SAUDI ARMS SALES AND THE PROMISE OF JOBS:

By William Hartung, Director of the Arms and Security Project at the Center for International Policy: A Supplement to the CIVIC Report "With Great Power"

The promise of jobs created by US weapons exports plays a major role in generating support for arms sales in Congress and the Executive Branch. During President Trump's 2017 state visit to Saudi Arabia, he pledged $110 billion in new arms offers in the name of "jobs, jobs, jobs."[1] The president's focus on US jobs tied to weapons exports reflects the prioritization of economic factors in the way the US government has traditionally considered arms sales. However, the numbers of jobs created and sustained by arms sales are frequently exaggerated, calling into question the validity of economic arguments in the face of high-risk sales.

As Heidi Garrett-Peltier of the University of Massachusetts demonstrated in a recent paper commissioned by the Costs of War Project at Brown University, job creation through defense spending lags behind comparable investments in infrastructure, alternative energy, transportation, health care, and education.[2] This comparison is most relevant when applied to military equipment purchased with US tax dollars. While foreign sales funded by the recipient nation are a net gain to the US economy, direct arms sales made by the Pentagon require a budget tradeoff.

The routine use of "offsets", or side deals in which the purchasing nation is offered economic benefits to help defray the costs of buying a major weapons system, also limits the impact of arms exports on the labor market. Offsets can include the manufacture of components of an exported weapon in the purchasing country, or investments by US exporting companies in the military, aerospace, or other sectors of the economy of the recipient nation. For example, under the F-35 jet program, scores of foreign companies produce major parts for the plane, including final assembly plants in Italy and Japan.[3] Saudi Arabia's new economic plan calls for 50 percent of the components of the weapons it purchases to be produced in the Kingdom by 2030, and a recent deal with Lockheed will involve the production of military helicopters there.[4] Lockheed Martin also has deals in the United Arab Emirates to promote its domestic space and arms manufacturing industries, including the building of a plant that makes robotic machine tools with applications in the military and space industries. Such offset deals reduce the net US job impact of major arms sales by a substantial margin.

Many deals announced with great fanfare never even come to fruition. For example, the Obama administration notified Congress of a record $115 billion in offers to Saudi Arabia under the FMS program during its two terms in office. Of these, only $57 billion – about half – have resulted in firm sales agreements, with less than $20 billion in weaponry delivered.[5] This gap is due in part to the lag time from offer to production to delivery. For example, the first of 84 F-15 combat aircraft offered to Saudi Arabia in October 2010 was not delivered to Riyadh until December 2016, a six-year lag. Other deals may be reduced in size or fall by the wayside as economic and security policies change.

The sale of precision-guided munitions to Saudi Arabia was worth slightly over $1 billion, less than one percent of the total value of US arms offers to Saudi Arabia during the entire Obama administration.[6]

1 Trump, Donald. "President Trump's Speech to the Arab Islamic American Summit." Speech, Riyadh, May 21, 2017. The White House. https://www.whitehouse.gov/the-press-office/2017/05/21/president-trumps-speech-arab-islamic-american-summit.
2 Garrett-Peltier, Heidi, "Job Opportunity Cost of War," Watson Institute, Brown University, May 24, 2017.
3 William D. Hartung, "Promising the Sky: Pork Barrel Politics and the F-35 Combat Aircraft," Center for International Policy, May 24, 2017.
4 "Saudi Arabia Launches Military Industry Company," Reuters, May 18, 2017.
5 Data on FMS notifications, agreements, and deliveries are calculated by the author from the Defense Security Cooperation Agency's listing of major arms sales notifications, and from DSCA's "Historical Facts Book as of September 30, 2015."
6 William D. Hartung, "U.S. Arms Transfers to Saudi Arabia and the War in Yemen," Center for International Policy, December 1, 2016.