

Beyond LAVs: Corruption, commercialization, and the Canadian defence industry.

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Abstract:

The Trudeau government's decision to uphold a 2014 contract to sell \$15 billion worth of military equipment to Saudi Arabia has attracted considerable controversy in Canada, garnering both opposition and support. Yet public discussion of the Canada-Saudi LAV contract has sidestepped the most serious problems raised by Canada's escalation of its involvement in the international arms market through this sale: the violence and corruption of the international arms trade, to which this sale contributes; the subordination of Canadian foreign policy and of international peace and security to commercial aspirations and the short-term interests of electoral politics, which this contract evinces; and the questionable importance of the Canadian defense industrial base, upon which arguments in favor of this contract rely. Given both the political and economic salience of defense industry jobs in the 2015 election and the export-driven nature of Canada's defense industry, Canadians should not be surprised by the Canada-Saudi LAV deal. The real question, however, is whether Canada should support its own defense industrial base, whatever the costs and contribution to corruption—or not.

INTRODUCTION

Canada's \$15 billion sale of light armoured vehicles (LAVs) to the Kingdom of Saudi Arabia is the largest military export contract in Canadian history. Since it was announced in 2014, the contract for General Dynamics Land Systems-Canada (GDLS-C) to produce and provide Saudi Arabia with "armoured combat vehicles that will be equipped with machine guns, medium-calibre weapons or even powerful barrels capable of firing 105mm shells or anti-tank missiles" (Chase, 2016a) has rarely left the news, generating considerable controversy in Canada. On the one hand, supporters have hailed this contract as an important accomplishment of former Prime Minister Stephen Harper's Conservative government, a boon to Canada's economic and political interests at home and abroad. Proponents expect this sale of military equipment could create 3,000 new jobs in Canada over the next 14 years, promote economies of scale for more affordable domestic procurement by the Canadian Armed Forces, and support new research and development, innovation, and additional export opportunities for Canada's defense industry (Cianfarani, 2016; Juneau, 2016; Perry, 2016). Moreover, supporting the national security of Saudi Arabia – a crucial oil-producing ally of the United States in a volatile, strategically important region, whatever its reputation for corruption, intolerance, and support for Islamic extremism – is a good move for Canada-US relations and promotes governance and stability in the Middle East (Crowley, 2016; Juneau, 2016). This landmark arms sale establishes Canada as a global player in the international arms market, supporters claim, encourages much-needed military self-sufficiency, and promotes Canadian national security (CADSI, 2016a; Perry, 2016).

In spite of these alleged benefits, the LAV contract has also inspired considerable outrage among Canadians. Public opposition has been clear: seventy-three percent of poll respondents in June 2016 opposed the sale of Canadian military goods to Saudi Arabia to some degree (cited in Chase, 2016). Impassioned op-eds have castigated the deal as a cynical choice of commerce over human rights (Epps, 2014; Jaramillo, 2015; Globe and Mail, 2016a; Yakabuski, 2016) and "a terrible mistake" through which Canada will damage its international reputation, its chances for a seat on the UN Security Council, and its influence in international affairs (Byers, 2016). Prompting much of this criticism is Canada's seemingly incongruous position as arms supplier to "one of the world's most brutal and repressive dictatorships" (Yakabuski, 2016). In addition to its notorious domestic human rights abuses (Amnesty International, 2016), Saudi Arabia also has

allegedly participated in scores of unlawful, civilian-targeted air strikes against homes, markets, hospital, schools, and mosques in Yemen (Human Rights Watch, 2016). Arms sales to states that target civilians and breach their human rights obligations violate both Canadian and international law.

Saudi Arabia is, furthermore, especially notorious as a source of significant corruption in the arms industry. The now-infamous multi-billion pound UK-Saudi arms deal known as al-Yamamah, for example, has included extensive transnational bribery, secret corporate slush funds, and illicit offshore payments that have implicated both Saudi officials and elements of the UK political system in ongoing “deception, duplicity and knowing violations of law” for decades (BBC News, 2008; Dawber, 2010 for quote; Leigh and Evans, 2010, 2006). In this context, and as Canada already displays a poor record of enforcement on laws to curb transnational bribery and corruption, the Canada-Saudi LAV sale casts serious doubt on Canada’s contribution to global efforts to curb corruption (Gutterman, 2016; OECD Newsroom, 2011).

Given these concerns, opponents of the Canada-Saudi LAV deal ask, why is the newly elected Liberal government of Justin Trudeau selling arms to Saudi Arabia? Having inherited the contract from the preceding Conservative government, and despite having supported the sale while campaigning, many critics expected the Liberals, once in power, to cancel the contract. Instead, the Liberals refused to do so, inspiring critics to claim that the Liberals “lied” to Canadians about its involvement in seeing the deal to completion (The Guardian, 2016). Not only did the Liberal government approve the export permits associated with the sale, it amended Canada’s export regulations and removed previous human rights-related restrictions to make the sale permissible, post-hoc (Globe and Mail, 2016b). Framed in this way as an apparent contradiction of Liberal party promises, its avowed human-rights oriented liberal-internationalism, and of its self-promoted “sunny ways” image of positivity, optimism, and hope (Liberal Party of Canada, 2016), Liberal party support for the Canada-Saudi LAV contract seems puzzling.

The second question for opponents is: why is *Canada* selling arms to Saudi Arabia? Leaving aside party politics, the conundrum here rests on assumptions about Canada’s national identity and its role in the world as a human rights-promoting beacon of liberal-internationalism (Paris, 2014), constitutional democracy, and good governance— ostensibly “the core values that define

Canada's character as a nation" (Project Ploughshares, 2016). Canada, in short, is too "good" to be selling arms to bad actors; the Canada-Saudi LAV deal demands explanation.

In our view, these concerns are misplaced. Despite the "withering criticism" (Globe and Mail, 2016b) evident in the press, Canadians should not be surprised by this deal. The Canada-Saudi LAV sale itself represents neither a moral corruption of Liberal (and Canadian) political values, nor a significant shift in longstanding Canadian policy priorities. It is, rather, a clear example of how government support of Canada's defense industrial base necessarily entails the promotion of corruption and violence abroad, and risks the "blowback" of these problems at home (Feinstein, 2012). Our analysis reveals that the Canada-Saudi LAV sale is overdetermined by a panoply of political and economic incentives driving Canada's turn to military exports, including domestic electoral politics and the political economy of the arms trade itself. Rather than merely encouraging hand-wringing over a sale of weapons to a 'distasteful' and corrupt regime, we propose another question for Canadians to consider: Should Canada be a global player in the international arms trade in order to sustain its domestic defense industry?

Our answer is, probably not. The question is at least debatable. The international arms trade spreads violence, corruption, political instability, and human rights abuse. It exacerbates protracted conflicts and creates war economies (Duffield, 2000) which sustain transnational organized crime and transnational terrorism. In the face of these negative externalities, Canada's \$15 billion sale of military equipment to Saudi Arabia evinces a subordination of foreign policy, national security, and the requisites of international peace and security to commercial aspirations and to the short-term interests of electoral politics. Against the standard, unchallenged, argument that Canada needs a defense industrial base for its own security – in which case exports to human rights abusing countries in strategically volatile regions are not just par for the course but an economic and political necessity (Perry, 2016) – our analysis suggests the need to rethink such priorities.

1. Why are the *Liberals* selling LAVs to Saudi Arabia?

The Canada Commercial Corporation – Canada's international government-to-government contracting organization – negotiated and concluded the Canada-Saudi LAV deal on behalf of GDLS-C while Stephen Harper was Prime Minister. Announced with great fanfare in 2014, the contract matched, promoted, and confirmed that party's stated approach to Canadian politics and

foreign policy. Inspired by the right-of-centre U.S. Republican party (Turcotte, 2012), and having “decimated” their opposition in the 2011 election (McMillan, 2011, p. 135), the Conservatives were in full pursuit of their goal of shaping Canada as an outward-looking, entrepreneurial, exporting nation (McMillan, 2011, p. 139). Unhampered by Canada’s notably lax anti-corruption enforcement (Sher, 2011) the Conservatives’ 2013 Global Markets Action Plan had identified Saudi Arabia as a priority market (Global Affairs Canada, 2013) and the \$15 billion LAV contract represented a noteworthy increase over the previous year’s \$900 million in trade (Gormisky, 2014). Moreover, given the “totemic value” of defence spending (McInnes, 1998) and military interests more generally (Dowd, 2001) for conservative parties, the pursuit of this contract – and military exports more generally – by the Harper Conservatives is unsurprising.

By these same measures, the Liberal government’s 2016 decision to complete the sale seems, on the surface, unexpected. The Liberals *could* have cancelled the contract; export permits had not yet been approved at the time of the 2015 election. Given public opposition to the sale and its surrounding controversy, the public would likely have supported a Liberal cancellation. This would also have been an opportunity for the Liberal Party to differentiate itself from the previous government. While it is not news that “governing parties sometimes pursue policies that seem starkly at odds with what they have [claimed are] their purposes and priorities” (Bow and Black, 2008, p. 7), the Canada-Saudi LAV sale is a particularly striking example of this incongruence. When, fresh from electoral victory, Prime Minister Justin Trudeau proclaimed that Canada’s “compassionate and constructive voice in the world ... was back” (quoted in Bronskill, 2015) his jubilant rhetoric suggested values, not economics, would guide his government’s policy. As one commentator put it, “the rigidly autocratic and puritanical Saudi kingdom is not a model of Trudeau-esque hugs-and-singalongs around the national campfire” (Crowley, 2016). Notwithstanding these inconsistencies, however, upon closer inspection Liberal party support for the Canada-Saudi LAV becomes less puzzling.

The political impact of defence jobs is key to explaining Liberal support for the 2014 Canada-Saudi LAV contract, which is expected to support thousands of manufacturing jobs in Southwestern Ontario” (Richmond, 2014). This employment is both economically and politically important. Many jobs in the defence industry are relatively sophisticated engineering and technical positions that pay well, earn good foreign exchange, and generate a lot of support in

affected communities (Salinas, 2016). In addition, these manufacturing jobs are in a protected labour market. Unlike similar jobs in the auto sector, for example, reasons of ‘national security’ may exempt defense jobs from international free trade agreements; they are unlikely to be exported to less-expensive labour markets overseas (Repinski et al., 2013). Their linkage to ‘national security,’ furthermore, enables conservative parties in particular to court unionized defense workers without annoying the party’s typically anti-union base.

Since the turn of the millennium, and mirroring economic trends in other OECD states, the manufacturing sector in Canada has been in precipitous decline and not expected to recover (Bernard, 2009). Large numbers of manufacturing jobs have disappeared, replaced by less stable, largely part-time employment in the service industry. In Canada, the “rust belt” of Southern Ontario has been particularly hard hit by these trends, making the employment gains associated with the Canada-Saudi LAV sale especially attractive. London, Ontario – home to the GDLSC plant that will be producing LAVs for the Saudi Arabia – contains four federal ridings, is surrounded by six others, and is a battleground in federal politics. In both 2008 and 2011, after targeted campaigning by the Conservative party (McMillan, 2011) several London city ridings that had been considered traditionally Liberal elected Conservative representatives. In 2015, it seemed as if neither party could win a majority in Parliament without taking these Southwestern Ontario ridings (Walcom, 2015). In the event, Liberal promises to uphold the LAV deal seems to have paid off; in the 2015 federal election, Liberal candidates wrested victories from Tory incumbents in two of the London city ridings. In sum, Canadians should not be surprised that the Liberals declined to cancel this contract. This deal is both consistent with longstanding Liberal party policies, and of immediate political expediency to the current party’s government.

2. Why is *Canada* selling LAVs to Saudi Arabia?

If it is not surprising that the Liberal Party, in particular, is going ahead with the Canada-Saudi LAV sale, the question remains: why is Canada providing military equipment to a notoriously corrupt, oppressive, anti-democratic, militarily aggressive, human rights abusing regime (Carapico, 2015) in the first place? The moralism underlying this question may reflect an ignorance of Canada’s longstanding role in the international arms trade. In the context of Canada’s history as an arms exporter, including its previous sales of military equipment to Saudi Arabia (Thompson, 1994) the current LAV contract is hardly out of character.

Most Canadians may not realize that Canada boasts a relatively robust defense industry, encompassing more than 700 companies and 63,000 jobs across the country, with \$10 billion in revenues (CADSI, 2016b; cited in Juneau, 2016)¹. Canadian governments have long sought to nurture and support this domestic defense industrial base, for reasons of economic growth and the pursuit of “security independence” (Stone, 2008). Both government and industry tout the many positive spillovers of defense manufacturing in the economy and Canadian society, including investments in higher education, technological innovation, social capital, economic growth, sovereignty, and (perhaps surprisingly) environmental protection (Government of Canada, 2005; Public Works and Government Services Canada, 2013). Government procurement contracts for Canadian-made military equipment also frequently include offset requirements which commit defense manufacturers to invest in local subcontractors and suppliers (Brauer and Dunne, 2004), ostensibly an important source of value for local Canadian economies.

No country can create nor sustain a self-sufficient defense industrial base without significant government support, whether through subsidies for research and development, production, employment, or the purchasing of entire production runs. As such, the global arms market writ large is fundamentally illiberal, distorted due to national security prerogatives by government protectionism, duplication, and geopolitical restraint. Most countries subsidize and support their own defence industries through a variety of localized “trade diversion” policies, meaning that opportunities for significant market access, particularly in advanced democracies, are limited (Markowski and Hall, 2010). Canada, as a small and strategically unimportant nation in its own right, cannot count on its economic or strategic status to drive demand for its products. Since it has no real “neighbours,” either politically or geographically who might be incentivized into purchasing significant quantities of Canadian defence goods, the market for Canadian defence products is especially slim.

Moreover, since the end of the Cold War, as defense budgets have shrunk and Western countries are no longer willing to buy the entire production runs of their defence manufacturers, the political economy of the arms trade is such that *exports* are essential to the sustainability of any national defense industry. In Canada, roughly 50% of defence and aerospace sector revenues comes from exports (KPMG, 2012). In the absence of own-government purchase orders, arms

¹ Sources citing these figures, however, neglect to add to that this represents a mere 0.375% of Canada’s \$1783.78 billion GDP in 2014 (Trading Economics, 2016).

exports create economies of scale for domestic military acquisitions, promote domestic employment, and fund valuable R&D; in short, they are essential to the survival of most domestic defence industries (Perry, 2016). Amidst plummeting oil prices, reduced demand from China for natural resources, and a severely challenged manufacturing sector in central Canada, the defence sector presents a seemingly irresistible opportunity for a profitable, new export industry with many downstream benefits. While Canada does not rank highly on exports of complete weapons systems, it is a prolific producer of weapons systems components and subsystems, and successive Canadian prime ministers – both Liberal and Conservative – have pursued export contracts for its defense and aerospace manufacturers.²

The same rapid post-Cold War reduction in Western defense expenditure that caused countries to emphasize defence export markets has also required countries to look outside their traditional markets for selling arms. Today, the major buyers of defense products are developing countries, often with unstable regimes, questionable human rights practices, and internal conditions of violent unrest. As a case in point, Saudi Arabia is the second largest arms importer in the world today after India Saudi Arabia's arms imports – which comprise 27% of total arms transfers to the Middle East – increased by 275 per cent between 2011-2015 compared to 2006-2010 (Fleurant et al., 2016, pp. 7–8). Saudi Arabia's ongoing intervention in Yemen, begun in 2015 alongside a coalition of Arab states including Egypt, Qatar, and the UAE, has both driven and been facilitated by this rapid increase in arms purchases. Canada's LAVs, fitted with Belgian-made turrets (Binnie, 2016), stand alongside a range of weapons on order to Saudi Arabia, including 14 combat aircraft from the UK and 150 combat aircraft (plus thousands of air-to-surface missiles and anti-tank missiles) from the USA (Sorenson, 2014). Given the size of the Saudi market for arms, the limits of Canada's domestic procurement, and the necessity of exports, it seems that if Canada wants a defense industrial base, it needs Saudi Arabia to be its client.

This is nothing new; Canada has been pursuing defense export contracts in Saudi Arabia and similar markets for decades, and this pursuit has meant extensive government support for securing such deals. For example, in 1994 Canada removed human rights considerations from its

² In the period 2011–15, the world's top five arms exporters, which together accounted for 74 per cent of the total volume of arms exports were the USA, Russia, China, France and Germany. The five largest arms importers by share of imports as a percentage of the global share were India (14%), Saudi Arabia (7%), China (4.7%), United Arab Emirates (4.6%) and Australia (3.6%) (Fleurant et al., 2016; SIPRI, 2015).

feasibility analysis and sold sophisticated weapons to Thailand at a time when other Western countries had ceased exports to the country due to its links with Myanmar and the Khmer Rouge in Cambodia (Todd, 1994). Liberal Prime Minister Jean Chrétien aggressively promoted arms sales to such countries as Pakistan, Algeria, Egypt and Saudi Arabia, in spite of “persistent human rights abuses.” (Ibid.) In the 1990s, as now, the London, Ontario-built LAVs were a cornerstone of this increased trade, thanks in no small part to the sale of more than 1,000 LAVs to the Saudi Arabian National Guard in 1994, part of an export surge that saw Canadian military exports grow 48% in 1994 over 1993 (Globe And Mail, 1995). This sale was negotiated after the London production line seemed at risk of shutting down, following the completion of a large order for the US military; since 1991, GDLS-C has sold more than 1800 such vehicles to Saudi Arabia. (Epps, 2014)

More recently, arms exports increased dramatically after the Conservative majority victory in 2011, driven by sales to countries like Bahrain, Egypt, Algeria, Mexico and Pakistan. An analysis by the Canadian Press found that the overall defence sector, which stayed relatively constant from 2004-2011, grew by roughly 4% in 2012, in spite of massive reductions in the proportion of sales to traditional allies such as the US, the UK and Spain (Blanchfield, 2013). This increase came about as the Conservative government began explicitly to emphasize trade expansion--what it called “economic diplomacy,” that is, ensuring “that all Government of Canada diplomatic assets [were] harnessed to support the pursuit of commercial success by Canadian companies and investors” (Gov’t of Canada 2013) --in its foreign policy. To do so, the government planned to target developing countries whose markets were of particular interest to small and medium-sized enterprises like Winnipeg’s PGW Defence Technologies, whose military-grade rifles have been found entangled in the bloody Yemeni civil war via their legal export to Saudi Arabia. And, as in the 1990s, a decline in sales to traditional partners seems to be behind the recent push for increased sales to less salubrious countries. In 2014, a leaked briefing note revealed that the drawdown of Afghanistan war-related sales in traditional markets, particularly the US, specifically prompted the Conservative government to add Brazil, Chile, Peru, and South Korea to the Automatic Firearms Country Control list—the “friendly” list for foreign arms sales. (Berthiaume, 2014b). In sum, the current Canada-Saudi LAV sale represents the continuation of long-standing Canadian policy to promote arms sales abroad, albeit at a larger scale.

3. Should Canada be a global player in the international arms trade, in order to sustain its domestic defense industry?

Critics of the Canada-Saudi LAV sale have focused their objections on the way this contract seems to sidestep Canada's formerly robust and human-rights-sensitive export control regulation (Project Ploughshares, 2016); its lack of compliance with international law and human rights (Byers, 2016); and its hypocrisy (Guardian, 2016; Yakabuski, 2016). While these objections are valid, they are largely beside the point. In our view, the problems with this contract about which Canadians should most be concerned are three-fold: the negative externalities of the arms trade writ large, to which this contract contributes; the subordination of foreign policy and of the requisites of international peace and security to commercial aspirations and the short-term interests of electoral politics, which this contract evinces; and the questionable importance of the Canadian defense industrial base, upon which arguments in favor of this contract rely.³

a) Negative Externalities of the Arms Trade

Putting aside the details of the particular contract, an important problem raised by this LAV sale is the way in which it constitutes significant participation in the global arms trade itself. The arms trade spreads violence, political instability, human rights abuse, and corruption (Feinstein, 2012; Guest, 2016; Transparency International (UK), 2001). Conventional weapons and light arms procured by states through the legal international trade proliferate to violent non-state actors including transnational criminals and terrorists, and fuel protracted civil conflict and the war economies which sustain them (Duffield, 2000; United Nations, 2015). In a very direct sense, the buying and selling of arms on the international market affects the lives--and deaths--of billions of people around the world (Stohl and Grillot, 2009, p. 3).

In addition to the violence produced directly by the proliferation of weapons and military equipment, the international arms trade is rife with endemic bribery, corruption, and unethical business practices (Feinstein, 2012; Feinstein et al., 2011; Williams, 2008). Conducted in an opaque market shrouded in government and commercial secrecy and often brokered through unethical agents seeking lucrative commissions, "the problem with arms exports" as one report

³ For another discussion of the subordination of human rights to industry interests in Canadian foreign policy, see (Webster, 2010)

put it, “is that they often go to unreliable governments in unstable parts of the world, with the deals smoothed by bribes” (Economist, 2002). While we do not have direct evidence of Canadian-paid bribes for weapons procurement or export promotion, evidence abounds of corrupt payments made by parent companies in the aerospace and defense industry (Guest, 2016; Jarrett and Taylor, 2010; Transparency International, 2013). Weapons procurement exacerbates kleptocracy, grand corruption, and anti-democratic practices in areas already affected by chronic political instability, sluggish economic growth, human rights abuses, and widespread corruption (Bondi, 2004, p. 43). This corruption in turn feeds political instability, sustains poverty and inequality, undermines public trust in society’s institutions of governance, leads to social unrest, and supports the proliferation of transnational crime and terrorism (Gutterman, 2016). Billions of dollars in corruption-driven arms procurement across the developing world divert public funds that might otherwise be put to use towards sustainable development, poverty alleviation, public health promotion, or environmental governance (for example, see Holden and Van Vuuren, 2011). And, even when arms sales may be scrupulously above-board, military spending and arms procurement expenditures themselves are often detrimental to broader economic development (Brauer and Dunne, 2002).

These negative externalities of the arms trade often undermine the very security that defense industries purport to strengthen, both abroad and at home. Blowback – the unintended and unexpected negative consequences of weapons sales (Feinstein, 2012, pp. xxii–xxiii) – is significant for both the purchasers and sellers of weapons. For arms producing states such as Canada, the risk is more grave than just the public distaste requiring us to “hold our collective noses” (Juneau, 2016). Participating in the arms trade means contributing to the geopolitical conditions that have necessitated Canadian involvement in foreign wars, produced intractable and destabilizing civil conflicts in strategically important regions, and created massive refugee flows. The corruption and opacity of the arms trade also promote the transnational spread of crime, terrorism, and political extremism which undermine our public safety and ‘homeland security’ (Shane, 2016). In Nigeria, for example, the country’s military—bolstered by Canadian weaponry--(York, 2015) has allegedly been selling arms to Boko Haram militants (Associated Press, 2016).

In sum, the international arms trade poses one of the greatest threats to international peace and security today. While the arms trade might be “good business” for the companies involved (and

for the regions in which defence manufacturers produce their goods), it is a business that exposes Canada to both geopolitical and homeland security dangers, vitiates Canada's international reputation, hampers its ability to contribute to international peace and security, and trades jobs in select areas within Canada for the security and prosperity of all Canadians.⁴

b) Subordination of foreign policy to commercial aspirations and electoral politics

The international arms trade thrives today largely because of the degree to which military transfers in general have become a government-sponsored commercial domain rather than a function of military policy (Bondi, 2004). In this new market-oriented military industrial environment, security concerns are less important than commercial aspirations (Markusen, 2004; cf. Dunne and Sköns, 2011). Among other distortions, the commercialization of the arms industry has produced faster weapons proliferation, world over-spending on arms, competitive disadvantages for the non-arms sector, and the rise of what scholars have called an “international military industrial cartel” in which the commercial interests of military-industrial firms have captured the arms policymaking apparatus (Markusen, 2004, pp. 66, 81–83). As one critic put it, Canadian arms exports are “being driven by the companies that build and sell the weapons” (Steve Staples, cited in Berthiaume, 2014a). As evinced by the \$15 billion sale of LAVs to Saudi Arabia, this policy has also extended to the subordination of international norms to short term electoral interests.

It bears noting that the Trudeau government's compromising of foreign policy and security concerns in favour of commercial interests is also bad economic policy. Offsets, a common commercial inducement for weapons contracts intended to support defense industrial firms as well as to promote sales abroad, are a particularly pernicious tool of the arms trade which produces “distortions in the structure of firms, industries, and the composition of national spending for both buyer and selling countries” (Markusen, 2004, p. 83). Agreements by sellers to purchase goods, transfer technology, or invest in buyer country enterprises in exchange for making the sale (cited in Markusen, 2004, p. 69; US General Accounting Office, 1998), offsets—whether in domestic or foreign procurement contracts--do not overcome the welfare-

⁴ As with all industries subsidized with public funds, all Canadians support the defence industry, but not everyone reaps the benefits of defence manufacturing, even with the mandated dispersion of sub-contracts and offsets.

diminishing effects of military expenditures that finance the arms trade in the first place (Dumas, 2004). In Canada, for instance, defense industry offset commitments are frequently left unmet. In 2014, then Minister of Public Works Diane Finlay identified billions of dollars-worth of unfulfilled investment promises defense industrial firms had made in exchange for government contracts (Berthiaume, 2014b). Even when offsets are delivered as contracted, it is questionable whether the gains from offsets make up for the economic and political cost of subsidizing and supporting the defence industry, nor for the “made in Canada premium” that has been conservatively estimated to be at least 10%, paid on major capital projects like warships (Lehre, 2016).

c) Questionable importance of a defense industrial base in Canada

The third issue Canadians should be concerned with in connection with the Canada-Saudi LAV deal is the unexamined assumption that Canada needs its own defense industrial base (CADSI, 2016a). It is this assumption that underlies any argument that the negative externalities of the arms trade are simply the costs of maintaining national security in today’s complex world. Is selling arms to oppressive and militarily aggressive regimes a necessary, if distasteful, reality (Juneau, 2016; Perry, 2016)? Classical Realist arguments say that in times of crisis and war individual states must be able to provide for their own security and survival (Mearsheimer, 2001, 1994; Waltz, 1979). International institutions such as the UN, military alliances such as NATO, and close interstate affinities such as that between Canada and the United States cannot be relied upon when a state’s sovereignty and survival may be at risk. Thus Canada ought to be prepared to provision, train, and mobilize a military defence force. If so, this argument goes, Canada needs a self-sufficient military industrial base and exports to countries like Saudi Arabia become a necessary evil.

For Canada, the evidence to support this argument is unconvincing. To begin with, one must question the likelihood of any threat against which Canada could not rely on the security umbrella of its closest neighbor and most powerful ally, the United States. Is it reasonable to imagine – much less prepare for – a situation in which Canada were under territorial attack, unable to provide resources for its military defenses, and *not* aided by the US? Indeed, one enduring theme in the discussion of Canadian military and defence policy is the need for Canada to provide “defence against help,” (Lagassé, 2010; Ørvik, 1973) that is, to do a good enough job

defending Canada so that the US doesn't feel compelled to step in and do it for us, given the importance of Canada to American homeland security. Perhaps the most feasible scenario in which Canada would be under existential threat is one in which the United States itself is the aggressor against Canada. In such a case, however, the argument in favour of Canada's military-industrial would be moot; even a trebled Canadian defense industry would crumble against the American military machine.

On the contrary, a reasonable threat assessment would suggest that Canada can (and should) rely on the US security umbrella instead of striving to maintain its own defense industrial base; in fact, throughout the post-World War II era it has largely done so. Canada's defense industry is already deeply integrated with that of the United States, and almost completely depends upon the US for its survival. The two countries' Defense Production Sharing Agreement, a free-trade arrangement for defense goods in place since 1959, has created a North American defense industrial base in which Canada is primarily a producer of sub-systems and components for the US market (Crosby, 1997; Salinas, 2016). Thus the companies that dominate large-scale defense contracting in Canada – including General Dynamics Land Systems Canada, which is manufacturing LAVs for Saudi Arabia, as well as Lockheed Martin Canada and others – are wholly owned subsidiaries and “branch plants” of U.S. defense companies.⁵ And yet the argument for maintaining a defence industry in Canada – even if it means undermining our own security in the long run and contributing the exacerbation of conflict and misery in other countries – rests on the questionable assumption that we need it for our own national security and sovereignty.

History suggests that Canada *can* rely on both its allies and its civilian industrial capacity to provision necessary military equipment in times of crisis or war, even when our allies need similar resources at the same time (cf. CADSI, 2016a). During WWII, both the United States and the United Kingdom transferred valuable warships to Canada when it entered the war without its

⁵ As with the broader pattern of trade in Canada, the United States is by far Canada's largest market for defense goods, and shrinking US defense budgets have played a major role in prompting it to find export markets for its defense production in unstable parts of the world. In 1994, when the first contract to sell LAVs to Saudi Arabia were signed, that sale was negotiated after the London production line seemed at risk of shutting down, following the completion of a large order for the US military (Epps, 2014). The 2014 deal came on the heels of a post-Iraq, post-Afghanistan reduction in US (and Canadian) military expenditure.

own “blue water” fleet (Milner, 2010).⁶ Similarly underequipped for land combat overseas, Canada was able to mobilize domestic automobile and railway manufacturing facilities to provide tanks, armoured vehicles and trucks for Canadian troops, building platforms often based on British and American designs (Stuart, 2013). Aircraft designs acquired under license from allies were built in Canada for the RCAF, relying on a nascent civilian aviation industry whose pre-war demand for defense goods had been close to nil (Zhegu, 2013). More recently, in 2005 Canada was able to sole-source contract and procure Boeing C-17 “Globemaster” planes and Chinook helicopters from the United States when it needed such military equipment for its mission in Afghanistan. And, in 2007 Canada acquired upgraded Leopard 2 main battle tanks from Germany and the Netherlands through lease/purchase agreements (Freeman, 2007)—all while the US, Germany and the Netherlands were also fighting in Iraq or Afghanistan.

With Canada’s close allies committed to supporting their own export-dependent arms industries, and with little evidence to suggest that Canada could not either purchase the military equipment it needs, or mobilize civilian industry to produce weapons and equipment, it becomes less clear that Canadians have no choice but “collectively [to] hold our nose” (Juneau, 2016) and accept unchallenged the negative externalities associated with continuing to support for its defense industry. It bears emphasis that the \$6.7 billion defense industry contribution to Canadian GDP in 2014 represented a mere 0.375% of Canada’s \$1783.78 billion GDP that year (Trading Economics, 2016). Given the chance to consider the issue, Canadians might well prefer government policy to encourage the reallocation of real productive resources currently devoted to military production (machinery, materials, factory buildings, engineering talent, skilled machinists, etc.) to beneficial economic activity and the pursuit of non-military security strategies (Dumas, 2004, pp. 18, 26).

CONCLUSION

Other than remarking on its substantial dollar value, Canadians should not be surprised by the recent sale to Saudi Arabia of Canadian-made military equipment. In the near term, providing security equipment to Saudi Arabia may be consonant with Canadian foreign policy

⁶ Interestingly, the omission of large warships from the pre-war Canadian naval inventory was deliberate, and based on a common sense threat assessment. As a de facto protectorate of the UK, and in such close proximity to the US—the dominant naval powers—Canada had no need for a large-ship navy, and could instead focus on smaller ships for much-needed coastal defence and control (Sarty et al., 1990).

goals, and it may promote better Canada-US relations in international affairs. If not surprised, however, Canadians may nevertheless be outraged by this sale, and with good reason: the global arms trade itself is outrageous. In our view the problem is not this particular, large sale of LAVs to a country with a poor human rights record, as much of the controversy has been framed in Canada (Byers, 2016; Chase, 2016). The problem is *military sales*, period, and especially Canada's apparent intention to grow its manufacturing base by exporting weapons on the global market. Canada's overly ambitious and unsustainable military industrial production strategy is relying on government-promoted arms sales to undemocratic, militarily aggressive regimes to do so. Such a strategy necessarily entails supporting violent and autocratic rulers, ignoring endemic bribery and corruption, spreading human misery, and compromising Canada's fundamental and long terms interests in the promotion of international peace and security.⁷ In short, it means that Canada will trade the promotion of peace, order and good governance for the short-term economic benefit of a relatively small number of Canadians, ignore broader foreign policy goals in the interest of meagre electoral gains, and participate in an inherently corruption-prone and illiberal market at a time when the Trudeau government is explicitly pursuing freer trade worldwide.

As other countries are taking steps to reduce the corruption, violence, and abuse caused by the global arms trade, through the UN Arms Trade Treaty, which Canada has only recently promised to sign (Arms Control Association, 2016; Global Affairs Canada, 2016); and, as other states have begun to refuse arms sales to Saudi Arabia, in particular (Tencer, 2016), Canada is headed in the wrong direction. Without greater transparency and broad, public evaluation of Canada's participation in the global arms industry, the true cost of Canada's domestic defence industrial base will remain hidden and deals like the 2014 Saudi LAV sale will likely recur, regardless of the party in power. Absent a wholesale, informed re-evaluation of priorities, Canadians will continue to be made unwittingly complicit in a corrupt and contemptible bargain, one that in the crudest of terms declares the votes of workers in London, Ontario to be worth more than the lives of children in Yemen.

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