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Arms for the Poor Trading in Death

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Arms for the Poor: Trading in Death

The World Bank has recently begun to point out the cost to Third World development programs of a continuing high level of military expenditure and global arms transfers. While countries like Australia continue to publicly deplore this imbalance, they make a farce of such criticism by seeking to expand their own arms exports in order to pay for their own costs of military production. Another recent alarming tendency has been for a number of developing countries - particularly in South and East Asia - to start exporting weapons themselves in order to pay for their own expensive imports.

This paper traces the contrast between military expenditure and expenditure on education and health in a number of countries in South and East Asia, where Australia is actively promoting a regional arms race by seeking to double its own military exports.

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Introduction

The Gulf Crisis has once more brought to the fore the long term implications of exporting a vast amount of military hardware to a volatile part of the world where countries with suddenly acquired wealth can afford them – in this case, wealth derived from oil.

Between 1985 and 1988, the Middle East received two-thirds of all weapons delivered to the Third World. In 1987, the region imported about US\$17.9 billion in weapons – 38 percent of the world market. The Soviet Union, the United States and France were the leading suppliers. Between 1977 and 1987, Iraq was the leading weapons importer followed by Saudi Arabia. However, military spending in the Middle East dropped 15 percent in 1987, as a result of the drop in oil revenue, high debt service burdens and the end of the Iran-Iraq war.

Australia sits on the edge of a similar region, South and East Asia, where the Newly Industrialising Countries (NICs) which can afford it are now indulging in a prestige arms race. At the same time there are a number of actual or potential conflicts in the region, along with several countries which can ill afford to pay for the importation of military equipment yet feel obliged to do so.

Arms for the poor

In 1977, East and South Asia represented only 6 percent of the world's weapons import market. They now represent 23 percent of the market (1987 figures – the latest available), and South Asia, particularly India and Pakistan, has become the fastest growing region for weapons sales.

For many of these countries, there is a sharp contrast between the overwhelming poverty and the amount of money being spent on the military: India, Pakistan, the Philippines, Myanmar (Burma), Thailand, Vietnam and Indonesia all spring to mind.

On a smaller scale, there are other countries which could clearly devote more money to development – health, education, social services, water, agriculture and so on – if they spent less on the military: these include Papua New Guinea, Fiji, Bangladesh and Sri Lanka.

Then there is the issue of the international debt. As Barber Conable, Chairman of the World Bank, said on September 26th, 1989, in an address to the Board of Governors of the Group:

While there is much variation among developing countries, as a group low-income countries currently allocate around 20 percent of central government budgets to defence. In the mid-1960's military spending in developing countries exceeded spending on health and education combined. While many components of national budgets have been cut, the \$200 billion which the developing world spends annually on the military has largely been protected. And arms are often a prime source of external debt: military debt accounts for a third or more of total debt service in several large developing countries.

Developing countries on one side, and their arms suppliers and creditors on the other, must adapt to a world where budgets are tight. It is important to place military spending decisions on the same footing as other fiscal decisions, to examine possible trade-offs more systematically, and to explore ways to bring military spending into better balance with development priorities. In evaluating their military expenditures, Governments should be realistic, but they also should remember the human consequences of these choices.

The World Bank's 1990 Annual Report reiterated the message, observing that many developing countries 'devote a sizeable share of their government budget to defence – despite the fact that there are many pressing needs in other sectors of the economy'.

The report added that the time had come for governments to 're-evaluate their public expenditure programs to maximise the welfare of their citizens', and that there are options to defence expenditure, such as 'investments in education and health'.

This advice was described as pathetic by John Gittings of *The Guardian*, coming, as it did, in the same week as a new arms race started in the Middle East. He observed that the authors appear to live in a world where there are no arms sellers to be warned, only arms buyers to be cautioned.

Gittings went on to note that for the sixth successive year the Third World has increased its net transfer to the rest of the world, a figure which has risen from US\$9.9 billion in 1984 to US\$42.9 billion in 1989. The World Bank *Annual Report* observed that military expenditure by the developing countries has increased more than twice as fast as per capita income since 1960, and Gittings commented that the starting date of 1960 may not be accidental: arms sales to the Third World, with a growing proportion destined for the Middle East, began to escalate after the then US Secretary of Defence, Robert McNamara – who later moved to the World Bank – first set up his arms sales organisation at the Pentagon in that year.

The sellers

It is worth remembering, too, that one of the major reasons that Iraq covetously eyed Kuwait's oil wealth was because it appeared to be a way to pay off some of Iraq's debts – debts incurred through buying military equipment from countries such as France and the Soviet Union during the Gulf War with Iran (1980-88).

Before Saddam Hussein invaded Iran in 1980, Iraq had been one of the richest countries in the region, with hard currency reserves of at least US\$25 billion. Now, Iraq's foreign debt totals US\$80 billion, second only to Brazil in the developing world. Its debt explosion after 1982 was encouraged by Western countries. Britain and the United States continued to supply arms-related technology and extended trade credits right up to July this year, and their responsibility is no less than that of the overt arms suppliers – primarily the Soviet Union, France and China.

SIPRI (the Stockholm International Peace Research Institute) recorded in April this year that Iraq had been the world's largest importer of arms during the past five years, accounting for more than 9 percent of the US\$174 billion spent by all importing countries. This figure will be exceeded if the United States provides Saudi Arabia with the extra US\$20 billion worth of arms which the US has offered since Iraq invaded Kuwait, on top of other offers of arms to Egypt, Turkey and Israel.

Australia is not exempt either, as Hawker de Havilland were on the point of implementing an A\$850,000 deal to supply aircraft spare parts to Iraq before the sale was called off on August 2nd.

As for the abuse of human rights in Iraq, and the terms of the United Nations Charter in light of Iraq's invasion of Kuwait, Australia can be as highly selective as the nation whose blockade in the Gulf we rushed to join as early as possible – consider for example Australia's connivance over Indonesia's invasion of East Timor, acquiescence in the West's double standards over the Gulf in contrast to continued Israeli occupation of the West Bank and Gaza since 1967, and Bob Hawke's order to the Australian delegation at the United Nations to support the US invasion of Panama.

Regional arms race in South and East Asia

Because of the cost of importing military equipment, many countries in the Asia-Pacific region, including Australia, are seeking to offset the cost of military imports by developing an arms export industry.

Already a number of countries have staked out a niche for themselves as arms dealers, particularly China, which now ranks sixth in the world. Other countries such as South Korea, North Korea, Taiwan and Singapore are exporting significant amounts of military equipment,

while still others have announced their intention of following suit – India, Pakistan, Indonesia and, of course, Australia.

Australia's decision to endeavour to double its arms exports from A\$250 million a year to A\$500 million a year grew out of the 1986 Cooksey Report, and the drive to expand our exports came after arms sales procedures were amended two years later. These procedural changes, which effectively devolved decision-making from the political to the bureaucratic level, also gave the Department of Defence the upper hand on weapons export decisions after a long struggle between it and the Department of Foreign Affairs and Trade. It was this change that allowed the sale of the old Mirages to Pakistan this year, despite the possible outbreak of a fourth war between India and Pakistan over Kashmir.

The Minister for Defence is proud of the fact that with offsets agreements, much of Australia's 'imported' military equipment is made in Australia rather than bought off the shelf from overseas. Unfortunately, the same can be said of other countries in the Asia-Pacific region, who are seeking also to benefit from the technology transfer.

South Korea is the prime example in the Asia-Pacific region, with 46.2 percent offset obligations as a percentage of sales – and a growing export market. After a recent deal, it will soon be using US technology to build its own fighter aircraft: 12 aircraft will be built in the United States; 36 will be assembled in South Korea from imported parts; and the remaining 72 fighters will be manufactured under license.

The end result is that before long, many Asian-Pacific countries – such as South Korea – will be able to sell fairly sophisticated military equipment to each other with little, if any, controls.

Argentinian, Brazilian and Egyptian involvement in Iraq's Condor missile program is a good example, while Israel and South Africa have cornered a substantial share of the arms export market through strict secrecy on their transactions, despite UN sanctions. South Africa is currently exporting to 32 countries, according to Armscor, the South African Government's weapons-building company.

Another new form of specialisation concerns retrofitting – bringing an old weapon up to modern standards, without having to pay a vast amount to buy the latest state-of-the-art weapon itself. Pakistan is currently upgrading its main battle tanks while Singapore has developed expertise in revamping A4 ground support aircraft. United States and European companies still dominate the retrofit market for upgrading ships and submarines.

Again we play a minor part. Thailand, having signed with Australia in 1989 on refurbishment of an initial six Swedish Bofors 40/60 naval guns, is now looking at doing the same thing itself to its Army's tank-mounted Bofors gun.

Military solutions?

While there are a number of obvious areas of conflict in the Asia-Pacific region it is clear that, in the long run, none of them can be solved by the military.

There are internal conflicts, such as those in Sri Lanka, Myanmar and the Philippines. There are conflicting territorial claims as in the South China Sea over the Spratly Islands and those between India and China. There are old historic hatreds like those between Vietnam and its neighbours – China and Cambodia, between India and Pakistan, between Taiwan and China, and between North and South Korea. The latter two also have Cold War overtones. There are religious hatreds or significant differences that have led to or could lead to further conflict in the south of Thailand, the Chittagong hill tracts in Bangladesh, Myanmar, India, Sri Lanka, Indonesia (northern Sumatra) and the southern Philippines.

Movements for social justice are also suppressed in several countries, either by the police or the military: in the Philippines, in particular, but the National Security state can also crack down in countries like Indonesia, Singapore, Malaysia, Taiwan and South Korea.

Fortunately communist-inspired guerilla warfare, fuelled by the Cold War, seems to have more or less died out, except in the Philippines and Myanmar, where the Communist parties appear increasingly moribund.

It is quite possible to envisage that a number of these conflicts could be resolved through a regional forum acting as a third party, just as the League of Nations assisted with the Aland Islands dispute between Sweden and Finland after the First World War, or as the All Africa Council of Churches spent years working to resolve the conflict in the southern Sudan, which has since reignited. The Pope assisted in mediation between Argentina and Chile over a territorial dispute some years ago, and more recently we have seen a significant UN role in Namibia, Afghanistan, the Gulf War between Iran and Iraq, and Cambodia.

Arms or development?

Given the overwhelming poverty which dominates in many of these countries, where a majority of the people still live below the poverty line despite others who are obviously much better off, it would make great sense to try to develop regional forums similar to the Conference on Security and Cooperation in Europe to attempt to settle some of these disputes. Money now spent on the military could be redirected into non-military forms of conflict resolution or transferred to more worthwhile social programs.

In the Asia-Pacific region alone, there are ten of the world's 42 Least Developed Countries – in Asia: Bangladesh, Bhutan, Laos, the Maldives, Myanmar and Nepal; and in the Pacific: Kiribati, Western Samoa, Tuvalu and Vanuatu (1988 figures).

Myanmar (Burma) spends US\$226 million a year on the military (3.1 percent of GNP) but US\$151 million on education and US\$73 million on health, making the military budget about the same as health and education combined.

In Bangladesh and Indonesia the figures are somewhat better but still distorted.

Bangladesh spends US\$247 million per annum (1.5 percent of GNP) on the military (1988 figures) but only 31 percent of the children there attend school, only 40 percent have access to safe water, and life expectancy is only 50 years. Public expenditure on education is US\$370 million a year, but health is allocated only US\$102 million, or US\$2 per capita (the comparable figure for Australia is US\$638). The money spent on the military could better be directed to some of these programs.

In Indonesia, military expenditure is US\$2,079 million (2.5 percent of GNP), yet, although only 36 percent of the population have access to safe water and only 66 percent of children attend school, public expenditure on health is only US\$549 million a year (US\$3 per capita), while education receives US\$2,917 million.

The worst discrepancies, however, are in countries such as India and Pakistan where there are a high level of arms transfers and a high level of military imports despite the presence of large scale poverty.

India spends more on the military than on education and health, although half its children do not go to school. Public expenditure on health is only US\$3 per capita. Recent military purchases have included over 100 aircraft and 120 helicopters, as well as submarines, and the government recently decided to build a third aircraft carrier. An Australian company, Redecon,

with a Dutch company, recently won a contract to design India's latest naval base at Karawar, south of Goa – a contract worth US\$5 million for a project that will ultimately cost A\$2.28 billion.

In May 1990, it was announced that India's military expenditure in 1990-91 would increase by 21 percent to \$12.70 billion.

India is also seeking to increase military exports, and the Soviet Union recently gave India permission to export MiG-21 spares and engines. Military exports in 1988-89 were worth US\$45 million and in 1989-90 US\$75 million. India embarked on a major effort to improve these figures at the Asian aerospace show in Bangalore in February 1990.

Pakistan spends over 6 percent of GNP on the military and has recently purchased more than 100 Chinese ground attack and fighter aircraft as well as the 50 Mirages purchased from Australia for the 'bargain basement' price of \$36 million. In July 1990, Pakistan launched its biggest defence production complex. It will make battle tanks, field guns and armoured personnel carriers. The project will cost US\$1.15 billion and ultimately will be able to produce up to 200 tanks a year. While Pakistan spent US\$2,371 million on the military in 1986, education received only US\$780 million and health a paltry US\$71 million.

A number of commentators have warned that surplus arms from Europe might find their way to South Asia, while defence contractors in Europe and the United States are eagerly looking to the same region to boost their flagging sales.

There is also a thriving illegal and semilegal traffic that has kept weapons flowing steadily to world trouble spots in recent years, despite the flagging trade in legal arms sales.

Australia's contribution to the arms race

Australia is keen to participate in this boom in South and East Asia: the first overseas office of Australian Defence Industries was set up in Kuala Lumpur, while the first export mission – after export controls were eased – headed for the ASEAN countries in December 1988.

The Government readily found money – A\$59,000 for the Department of Defence – to support the largest arms bazaar ever held in the southern hemisphere, AIDEX 89, and presumably will support its successor, AIDEX 91, at Canberra's National Exhibition Centre.

In contrast, the Overseas Aid budget continues to decline to an all-time low for 20 years – 0.33 percent of GDP – and the Department of Foreign Affairs and Trade loses out in terms of funding allocations in contrast to continued support for the Department of Defence, which received 9.3 percent of GDP. The Defence Cooperation Program was also increased in 1990/91, by 22.6 percent to almost A\$91 million. The total overseas aid budget was A\$1,266.8 million.

On October 29th, 1990, the Minister for Defence, Senator Robert Ray, was handed a new rifle – the AUSteyr F88, designed in Austria. The Lithgow Small Arms Factory, now run by Australian Defence Industries, has exclusive rights to sell the Steyr to members of ASEAN, Pacific nations, some African countries and to the Caribbean. The only order to date has come from New Zealand, although Australian Defence Industries has plans to help the Malaysian Government to set up production facilities.

Australia could be a peacemaker

It is this kind of contrast that bodes ill for Australia's future relationship with the Asia-Pacific region. On the one hand, there are warnings of the dangers of a regional arms race, and the Minister for Foreign Affairs and Trade stresses the need to improve the peacekeeping role of

the United Nations. On the other hand, Australia is actively promoting a regional arms race by seeking to double its own arms sales and encouraging countries like Japan to take a more active military role in the region, as the Prime Minister recently did in Tokyo.

Security needs to be measured more in economic terms than in military terms, especially while conflicts in the region – as in Cambodia – are crying out for non-military solutions.

We can find \$5.6 billion for six new submarines to chase non-existent high-level threats to Australia but the UN peacekeeping operation in Cambodia could fail – as it nearly did in Namibia – through lack of financial support from the world community, a total cost no more than that of Australia's six submarines.

We could encourage a country like Vietnam, which spends far too much on the military, to break out of its isolation and integrate its 70 million people – a sizeable market too – into the Asia-Pacific region if we had the courage to defy the United States and call for a just settlement and an end to the isolation.

Australia is respected in Cambodia for its aid but again we are crippled by adhering to the agenda of the United States. We should recognise the current government in Phnom Penh and encourage trade and development, as well as providing desperately needed official aid.

Australia turns its back on the belated suggestions of the Chairman of the World Bank in his speech of September last year because, like other countries, the government believes that Australia needs to offset its balance of payments deficit by exporting military equipment. It is largely a futile exercise, given the competition from countries like South Korea and China, as well as an irresponsible one, but we are hardly in a position to talk about development and disarmament or security in the Asia-Pacific region when we have chosen to place our priorities in encouraging a regional arms race at the expense of development.

Conclusion

There has been plenty of sound advice from aid agencies and Parliamentary Committees on where to put our priorities, such as strengthening NGO programs which help the poorest communities, working with women, and caring for the environment.

In terms of trade, Australia complains about inequitable arrangements when we are competing with the North Americans, the EC and Japan, but we pay little attention to our own position in relation to the second tier of developing countries in our own neighbourhood and the needs of the poorest of the poor.

The Government has continued to reduce overseas aid despite Australian Labor Party policy and the recommendations of the Joint Standing Committee on Foreign Affairs, Defence and Trade's *Review of AIDAB and Australia's Overseas Aid Program* (February, 1989), both of which called for an increase.

Treasury has shown little interest in debt restructuring and the Minister for Defence simply turned aside a Question from Senator Jo Vallentine in late 1989 asking how the government reconciled its arms export policy with the Chairman of the World Bank's injunction to arms exporting countries to be more responsible about pushing their wares.

As for the argument that, 'Others are selling arms, so we need to as well', we could follow the example of Czechoslovakia. Formerly a world leader in arms exports, Czechoslovakia, under its new leader, Vaclav Havel, has now decided to end this trade.

There is a choice, but so far there is no sign of a New International Order – only the old way which must surely lead to disaster.