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# International Dynamics of U.S. National Defense Acquisition and Budgetary Policy

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Monterey, California. Naval Postgraduate School

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# **United States Defense Acquisition and Budgetary Policy in the Global Context**

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*&*

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*NPS Defense Acquisition Conference 2012*

# Research Question

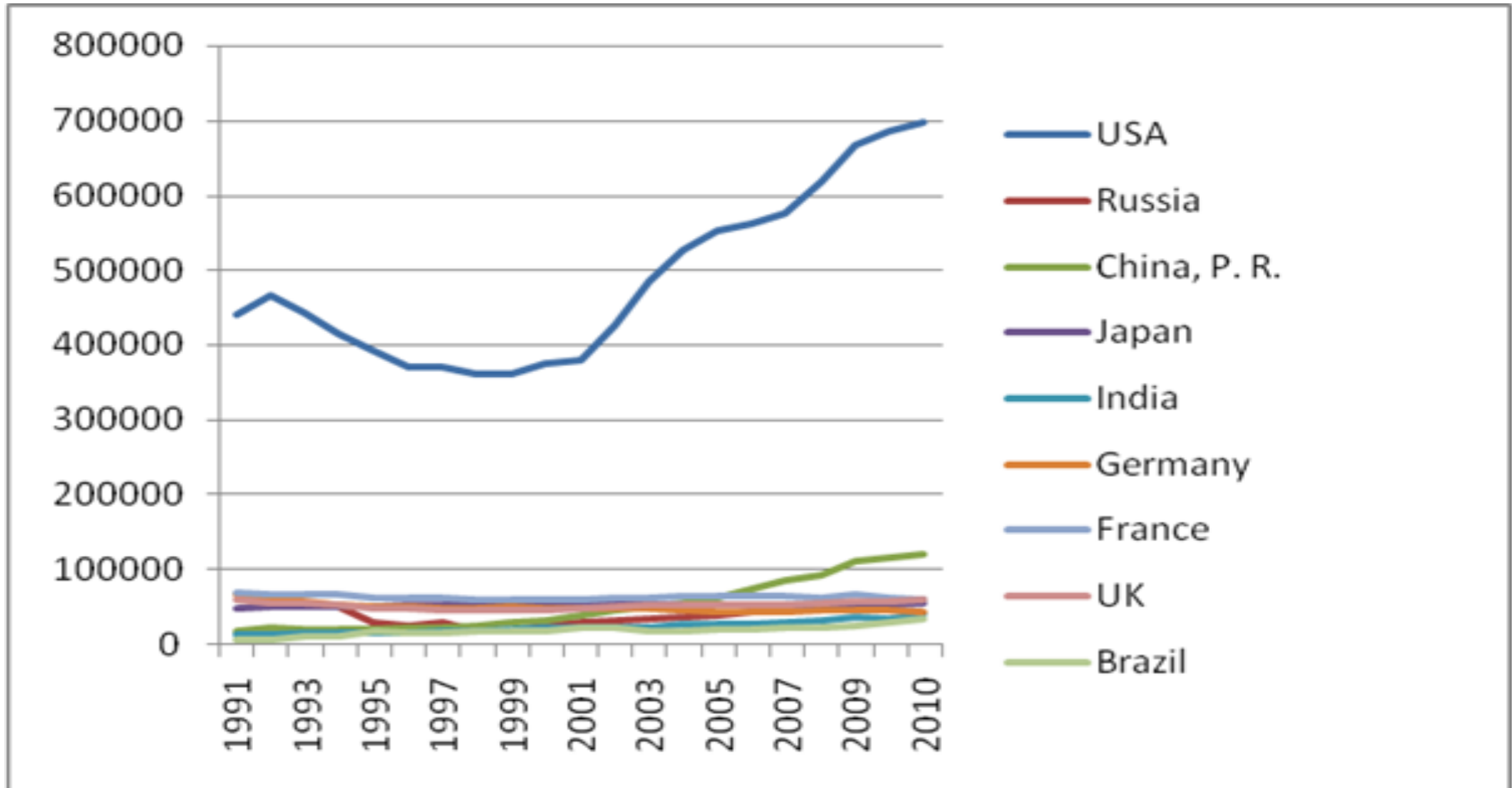
- What are the effects of U.S. defense spending and budgetary choices on other states' acquisition policies?

# Structure of the Presentation

- 1) great powers' defense budgets compared
- 2) technological development and diffusion
- 3) impact on the arms trade
- 4) concepts: arms racing / burden sharing
- 5) arms racing / burden sharing in Asia?
- 6) arms racing / burden sharing in Europe?

# 1) Great Powers' Defense Budgets

(Figures in Billions of Constant 2010 Dollars)



## 2) The Impact of US Defense Spending on Technological Development / Diffusion

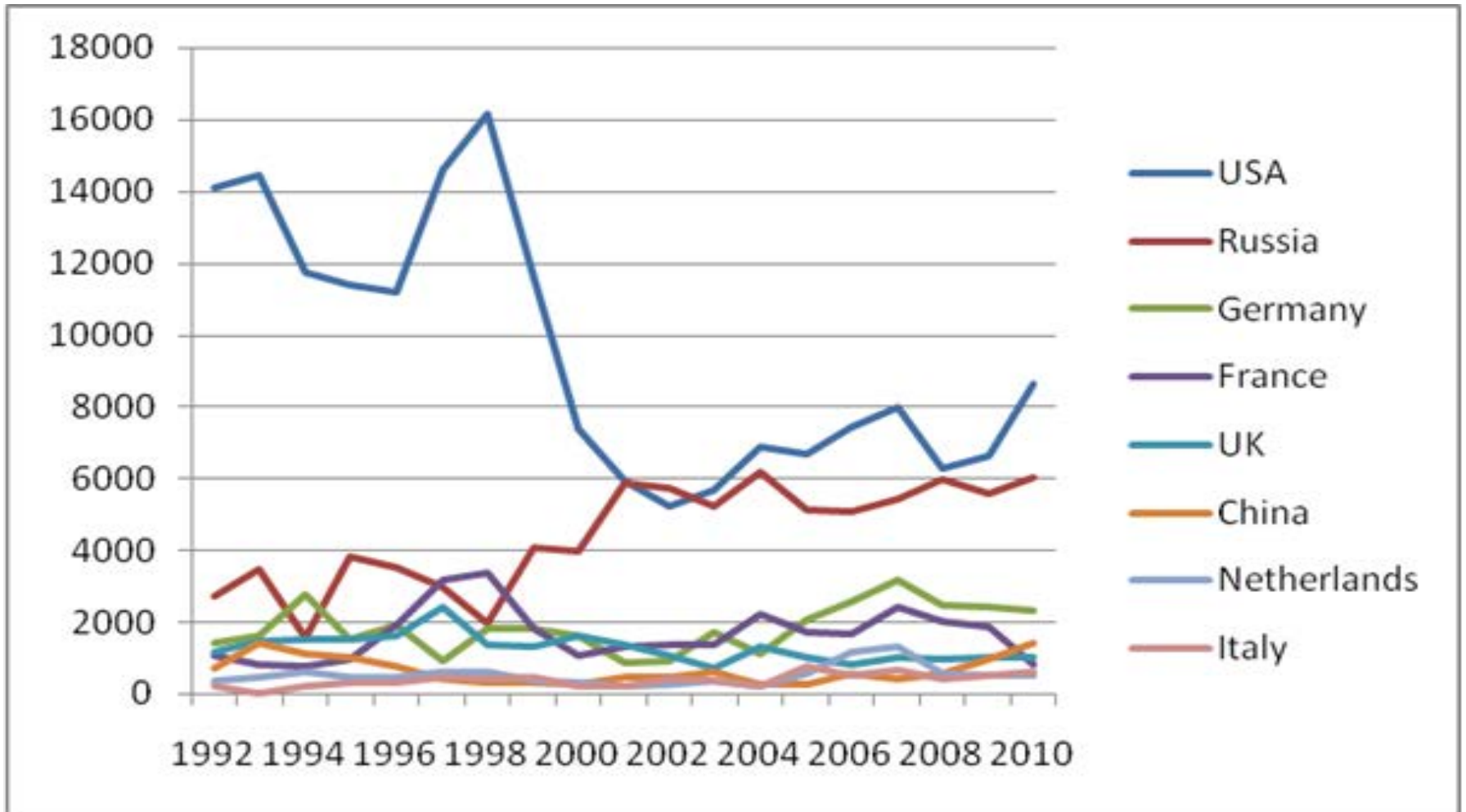
- 1) the U.S. spends much more on defense R&D than any other state
  - \$79 billion in 2009 versus \$12 billion for EU 27
  - Other powers less: China \$4-6 billion, UK & France \$4-5 billion, India 1.5 billion
- 2) this has generally resulted in the U.S. acquiring *military* advantages at a high technological cost, while other states reap the *economic* advantages of being technological second-movers
- 3) other states attempt to acquire U.S. technology by various means

## 3.a.) The U.S. and the Arms Trade

- 1) U.S. firms have competitive advantages because of their greater learning- and scale-economies
- 2) However, low industrial dependence on exports (only 10% of production) means that the U.S. can be restrictive in its arms export policies
- 3) The structural need to export a larger proportion of the arms they produce (33 to 75%) forces other states to be less restrictive in their exports and provide a variety of export subsidies

# 3.b.) Arms Exports Compared

(Figures in Billions of Constant 1990 Dollars)

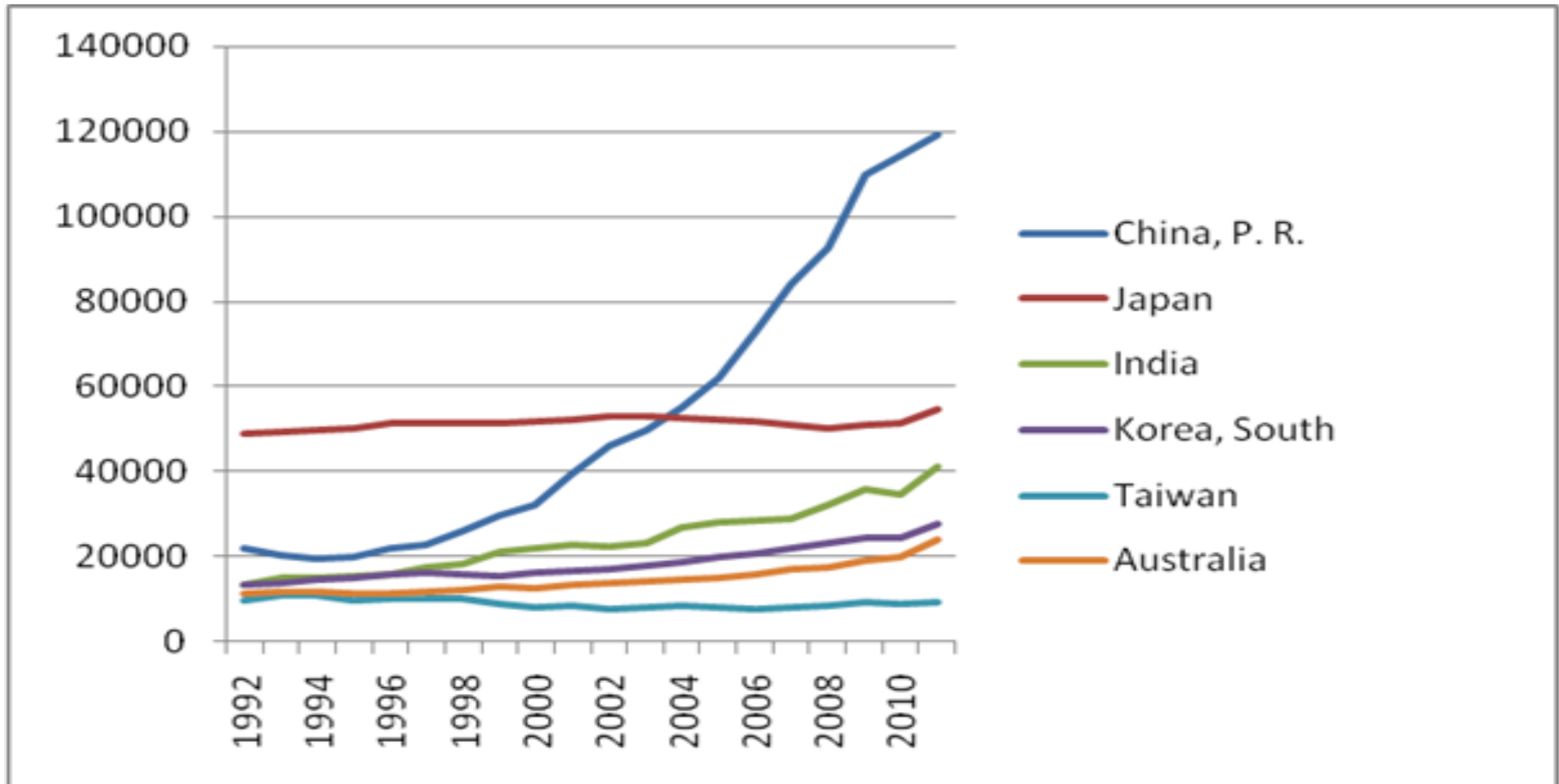




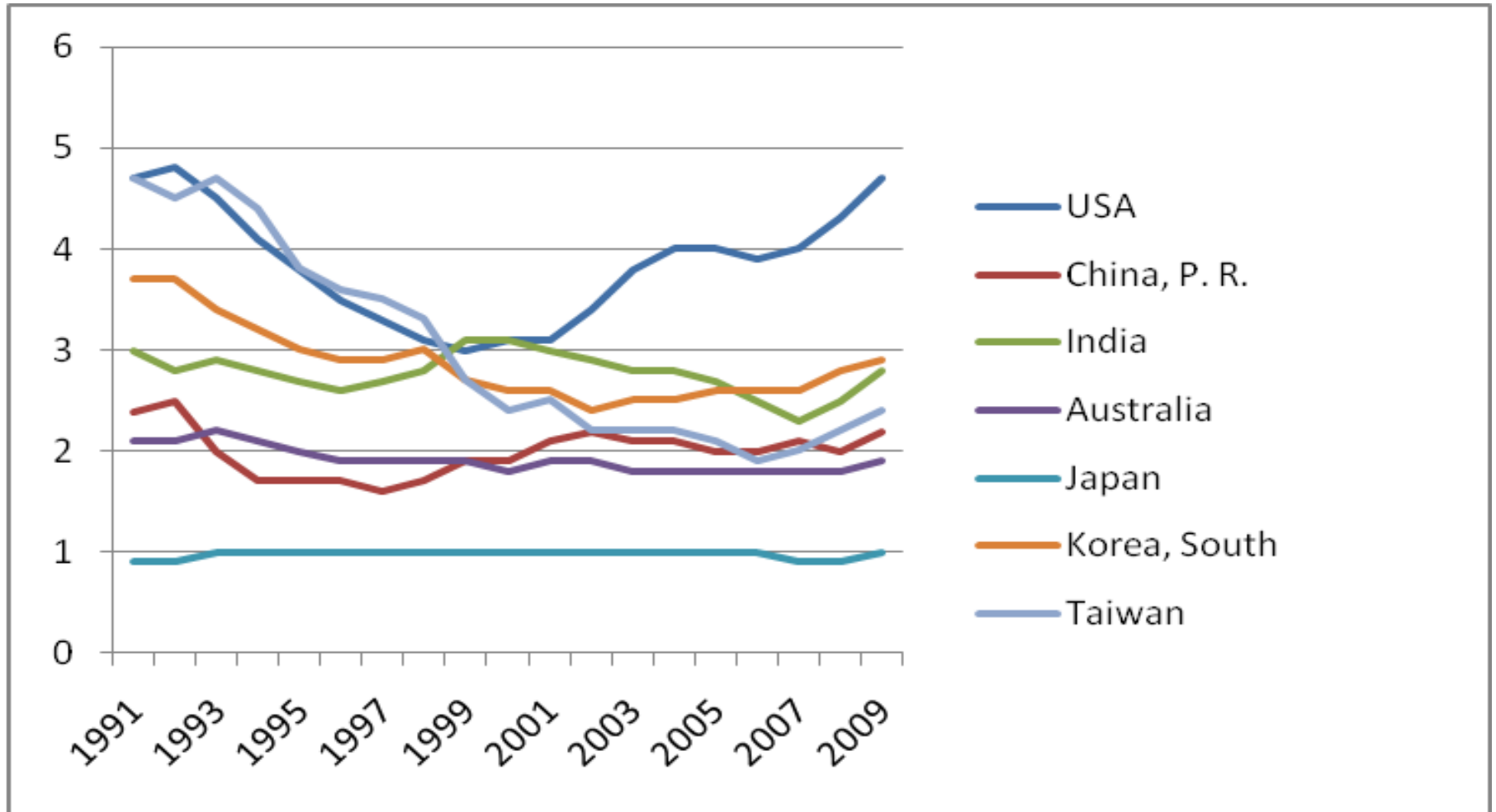
## 4) Arms Racing / Burden Sharing

- 1) *Arms racing* may be occurring when the defense expenditures of the U.S. and potential rivals appear correlated
- 2) *Burden sharing* should be revealed by strong correlations between the U.S.'s defense expenditures and those of their allies
- 3) Both absolute expenditures and expenditures as a percentage of GNP will be examined

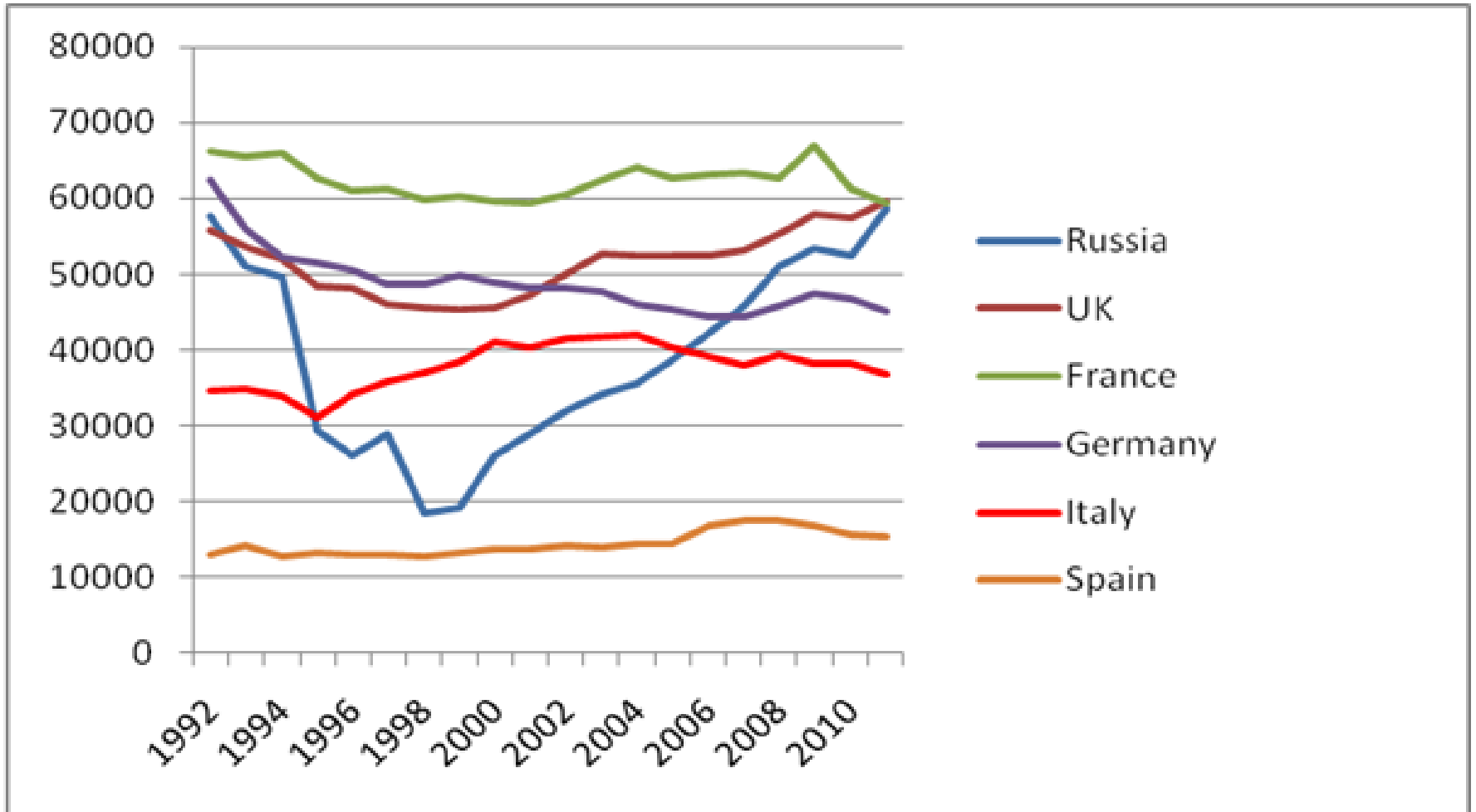
# 5.a.) Asia-Pacific Defense Expenditures; (Figures in Billions of Constant 2010 Dollars)



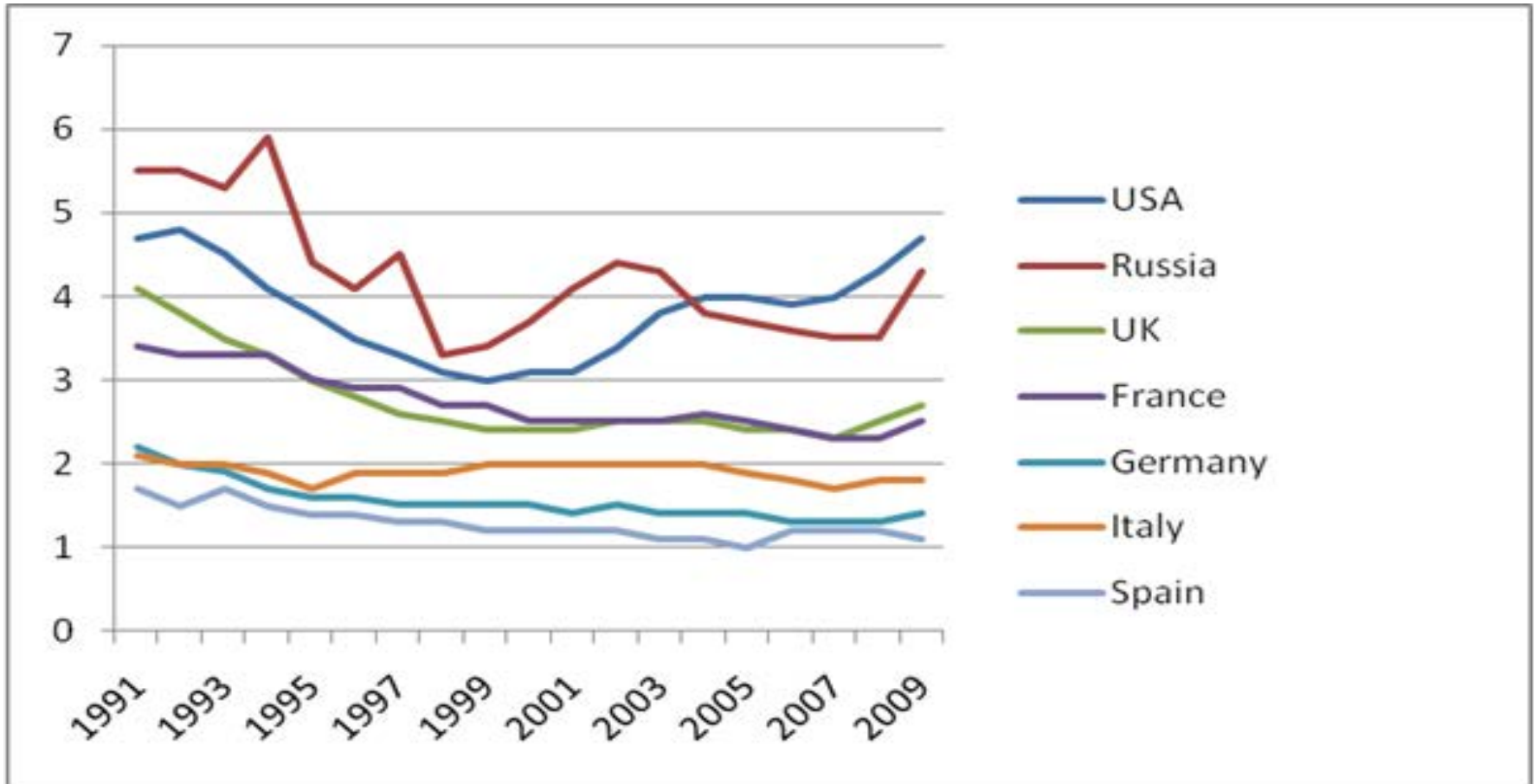
# 5.b.) US and Asia-Pacific Defense Budgets as a Percentage of GNP



# 6.a.) European Defense Expenditures; (Figures in Billions of Constant 2010 Dollars)



# 6.b.) US and European Defense Budgets as a Percentage of GNP



## 7) Conclusion

- 1) The U.S. plays a critical role in the development and diffusion of defense technology
- 2) America's role in the *arms trade* is smaller than might be expected because of the *restrictiveness* of its export policies and the *structural need* of other states to export proportionally more arms
- 3) Neither *arms racing* nor *burden sharing* appear to connect the U.S.'s defense budgets to those of allies or potential rivals
- 4) Rather, allies prefer to free ride so long as U.S. expenditures are so high while potential rivals are unwilling to engage in expensive arms races



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**Thank you very much for your  
attention!**