



South-South Trade in Arms: New Frameworks Needed?

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Analysis of the international arms trade has traditionally situated these exchanges within a North-South framework. North-South arms transfers have either been described favorably, as enhancing North country interests, securing peace and territorial integrity of developing countries, leveraging sales for positive political and social change, or conversely as tools of hegemony and imperialism, consolidating authoritarian regimes, or stoking rather than inhibiting conflict. However, the ‘rise of the South’ and significant increase in South-South circuits of exchange has shifted this picture considerably.

In this memo I provide a brief overview of the new landscape of South-South exchange that should be understood on its own terms rather than as derivative of North-South dynamics. I argue that South-South trade and investment flows in the arms trade are driven by four main dynamics. The first is the overall rise in South-South exchange in merchandise trade, services, and capital flows. The second is industrial upgrading and intra-industry trade in technological and skill intensive products of which the arms trade is a component. The third pertains to political economy factors, such as the rise of social forces within the South whose interest lies in expanding such trade. The fourth is the development of domestic arms industries to respond to the needs generated by the increasingly securitized and militarized foreign policies of global South actors. From the perspective of many developing countries, the benefits of these exchanges are likely to outweigh the costs.

Evolving South-South trade

Explaining the burgeoning arms trade between developing countries on its own terms requires understanding the dramatic rise in South-South relations in the past three decades. South-South relations are now a structural factor in the global economy. In the aftermath of the Russian invasion of Ukraine, many global South countries refused to fully join the anti-Russian bandwagon. Such political postures have led some to go as far as calling increasing South-South relations as the new Non-Aligned Movement¹.

However, while the new South-South relations have similarities with those that characterized the era of Bandung, Non-Alignment and G77 bloc in the United Nations General Assembly, there are also important differences that are relevant to the arms trade. In the post-WWII era, South-South solidarity articulated both an anti-hegemonic position as well as pragmatic nationalist politics. Newly independent states attempted to exploit Cold War rivalry to advance economic and political demands as well as consolidating

¹ See for example Andrew Cheatham, “The New Nonaligned Movement Is Having a Moment”, United States Institute of Peace, May 4, 2023, <https://www.usip.org/publications/2023/05/new-nonaligned-movement-having-moment>; Madiha Afzal, Bruce Riedel, and Natan Sachs, “The United States, China, and the “new non-aligned” countries”, Brookings, February 2023, <https://www.brookings.edu/articles/the-united-states-china-and-the-new-non-aligned-countries/>; James Traub, “Cold War 2.0 Is Ushering In Nonalignment 2.0”, Foreign Policy, July 9, 2022, <https://foreignpolicy.com/2022/07/09/nonalignment-us-china-cold-war-ukraine-india-global-south/>



statehood and sovereignty in a highly unequal global landscape². Because disparities in levels of industrialization and technological levels were massive, the North was a net exporter of capital and goods. Levels of dependence on the North for economic, political, and security support were significant- reflected in various countries being called ‘client states’ for this or that great power. South-South trade integration was mostly aspirational as levels of trade among developing countries was rather low and in a global sense, insignificant. For most of the post-WWII period, South-South trade remained insignificant as a share of world trade, constituting around 10% of world trade in merchandise goods. The collapse of the Soviet Union and the moment of US hegemony seemed to further exemplify the trend, and in particular the ‘neoliberal era’ of the 1980s and 1990s brought about significant de-industrialization to many parts of the global South.

Many, of course, but not all. The 1990s also coincided with substantial shifts in the trends discussed above in ways that have significantly reshaped the global economic landscape. South-South trade has grown substantially, reaching as high as 28% of world trade by 2013. North-South and South-North trade, however, remained relatively stable, with a slight increase for the latter. The importance of South-South exports in total Southern exports also increased substantially, reaching from around 20% in the 1950s to 60% in 2013. Overall global South countries now export a staggering 55% of all world exports in high-skill and technologically intensive goods. Certainly, a significant amount of this trade has always been a result of Northern corporations establishing export platforms in developing countries. However, this is evolving as industrial policy and technological acquisition is returning as key economic policies within developing countries. This means that the global South countries are now significant sources of trade, capital, and financial flows. For example, financial outflows from the South reached 39% of global outflows by 2013³.

There are other key differences from the Cold War era nonalignment. With economic growth and structural change global South states are acting more autonomously from their ‘patrons’ in many cases no longer worried about political survival. As political analyst Mouin Rabbani states in the case of MENA countries, ideological attachment and the need for survival has been replaced by transactional approaches to foreign policy.

Acting with greater autonomy made possible by diversification, regional [MENA] governments are putting their own interests first, prioritizing them over those of their strategic patrons. Unlike during the US-Soviet Cold War, MENA rulers today are not particularly invested in the rivalry between US plutocracy, Russian oligarchy, and Chinese state capitalism, and happy to cooperate with each of them on matters political, economic, and military⁴.

Whereas previously ‘client states’ were (relatively) firmly in the security-military orbits of their patrons, they are now (relatively) more independent. The ideological, solidarity driven cooperation of the Non-Aligned Movement era is now replaced by commercial

2 Omar Dahi and Firat Demir, *South–South Trade and Finance in the Twenty-First Century: Rise of the South Or a Second Great Divergence* (Anthem Press, 2016).

3 Omar S. Dahi and Firat Demir, “South–South and North–South Economic Exchanges: Does It Matter Who Is Exchanging What and With Whom?,” *Journal of Economic Surveys* 31, no. 5 (2017): 1449–86.

4 Mouin Rabbani, “MENA: Geopolitical Re-Alignment,” *Security in Context*, July 20, 2023, accessible at: <https://www.securityincontext.org/posts/evolving-geopolitics-in-the-middle-east-highlights-mena-paper>



investments. Previously, leadership stemmed from moral prestige and symbolic power, where countries like Cuba led by Castro could play a leading role alongside Nasser, Tito, and Nehru⁵. It was high on idealism, low on materialism. Today, the situation is reversed. The big drivers are the big Southern powers. Unlike before, South-South trade and finance is now actually a significant factor in the global economy and for South countries. South-South circuits matter significantly and now are sometimes decisive factors in other South economies and societies, positively or negatively⁶.

Drivers of South-South Arms Trade

Given these shifts, how can we understand and possibly reframe international trade in arms between developing countries that do not simply see it as a refraction of North-South relations? What are the drivers and factors driving this trade that can be viewed through the lens of these larger shifts?

First, as noted above, even if trade in arms is not driven by strategic considerations, increasing diversification and growth of exports in general is likely to mean opening of new markets, of which arms exports is one. For example, Chinese exports of arms are increasing alongside its Belt & Road expansion⁷.

Second, South-South arms trade is driven by industrial upgrading within the global South. A remarkable feature of South-South exports in manufactures both in the 'old' and 'new' era of South-South relations is that they have always been concentrated in relatively sophisticated manufactures compared to South to North exports. Meaning, South exports of manufactures to other South were reflected higher skill and technological intensity than South exports of manufactures to the North, which tended to be in goods with standardized or simple technology. This is due to multiple reasons, such as infrastructure compatibility, similar demand curve structures (tastes and preferences more similar) as well as similar technological levels of industrial development implying that intra-industry trade is likely to be more appropriate in terms of price and technological sophistication. This South-South trade in capital intensive goods, of which South trade in arms is a subset, implies that there are significant opportunities for long-run dynamic gains (i.e., technological spillovers and sustained growth) from trade.

Third, the rise of arms trade may be driven by political economy blocs and interest groups within developing countries, especially as the military becomes a larger actor in those countries. MENA countries have always built up their military capabilities throughout the post-war period. Egypt and Turkey witnessed a rise not just in military buildup but also an increasing role for military in other economic endeavors. As Shana Marshall argues, in the cases of Gulf countries as well as Egypt, "When significant material and political resources are redirected to an institution that has traditionally been marginal, we can reasonably expect a concomitant shift in the power and influence of that institution within the

5 See Jack Basu-Mellish, "UN Resolution 1514: the creation of a new post-colonial sovereignty", *Third World Quarterly*, Volume 44, Issue 6, February 2023, pp. 1306-1323.

6 The negative factor comes from another issue, which is that the disparities within the South, between Emerging South and the Least Developed South in terms of technological levels and industrial production are also massive.

7 James Daniel, "China's One Belt, One Road Initiative and its International Arms Sales: An Overlooked Aspect of Connectivity and Cooperation?", *Military Review*, September-October 2019.



structure of the state”⁸. Investigating the impact of war economies, militarism and domestic institutional transformation is a growing and important field of work. Previously efforts focused on war preparation in MENA rather than war making⁹. However, the active military involvement of a significant number of MENA countries in regional and global conflicts and the arms industries and arms trade have become increasingly complex¹⁰.

Fourth, more aggressive foreign policies are resulting in entanglements that require different kinds of weapons as well as sources of weapons. Rising South countries are more assertive in their foreign policies and become increasingly involved in high or low intensity military conflicts. Developing countries may seek joint ventures to develop new technologies (outside the US/EU/ITAR structures) and establish regional production hubs that will insulate them from supply issues related to embargoes, technology bans, and other stumbling blocks.

Turkey may exemplify many of the trends discussed. Over the past decade, it has become involved in conflicts in Syria, Libya, Russia-Ukraine, Azerbaijan-Armenia. Aside from Libya, Turkey has also increased military ties or arms deals with Algeria, Tunisia, Somalia, Ethiopia, Nigeria, Kenya, and other Sub-Saharan African countries¹¹. Second, this has coincided with a massive surge both in militarism as well as domestic growth and diversification of arms industrial development as part of an import substitution strategy¹². Estimates are that by 2015, 60 percent of Turkish military defense equipment was being assembled in-country¹³. The drive to manufacture weapons domestically, or to turn to new partners in the arms trade is both cause and effect. The Turkish invasion of northern Syria in 2019 dubbed “Operation Peace Spring”, the third military invasion of Syria since 2016, led to an arms embargo or restrictions by France, Germany, Belgium, Czech Republic, Finland, Italy, Netherlands, Norway, Spain, Sweden, and the UK, following some

8 Shana Marshall, “Military Prestige, Defense-Industrial Production, and the Rise of Gulf Military Activism,” in *Armies and Insurgencies in the Arab Spring*, eds. Holger Albrecht, Aurel Croissant and Fred H. Lawson, pp. 241-263, University of Pennsylvania Press.

9 Steven Heydemann, ed. *War, Institutions, and Social Change in the Middle East* (University of California Press, 2000). Luis Martínez, *The Algerian Civil War, 1990-1998*, The Ceri Series in Comparative Politics and International Studies (New York: Columbia University Press in association with the Centre d'études et de recherches internationales, 2000); Rolf Schwarz, *War and State Building in the Middle East, Governance and International Relations in the Middle East* (Gainesville: University Press of Florida, 2011); Elke Grawert and Zeinab Abul-Magd, *Businessmen in Arms : How the Military and Other Armed Groups Profit in the Mena Region* (Lanham, Maryland: Rowman & Littlefield Education, 2016); Tariq Tell, “Early Spring in Jordan: The Revolt of the Military Veterans,” *Carnegie Middle East Center, Civil-Military Relations in Arab States* (2015).

10 Shana R. Marshall, “The New Politics of Patronage: The Arms Trade and Clientelism in the Arab World” (PhD Thesis, 2012); Shana Marshall et al., “Military Prestige, Defense-Industrial Production, and the Rise of Gulf Military Activism,” *Armies and Insurgencies in the Arab Spring* 241 (2016); Zeinab Abul-Magd, □smet Akça, and Shana Marshall, *Two Paths to Dominance: Military Businesses in Turkey and Egypt* (Carnegie Endowment for International Peace., 2020); Shana Marshall, *The Egyptian Armed Forces and the Remaking of an Economic Empire*, vol. 15 (JSTOR, 2015); Firat Demir, “Militarization of the Market and Rent-Seeking Coalitions in Turkey,” *Development and Change* 36, no. 4 (2005): 667–90.

11 J.B. Cannon, “Turkey’s Military Strategy in Africa,” in Eyrice, E. & Tepecikliglu, A. (eds.) *Turkey in Africa: A New Emerging Power?* Routledge (2021), pp. 127-143.

12 Deena Saleh, “An Economic Perspective into Türkiye’s Defense Sector and Arms Production: Domestic and Global Implications,” PRISME Initiative, October 25, 2023, <https://prismeinitiative.org/blog/economic-perspective-turkey-arms-production-deena-saleh/>

13 Ibid.



restrictions already placed by the US, Austria, and Belgium for other reasons¹⁴. This action and reaction between North and South might continue the trend of securing other more predictable markets. Third, the nature and terrains of the various kinds of conflicts or power projection Turkey is involved in necessitates different weapons production and procurement. Power projection in the Mediterranean and Horn of Africa involves significant increase in naval upgrading. So-called ‘hybrid warfare’ in Syria has involved needing to produce mine-resistant and ambush protected combat vehicles, train and equip programs and proxy warfare, among other activities. Turkish drone production and use in Syria, Turkey, and Ukraine has involved several upgrades in Turkish drone technology.

Conclusion: Implications for relations between Europe, North America, and the MENA region

Multipolarity should not be exaggerated. As Elias Yousif correctly states, countries in MENA are still significantly dependent on arms and security arrangements with countries such as the United States, and transitions to new suppliers are costly and may be prohibitive, while MENA countries continue to need defense relationships with the United States¹⁵. The ongoing Israeli assault on the Gaza strip, with full US support, has demonstrated the persistence of US hegemony rather than its decline. However radical growth in South-South relations requires a focus on long-term dynamics rather than static or short-term considerations. Given the multidimensional drivers of such trade discussed in this memo, these trends are here to stay. Future research and advocacy on the arms trade can no longer afford to ignore them.

14 Kelsey Gallagher, “National Arms Embargoes against Türkiye since Operation Peace Spring,” PRISME Initiative, May 31, 2023, <https://prismeinitiative.org/blog/national-arms-embargoes-against-turkiye-kelsey-gallagher/>

15 Elias Yousif, “The Fear of Missing Out-Reconsidering Assumptions in US Arms Transfers to the Middle East,” PRISME Initiative, May 19, 2023, <https://prismeinitiative.org/blog/fear-of-missing-out-elias-yousif/>



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Security in the Middle East



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PRISME Initiative

PRISME aims to redefine the conception of “security” in the Middle East and North Africa, as the starting point for strategic relations between MENA countries and their European and North American partners. It does so in pursuit of effective, collaborative approaches to ensuring a more peaceful and stable future. To this end, PRISME sponsors dialogue and debate between foreign policy professionals across diverse backgrounds and perspectives. These include individuals in governments, thinktanks and academic institutions located in the MENA region, Europe and North America, with a specific focus on engaging young and emerging thinkers and practitioners. Its goal is to re-define security in the Middle East, broadening the definitions of what it looks like, for whom, how it can be achieved, and how outside actors can contribute to it.

SALAM Project

SALAM (Sustaining Alternative Links beyond Arms and the Military) proposes to rethink the centrality of the arms trade in international relations with and among Middle East & North Africa (MENA) countries.

It fosters and amplifies ideas from a network of scholars and practitioners working in and with the Middle East. Issues they will address include the arms trade’s advertised role in cementing bilateral and multilateral ties between North America, Europe and the MENA region; the opportunity costs of over- or sole reliance on weaponry as security; and alternative modes of engagement that might redefine a shared strategic agenda.