albrecht, there has been little interest in examining the motives and processes of other major European countries in the area of arms transfer policy. Instead, the major authors devote their attention to the "big two", the United States and the Soviet Union. While this is not surprising given the volume of exports of those two countries, the rise of "second-tier" producers--Brazil, Israel, South Africa and India--emphasizes the importance of

examining the policies of smaller countries. The simple fact of the matter is that there are only two countries in the world that behave in a manner similar to the United States and the Soviet Union--themselves!

Because the two superpowers are so interesting, the research has used their rationales, their motives, and their desires to formulate generalizations for the other, less powerful arms producers. That leaves the student of European political process, mainly those students of West Germany and Italy without any basis from which to start. Italy, for instance, a country that is still in many ways the bridge to the Third World, is closer to some Third World producers than most other developed countries. It follows that research based on findings that are applicable to Italy could be used in examining Brazil or Israel.

The second major difficulty, related to the first, is the lack of theoretical frameworks for examining countries other than the big two. The best example of this problem is the concept of influence. Influence has been examined, analyzed, and defined by the finest scholars in both the arms transfer field and the broader, international relations field. The results of those examinations are generalizations only infrequently applicable to the emerging powers, especially those in the armaments business.

B. A SUGGESTED FRAMEWORK

Figure 8.1 depicts a framework that may prove useful in the examination of a country that is developing an arms industry. The basic premise is that the country goes through a process of evolution starting as an importer and ending as a country that is able to wield influence.

The first phase is marked by an absolute dependency on arms imports for survival. This phase can be likened to Italy's status at the end of World War II. Although accepted by the West, Italy was prevented from manufacturing arms, thereby creating an abject dependency on the United States. Another example is the case of South Africa.

The second phase is characterized by the start of indigenous production. Generally, the imports continue but the nation has developed an industry, obtained licenses, and is able to begin meeting its own needs, reducing its dependency on other nations.

As the indigenous industries develop, there will be expansion, purchases by the government, and in the late

Figure 8.1 Arms Transfer Policy Developmental Framework

stages of this phase an excess capacity that must find an outlet in the foreign markets. This phase is the Export for Economics or Export for Currency phase. As the national government seeks to balance its budget and cut defense costs, it encourages and seeks markets for its defense goods. The prime motivation for sales would be to lower unit costs, but also to maintain the home industry.

The fourth phase, Export for Prestige phase is a cumulation of the stages thus far. By this time imports have faded, indigenous industries have matured, but the economic factors are still present and although not as important, still must be addressed. This phase marks the beginning of the use of arms transfers as a policy tool and is characterized by the trade of modernity, of technological prowess that is sought by other less developed nations, and of a concentration on exhibits and trade fairs that serve as showcases for the nations accomplishments. The key aspect of the prestige stage is that the nation is still maturing, still developing its strategy for dealing with other actors on the international stage.

The final stage is Exports for Influence. At this point the nation's prestige and power are recognized by the rest of the world, and it is able to exercise the power gained from this prestige to influence its less

powerful neighbors. The United States and the Soviet Union are at this stage. Economics or resources are still important, but the power of the nation has been recognized by the other players.

The framework needs further development and requires further tests. An ideal test would be to examine a country such as Brazil, that should be in the third phase, that one dominated by economics, to see whether the framework is valid. If the framework only offers an idea for the examination of countries that are not on the US and USSR scale, then its utility will have been proven.

APPENDIX ITALIAN ARMS EXPORT AGREEMENTS

Year	Country	Weapons Type	Lic Prod	Amount
1970	Belgium	TRN		36
1970	Congo	TRN		12
1971	Argentina	TRN		8
1971	Ethiopia	Hel	yes	12
1971	*Rwanda	LP		3
1971	South Africa	Trp		40
1971	South Africa	Trp		?
1971	Singapore	Trn		16
1971	*Tanzania	Hel		2
1971	*Tanzania	Hel		2
1971	Turkey	AswHel	yes	3
1971	*Uganda	Hel	yes	6
1971	*Uganda	Hel	yes	6
1971	Zambia	Trn		?
1972	*France	Trp		1
1972	Iran	Hel	yes	46
1972	Libya	Sph	yes	12
1972	Libya	APC	yes	100
1972	Philippines	Trn		31
1972	Thailand	Tra		12
1972	South Africa	Trn/Str		6
1972	Venezuela	SSM		27
1972	Venezuela	SSM		?
1973	Iran	Hel	yes	91
1973	Ireland	Trn/Lga		?
1973	Malaysia	Trn		16
1973	Morocco	Hel	yes	12
1973	Morocco	Trp		5
1973	Peru	Frg		4
1973	Rwanda	Trn		3
1973	South Africa	Hel		?
1973	UAE	Trn		1
1973	Venezuela	Cpb		21
1973	Zaire	Trn/Str		6
1973	Zambia	Hel	yes	25
1973	Zambia	Trn		6
1974	Argentina	Trp		12
1974	Dubai	Hel	yes	?
1974	Dubai	COIN		7

1974	Dubai	Trn		1
1974	Dubai	Trn/COIN		?
1974	Greece	Hel	yes	40
1974	Greece	APC		300
1974	Iran	Hel	yes	6
1974	Iran	Hel	yes	75
1974	Malaysia	Hel	yes	75
1974	Norway	ShSM		?
1974	Oman	Hel	yes	?
1974	Peru	SAM		?
1974	Peru	FRG		2
1974	Peru	ShShM		96
1974	ROC	Sub		3
1974	South Africa	Trn/COIN		100
1974	*South Africa	LP		12
1974	Tunisia	Trn		12
1974	Turkey	Ftr	yes	40+18
1974	*UAE	Hel	yes	6
1974	Venezuela	SAM		?
1974	Venezuela	SSM		13
1974	Zaire	Str		2
1975	Argentina	Trp		3
1975	Brazil	Trn/COIN		40
1975	Denmark	ShAM		?
1975	FRG	How		?
1975	Gabon	PB		2
1975	Libya	Hel	yes	28
1975	*Libya	PC		4
1975	Netherlands	ShShM		100
1975	Peru	AAM		72
1975	Peru	ShShM		288
1975	Philippines	Trn		16
1975	South Africa	Asw/Hel	yes	3
1975	South Africa	AAM		72
1975	Saudi Arabia	AA Guns		?
1975	Tunisia	Trp		3
1975	Turkey	F104	yes	18
1975	Turkey	F104	yes	4
1975	Turkey	AAM		200
1975	UAE	Hel	yes	4
1975	UAE	Trp		1
1975	Venezuela	SAM		144
1975	Venezuela	FRG		6
1975	Venezuela	ShShM		48
1976	Dubai	Trp		1
1976	Ghana	Trn		9
1976	Ghana	COIN		6
1976	Greece	AAM		120

1976	Greece	ShAM		120
1976	Indonesia	Hel	yes	16
1976	Iran	Hel		2
1976	Ireland	COIN/Trn		10
1976	Libya	Hel	yes	1
1976	Morocco	Trn		28
1976	Peru	AswHel	yes	6
1976	Peru	Hel	yes	14
1976	ROC	ShShM		24
1976	Syria	AswHel	yes	12
1976	Syria	Hel	yes	6
1976	Syria	Trp	yes	8
1976	Syria	Trp	yes	2
1976	Thailand	Fpb		4
1976	Tunisia	Trn/COIN		12
1976	Turkey	Hel	yes	56
1976	Turkey	Hel	yes	10
1976	Venezuela	Hel		8
1976	Venezuela	Hel	yes	10
1976	Venezuela	ShAM		48
1977	Algeria	Cpb		10
1977	Comoros	COIN		3
1977	Ecuador	FRG		1
1977	Ecuador	Trn		12
1977	Ecuador	Lst		?
1977	Egypt	Trn	yes	20
1977	Egypt	ShShM		24
1977	FRG	MBT		600
1977	Libya	ShShM		168
1977	Libya	COIN		60
1977	Morocco	AAM		24
1977	Niger	ShShM		36
1977	Oman	Hel	yes	?
1977	Peru	Hel	yes	?
1977	Peru	FRG		2
1977	ROK	APC		150
1977	South Africa	SPH	yes	50
1977	South Africa	APC	yes	400
1977	Saudi Arabia	Hel	yes	2
1977	Saudi Arabia	Hel	yes	2
1977	Syria	Hel	yes	18
1977	Syria	Hel	yes	12
1977	Syria	Hel	yes	4
1977	Tanzania	Hel	yes	2
1977	Zambia	Hel		10
1978	Austria	Hel	yes	24
1978	Bolivia	Trn/COIN		6
1978	Ecuador	PC		6

1978	Ecuador	PC		6
1978	Greece	Asw/Hel	yes	12
1978	Iran	Frg		6
1978	Iran	AShM		100
1978	Libya	Hel	yes	1
1978	Libya	Hel	yes	20
1978	Libya	Trp		20
1978	Libya	MBT Leopard	yes	210
1978	Libya	MBT Lion		200
1978	Libya	Tra		260
1978	Morocco	Hel	yes	6
1978	Niger	Trn/Fga		5
1978	Niger	ShAM		16
1978	Niger	CPB		15
1978	Spain	AswHel	yes	12
1978	Spain	Hel	yes	6
1978	UAE	MBT Leop	yes	20
1978	UAE	MBT Lion		20
1978	UAE	LP		4
1978	Zaire	Trn		9
1978	Zambia	Hel		16
1978	Zambia	Trn		18
1978	Zimbabwe	COIN		17
1979	Argentina	Hel		6
1979	Argentina	ShAM		96
1979	Burma	Trn/COIN		9
1979	Congo	CPB		3
1979	Dubai	MBT Leop	yes	20
1979	Ecuador	AAM		?
1979	Ecuador	PC		6
1979	Egypt	AAM		?
1979	Egypt	Frg		2
1979	Indonesia	Trn		6
1979	Iraq	ShAM		?
1979	Iraq	ShShM		?
1979	Iraq	Tkr		1
1979	Lebanon	Hel	yes	6
1979	Lebanon	Fac(P)		6
1979	Libya	AC		?
1979	Libya	APC	yes	?
1979	Morocco	Hel		6
1979	Morocco	Hel	yes	?
1979	South Africa	ADS		?
1979	Singapore	COIN/Trn		6
1979	Somalia	APC		?
1979	Somalia	Trp		4
1979	Somalia	Trp		4
1979	Somalia	COIN		6
1979	Somalia	LP		6
1979	Spain	ShAM		?
1979	Tunisia	Hel	yes	18

1979	Tunisia	APC		120
1979	Zaire	COIN		8
1980	Argentina	Trn		10
1980	Brazil	Frg		?
1980	Brazil	Sub		9
1980	Brazil	PC		12
1980	Egypt	Hel	yes	15
1980	Egypt	FAC		6
1980	*Egypt	Hel	yes	4
1980	Greece	Hel	yes	6
1980	Iraq	PC		6
1980	Iraq	Hel	yes	6
1980	Iraq	Frg		4
1980	Iraq	Sub		?
1980	Iraq	Hel	yes	6
1980	Iraq	Tkr		1
1980	Lebanon	PB		5
1980	Libya	Hel		?
1980	Morocco	Hel	yes	19
1980	Morocco	Hel	yes	6
1980	Morocco	Hel	yes	5
1980	Pakistan	LP		100
1980	Peru	APC		10
1980	Portugal	Hel		12
1980	Somalia	Hel	yes	12
1980	Spain	Hel	yes	3
1980	Tanzania	Hel	yes	2
1980	Thailand	FAC(G)		5
1980	Turkey	Hel	yes	12
1980	Yemen	Hel	yes	?
1980	Yemen	Hel	yes	1
1980	Zambia	Hel	yes	7
1981	Brunei	Trn/COIN		2
1981	Burma	Trn		3
1981	Egypt	Hel		4
1981	Egypt	ADS		?
1981	Greece	Trp		30
1981	Iraq	AAM		224
1981	Iraq	ShShM		60
1981	Libya	ShShM		?
1981	Libya	SPH		210
1981	Malaysia	Sweep		4
1981	Peru	Trn/Str		14
1981	Peru	AC		15
1981	Seychelles	PC		1
1981	Somalia	LP		2
1981	*Thailand	FAC		3
1981	UAE	Hel	yes	1
1981	Zaire	COIN		?

1982	Brazil	Hel	yes	6
1982	Cameroon	AA Btry		6
1982	Ghana	Trn		8
1982	Greece	SAM		?
1982	Haiti	Trn/COIN		6
1982	Haiti	Trn		6
1982	Libya	FAC(M)		4
1982	Malaysia	Trp		12
1982	Morocco	SAM		?
1982	Niger	Trp		5
1982	Niger	SPH		25
1982	Peru	Trp		6
1982	Peru	COIN/Trn		50
1982	Saudi Arabia	APC		200
1982	Somalia	COIN		?
1982	UAE	Trn		5
1982	Zimbabwe	Trn		10
1983	Egypt	AAM		32
1983	Leso	Hel	yes	2
1983	Libya	PC		4
1983	Niger	Sweep		1
1983	Niger	Trn/Str		12
1983	Oman	SPH		?
1983	Saudi Arabia	HOW		200
1983	Singapore	Trn		30
1983	Somalia	MBT (M47 Patton)		100
1983	Thailand	AAM		24
1983	UAE	MBT		40
1983	Venezuela	Trp		8
1983	Venezuela	PC		6
1983	Zimbabwe	Hel	yes	2
1984	Haiti	Trn		4
1984	Iraq	Hel		?
1984	Iraq	AswHel	yes	8
1984	Peru	AswHel	yes	8
1984	Spain	Hel	yes	28
1984	Spain	Hel	yes	12
1984	UAE	COIN		4

* Estimated order dates based on delivery date and an average of two years delivery time.

Sources: ACDA, World Military Expenditures and Arms Transfers, 1967-1983, and Louscher, David J. and Salomone, Michael D. Assessing the Relationship between Technology Transfer and the Security Assistance Provided by the United States, November 1985.

Annex 1 to Appendix

Abbreviations and Acronyms for Weapons and Weapons Systems

AA	Anti-Aircraft
AAM	Air to Air Missile
AC	Armored Car
ADS	Air Defense System
AEV	Armored Engineer Vehicle
AEW	Armored Early Warning System
AFV	Armored Fighting Vehicle
ALV	Amphibious Landing Vehicle
APC	Armored Personnel Carrier
ASM	Air to Surface Missile
ASW	Anti-Submarine Warfare
ASWHEL	Anti-Submarine Warfare Helicopter
CPB	Coastal Patrol Boat
COIN	Counter Insurgency
CORV	Corvette
FAC	Fast Attack Craft
FRG	Frigate
FTR	Fighter
HEL	Helicopter
HOW	Howitzer
ICV	Infantry Combat Vehicle
LP	Light Plane
MBT	Main Battle Tank
MT	Medium Tank
PB	Patrol Boat
PC	Patrol Craft
SAM	Surface to Air Missile
SPH	Self Propelled Howitzer
SSM	Surface to Surface Missile
ShShM	Ship to Ship Missile
STR	Strike
SUB	Submarine
Sweep	Mine Sweeper
TRN	Trainer
TK	Tank
TKR	Tanker
TRP	Transport Aircraft or Helicopter
VEH	Vehicle

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