

## **MILITARY BUDGETS, UNDERDEVELOPMENT AND DEPENDENCY.**

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**CURRENT RESEARCH INTEREST** : military expenditures and economy in the Third World

### **SUMMARY**

*Military expenditures are considered to be one of the causes of underdevelopment. This statement is not easy to prove. The article tries to explain that relatively small military expenditures might have large consequences, e.g. on external debt and scarcity of foreign exchange. The problem for Africa is not in the first place the amount of military expenses or external debt, but the low productivity rate which makes repayment difficult.*

*Africa still remains dependent in different economic fields from industrialized countries. The African situation would improve by more stable regimes and a better internal organization of the state, so that natural resources and other activities will really benefit the country.*

**KEYWORDS:** military, arms trade, debt, economic dependency

### **1. INTRODUCTION**

Underdevelopment is not only a financial problem, but the availability of financial means will make it easier to solve problems. Africa is facing different crises at the same time, in the field of environment, health (AIDS), food, political stability and negative economic results. All these make meaningful objectives in the near future, impossible.

Because of their unstable situation, many African governments have found it necessary to spend more money on security. Both internal conflicts and conflicts between African states have been responsible for the increase of defence spending.

In this article we will try to analyse the link between military budgets and underdevelopment in Africa. Although the African armies are neither the most sophisticated nor the most expensive, they can influence development in different ways e.g. in the economic way or with regard to political stability. Arms supply gives the development problem an international dimension, which results in different forms of dependency.

## **2. EXTERNAL DEBT IN AFRICA**

The financial situation of African countries is not improving. The total external debt of Africa amounted to \$ 150 billion in 1986. In 1985 the African debt represented 425% of total exports and 80% of GNP. Since debt has to be paid through export revenues, it is clear that the end of the crises is not for tomorrow

The United Nations, the World Bank and the International Monetary Fund have started different recovery programmes. Not all of them showed positive results. On one hand, by 1986, the financial flows to Africa had reduced. On the other hand, agricultural production increased by approximately 3% . Other programmes, such as financial support to farmers and diminishing budget deficits, have already proved their value.

Africa has official debts mainly to international organizations such as IMF and the World Bank. Cooperation between countries and those international institutions has not been beneficial, mostly because the funds were not used as planned in the programmes. A lot was spend on consumption and imported luxury goods and also capital export was high. This was known to the IMF, but nevertheless new credits were obtained.

Development planning can only work in the long term. The economic programmes of the IMF do not take this into account. They are only interested in a stable balance of payments. IMF programmes create recession on the national level. There is no evidence that the economic impact on the balance of payments,

growth or inflation, savings and investments, has been more effective in countries with an IMF recovery programme. According to IMF specialists, a recession will not necessarily follow. Diminishing demand will decrease imports, which is good for the internal production provided that the money is available .

Long term programmes for Africa should increase investments. They are the only guarantee for a stable development in different economic fields. But, (foreign) investments depend on various elements such as political stability, investment facilities and external demand, import-export possibilities... Development programmes should take measures to improve those items for which African countries until today show very poor results.

IMF and the World Bank need means for a better control of their credits. Too often credits are not used for what they were intended. Afterwards, new demands for credits are proposed, and granted by the Bank and IMF, only increasing the amount of debts.

The problem of African external debt is not, in the first place, a problem of a high debt in absolute figures, but of debt compared to productivity and exports. Africa's debt of \$ 150 billion is low compared to a total debt of third world countries of \$ 1.190 billion. Their capability to decrease their debt is not obvious.

### **3. ARMS AND DEBT**

Third World countries, in general, face such debts that they are not in a position to buy enormous amounts of weapons. There is a tendency to reduce arms' supplies to developing countries. Nevertheless, SIPRI estimates show that approx. 25% of the accumulated debt of the Third World is due to arms imports. With this in mind, the policy of international, financing institutions and banks is dubious. Normally, if one asks for a loan, some guarantees are required. A loan will be granted when refunding by means of the profits of the investments can be ensured. This is not the case for the military. Arms supplies are not productive and one can never refund loans by means of incomes from use of arms. Nevertheless, it appears that the IMF has very seldom opposed arms deals, although, they are not productive and significantly increase some countries' debts. For further details concerning debt and military expenditures, see table 1.

COUNTRY	External Public Debt outstanding and disbursed		Official Development Assistance Receipts			Average annual inflation (GDP deflator) 1980-85
	Millions of dollars	% of GNP	Millions of dollars	Per capita dollars	% of GNP	
	1985		1985	1985	1985	
Algeria	13,664	24.0	173	7.9	0.3	6.9
Angola			92	10.5	....	
Benin	677	66.9	96	23.7	9.5	9.7
Botswana	334	47.3	97	90.5	13.7	5.2
Burkina Faso	496	46.4	197	25.0	18.4	7.2
Burundi	415	39.7	143	30.4	13.7	6.6
Cameroon	1,975	26.0	160	15.7	2.1	11.8
Central Afr. Rep.	296	44.9	105	4.5	15.9	10.8
Chad	150	.....	182	36.2	....	....
Congo	1,760	86.5	71	38.0	3.5	12.6
Côte d'Ivoire	5,700	88.5	125	12.4	1.9	10.0
Egypt, Arab Rep.	17,751	61.9	1,759	36.3	6.1	11.0
Ethiopia	1,742	37.1	710	16.8	15.1	2.6
Gabon						
Ghana	1,170	23.6	204	16.1	4.1	9.7
Guinea	1,292	70.2	119	19.3	6.5	8.3
Kenya	2,857	51.2	439	21.5	7.9	10.0
Lesotho	172	30.1	94	61.1	16.5	11.4
Liberia	879	85.3	91	41.1	8.8	1.6
Libya			5	1.4	(.)	-0.3
Madagascar	2,340	105.4	182	17.8	8.2	19.4
Malawi	775	44.2	113	16.0	11.0	11.4
Mali	1,327	122.1	380	5.6	34.9	7.4
Mauritania	1,363	208.2	205	120.8	31.2	8.1
Mauritius	404	39.8	29	28.2	2.8	8.5
Morocco	11,231	101.3	834	38.0	7.5	7.8
Mozambique	.....	.....	300	21.8	9.2	25.8
Niger	791	51.5	305	47.7	19.8	8.5
Nigeria	13,016	17.2	32	0.3	(.)	11.4
Rwanda	324	19.1	181	30.1	10.7	7.6
Senegal	1,989	82.3	295	44.9	12.2	9.7
Sierra Leone	390	32.6	66	18.0	5.5	25.0
Somalia	1,309	53.5	354	65.7	14.5	45.4
South Africa						
Sudan	5,086	70.5	1,129	51.5	15.6	31.7
Tanzania	2,982	48.5	487	21.9	7.9	19.6
Togo	787	121.0	114	37.5	17.5	6.9
Tunisia	4,442	56.1	162	22.7	2.1	10.0
Uganda	726	.....	184	12.5	....	....
Zaire	4,821	111.8	324	10.6	7.5	55.3
Zambia	3,214	150.8	329	49.1	15.4	14.7
Zimbabwe	1,526	31.3	237	28.2	4.9	13.2

World Development Report 1987, World Bank

Military expenditures										
	Constant 1980 prices US m. \$					as % of GDP				
	1982	1983	1984	1985	1986	1982	1983	1984	1985	1986
Algeria	829	855	855	799	(862)	1.8	1.9	1.9	1.9	..
Angola	(502)	(799)	(984)	(1 147)	(1 267)	(13.8)	(11.9)	(16.5)	(20.4)	..
Benin	[25.6]	[32.4]	..	..	..	[1.9]	[2.0]	[2.4]	..	..
Botswana	23.8	26.7	[22.6]	[23.1]	[14.6]	3.7	2.7	2.7	..	..
Burkina Faso	42.4	40.5	(39.1)	[37.9]	..	2.9	3.1	2.6	(2.5)	[2.4]
Burundi	[31.0]	[27.7]	[29.5]	[30.7]	..	[3.0]	[3.6]	[3.2]	[3.3]	[3.2]
Cameroon	101	104	[117]	(136)	[134]	1.2	1.1	1.1	[1.2]	..
Central Afr. Rep.	(18.6)	[21.3]	..	..	..	[2.1]	(2.3)	[2.8]	..	..
Chad	...	(71.0)	(82.8)	[94.7]	[151]	..	..	..	..	..
Congo	[59.2]	[61.9]	[63.8]	[69.6]	..	[2.1]	[2.3]	[2.3]	[2.3]	..
Côte d'Ivoire	[115]	[111]	(117)	[128]	[133]	[1.1]	[1.1]	[1.2]	(1.1)	[1.2]
Egypt, Arab Rep.	..	..	..	..	..	..	..	..	..	..
Ethiopia	[349]	[353]	[365]	[332]	..	[8.7]	[8.4]	[8.1]	[9.2]	..
Gabon	[109]	[112]	[112]	[126]	..	[2.4]	[2.4]	[2.5]	[2.4]	[2.9]
Ghana	72.2	(41.5)	(70.8)	[74.0]	..	0.7	0.6	(0.4)	(0.6)	..
Guinea	..	..	..	..	..	..	..	..	..	..
Kenya	282	236	[190]	[207]	[218]	3.6	3.9	3.2	[2.6]	[3.0]
Lesotho	..	..	..	..	..	..	..	..	..	..
Liberia	57.7	23.6	19.1	[22.1]	..	4.3	7.9	3.3	2.8	[3.2]
Libya	[3 518]	[2 269]	[1 840]	..	..	[12.1]	[14.4]	[11.8]	[11.4]	..
Madagascar	[75.1]	[68.2]	(66.6)	[66.4]	..	(3.1)	[2.6]	[2.4]	(2.3)	[2.1]
Malawi	(29.1)	(30.3)	(33.0)	[31.4]	[37.6]	3.3	(2.5)	(2.5)	(2.5)	[2.4]
Mali	79.6	76.3	(88.0)	(38.9)	(36.5)	5.2	5.4	5.2	(5.6)	..
Mauritania	52.6	42.4	[40.0]	[40.1]	[39.8]	8.9	8.3	6.4	[6.6]	[6.6]
Mauritius	3.1	3.3	[3.1]	[3.7]	0.3	0.3	0.3	[0.2]	..	..
Morocco	1 187	899	800	(833)	[978]	6.5	4.8	4.4	(4.3)	..
Mozambique	126	[170]	(209)	(211)	[229]	7.2	[10.7]	(11.9)	(11.7)	[10.4]
Niger	14.6	[15.5]	[15.6]	..	..	0.7	0.7	0.8	..	..
Nigeria	1 636	1 326	[810]	[693]	[503]	2.2	2.1	[1.8]	..	..
Rwanda	23.6	22.7	[20.0]	[20.8]	..	2.0	1.9	[1.6]	..	..
Senegal	89.6	85.7	(82.5)	(75.9)	[72.5]	2.8	2.7	(2.7)	..	..
Sierra Leone	10.6	6.6	[4.7]	[3.4]	..	1.0	0.8	[0.6]	..	..
Somalia	75.9	87.2	(62.9)	[47.2]	..	..	..	..	..	..
South Africa	[2 884]	[3 127]	[3 222]	[2 939]	[2 996]	[3.7]	[4.1]	[3.9]	[3.7]	..
Sudan	207	[242]	[294]	[234]	..	2.3	[2.8]	..	..	..
Tanzania	[248]	[173]	[158]	[122]	..	[5.4]	[4.4]	[4.8]	..	..
Togo	21.8	20.6	23.2	[26.3]	..	2.3	2.2	2.4	[2.5]	..
Tunisia	(566)	(666)	(500)	(558)	[600]	(5.9)	(6.6)	(4.7)	(5.1)	[5.7]
Uganda	554	783	[1 021]	[759]	..	2.7	3.0	[4.0]	..	..
Zaire	[116]	78.2	[90.1]	[87.3]	..	[1.9]	1.2	[1.3]	[1.1]	..
Zambia	[98.9]	[99.2]	[84.7]	[100]	..	[2.8]	[2.9]	[2.6]	..	..
Zimbabwe	404	385	(339)	(337)	[408]	6.3	6.4	(5.9)	(5.5)	..

In some cases, those credits were easily obtained, e.g. for countries exporting raw materials. Those products were a guarantee for payment. This made it easier for countries with raw materials to build up a military power, in exchange with their production. But prices of raw materials evaluate differently than prices of finished goods as arms, and this exchange is not in the advantage of third world countries.

Debts had increased rapidly by the early 1980's. Re-adjustments of credits were necessary, not only to facilitate reimbursement, but also for the banks, to make sure that they will be paid and to allow countries to continue buying products from the industrial world. Without an agreement for repayment, the Third World would not be in a position to import goods, which would increase economic problems in the industrial world.

Most third world nations have not been able to find ways to recover the income they lost when oil prices collapsed and the debt crisis hit in 1982. Several nations that continued large arms purchases in the following years could only do so by getting deep into debts, as did Egypt (owing almost \$ 5 billion in US military credits and \$ 5 billion for arms purchases elsewhere), Iraq (owing \$ 7 billion to France and \$ 5 billion to the USSR) and Syria (with a total civil and military debt to the USSR of \$ 15 billion). (6)

Debts and poor economic results have forced developing countries into new financial agreements with the IMF and other financial institutions. This offered the IMF the possibility of imposing their regulations which were usually not to the advantage of the third world country, causing unemployment and often changing import substitution into import-export facilities. Free traffic of goods is approved by the IMF, but it is not always to the advantage of poor countries.

#### **4. THE MILITARY BUDGETS OF AFRICAN COUNTRIES**

Military expenses can be divided into two parts :

1. expenses which benefit not only to the military;
2. expenses directly related to arms supply.

In the first category, we consider expenses on education and training of military personnel. This will improve the educational level and thus provide an added value to the country. An other positive impact of the military on development is their effect on public works. Road construction, building of bridges, transport



**Developing nations have found surprisingly little restraint in obtaining credits for military purpose, although they concern non-productive investment.**

facilities benefit not only to the military but also to the civil economy. In this respect we remember Germany after 1930 or South Africa, but also in other countries the military have worked on road construction in a positive sense. The military have also a positive influence on employment. In developing countries, a government that is investing in defence can stimulate the private sector. Clothes, food, equipments have to be provided and this military investment will benefit to different civil supplies. This means a start for many small enterprises. If well planned, defence expenditures may have positive effects on the economy.

The situation is different for arms imports from abroad, which need foreign currency and will destabilise the trade balance.

The economic crisis and the fall of the oil prices have reduced the incomes of most African countries. Since 1980, due to less revenues, military spending has also been declining, as have arms' imports, which represent a significant part of defence spending. Less growth in GNP and Government Income erodes the financial basis for military expenditures and, thus, for arms imports. This can also be seen from the trends for arms imports and economic indicators in the late 1970's and early 1980's. However, arms transfers have not moved in parallel with economic indicators: in the 1970's arms imports grew faster and in 1980's they decreased faster than the economic indicators. Even the oil-exporting countries with strong economies (Algeria, Congo, Gabon, Libya, Nigeria and Tunisia) were forced to cut their military expenditures. For Algeria, Libya, Morocco and Tunisia, military expenditures were rising until 1982, after which a sharp drop occurred, mainly due to the failing income from oil exports.

4.1. North Africa accounts for about 60% of Africa's total arms imports, during the period 1977-1986, with Libya as the biggest importer. Oil incomes for Libya fell from \$ 20 billion in 1978 to \$ 4 billion in 1986. Debts due to arms imports from the Soviet Union are estimated at approximately \$ 4 billion, which are paid with oil.

4.2. West and Central Africa have been showing declining defence expenditures since 1976, with small increases in 1977 and 1980. This represents a general trend in Africa for countries not directly involved in any conflict. Nigeria, a large oil exporter, saw its oil-income decrease from \$ 25 billion in 1980 to about \$ 6,5 billion in 1986, which caused a high external debt and repayment difficulties, also due to large expenses in non-productive areas as arms imports.

4.3. East and Southern Africa are major conflict regions. Ethiopia and Sudan's military expenditures have increased over the past 10 years. Ethiopia imported for \$ 2.447 million in the period 1976-1980 and for \$ 488 million during 1981-1985. Sudan imported for \$ 209 million between 1976-1980 and \$ 347 million during 1981-1985 (7). The Southern States, with South Africa as border, have also increased their military expenditures during the last 10 years (excluding 1981-1982). Although South Africa's level of military expenditures is on average 2,5 times higher than that of the front-line states and therefore dominant in the total figure, the same trend is visible in both South Africa alone and the front-line states. This increase in military expenditures in South Africa, combined with disinvestment at an inflation rate of approx. 17% and high unemployment, has a negative effect on South Africa's economy. Over the past five years, Mozambique increased its military expenditure by an average of 15%, to fight against some 10.000 South African-supported insurgents. Since 1981, domestic production has fallen by about 40 %. The war also stops the exploitation of coal, titanium, tantalum, copper and other natural resources. Angola, an other front-line state, has been fighting the UNITA for the past 11 years. Angola has spent, on average, about 40% of its government revenue on defence from 1983 to 1985 (8).

4.4. Globally, the USSR shows greater interest than the U.S.A. in arms supply to Africa. The U.S.A. have more recently increased assistance to countries prepared to reduce their relations with the USSR and also prepared to change their economies "to market orientated policies". However, a growing number of US lawmakers have become skeptical about the usefulness of arms' transfers. These critics claim that abundant US sales to the Shah of Iran did not prevent his collapse in 1978-1979 and that, equally, extensive sales to Saudi-Arabia have not prompted Saudi's acceptance of the Camp David accords (9).

## 5. DEPENDENCY

Developing countries are important customers of the arms industry. The objective purpose of arms supplies is to increase political independence of the new nations. The result is not always independence.

Depending on the military can take different forms. Usually buyer and seller are dependent on each other in one or other way, which is a normal situation. But in international arms-trade as for other trades, often, the principle prevails that the strong or rich ones get stronger and richer, the others get poorer.

Dependency can take different forms : some are discussed here (10).

### ***5.1.Dependency of a Country Buying Arms from Only One Supplier***

Developing countries are dependent on imports for arms supply. If one buys from different suppliers, the goods will not necessarily be compatible. The orders will be less important than in case of one supplier and therefore the unit price will be higher. Conditions of contract will be more easily arrived at, when there is only one supplying nation. Also the supplier will know the future requirements of his client and therefore, his planning will be easier and investment decisions made with less risk. Service to the client will be better and the training of military in the clients' country becomes more practicable. This is important for third world countries. The system of only one supplier will normally be cost saving. Dependency of the third world country is important in this system. In case of conflict, when supply of spare parts has to be assured, the developing country is dependent on the goodwill of the supplier. He decides whether trade the arms or not and so influences the outcome of the conflict.

### ***5.2.Arms Supply in exchange of Raw Materials Exports***

Raw materials have been a source of income for developing countries for many years. Foreign investors extracted oil or other materials, they marketed them and hard currency came in. It was easy money, but developing countries soon became accustomed to it, whether it was used for consumable or luxury goods or investment. When oil prices rose in the early 1970's, the needs of third world countries were also higher and arms imports were proposed in exchange for raw materials. But, it is well known that prices of finished goods increase more rapidly than those of raw materials, and thus started the dependency of the Third World on industrialized countries. More raw materials or oil had to be sold in order to acquire more modern and sophisticated military equipment. Selling oil for arms means less income available for other economic activities. The raw materials are now used for non-economic purposes.

So the Western World becomes dependent on the Third World for its oil import and third world countries remain dependent on industrialized countries because of increasing prices for arms.

### ***5.3. Economic and Military Dependency***

In practice, military sales are not always separated from civil sales. Ulrich ALBECHT (11) gives a good example : German military equipment, given or cheaply sold to young nations, promotes German industry. An example is Iran. First, before any relations existed between both countries, a military assistance programme was set up. Later, a study was published about new contracts with Iran. The first financial aid of 22 million DM, a few years later, resulted in contracts of ten times this amount for supplies in the civil sector.

Development assistance as well as military aid can be a first step towards cooperation between states. This aid can be very profitable as shown in the above example. The State is the promotor of arms trade, but this has of course nothing to do with development assistance. In this case, dependency on military supply leads to dependency in other economic sectors.

### ***5.4. Interdependence***

For ROSECRANCE and STEIN interdependence means such a relationship between interests that a change in the position of one country is reflected in the position of others. Interdependence is a relationship which is costly to break.

Also the O.E.C.D. believes that interdependence will promote economic exchanges and better understanding. It will force countries to better cooperation. Henry KISSINGER puts it in the following way "A world whose security, well being and moral fulfillment demand interdependence : a world whose people are linked by technology and global communications, by the danger of nuclear war and by the world wide thrusts of human needs; a world in which traditional structures and tenets of diplomacy are being overwhelmed" (12).

From the point of view of Western States, interdependence means a good cooperation, a two-way circuit between North and South. If well used, it might benefit both parties.

For Samir AMIN (13) interdependence strategy can be interpreted as such a strategy of foreign policy, which aims at maintaining the international influence of major capitalist countries, in the conditions of an economic crisis they are facing. The Western strategy states that developing countries should refrain from all measures which would harm the economies of developed countries,

because their stability is a precondition for the development and prosperity of the Third World.

Interdependence, if well used, could work to the advantage of both parties. But, as pointed out above, in a relation between a rich, developed country and a developing nation, usually the rich become richer, the poor become poorer. Self reliance might be an alternative.

## **6. ARMAMENT AND ECONOMIC DEVELOPMENT**

For GALBRAITH (14), the influence of military industry is obvious in fast growing economies. Those economies need the military for its stability, employment effect and for the orders in the private sector. Rising military expenses will increase economic expansion, but also inflation. Diminishing expenses will create recession and deflation. This also is the case for other economic sectors as public works e.g. The military are important customers of the iron and steel industry. If we want to promote those industries, we should increase defense expenditures. These are classic means at increase government's disposal and they are still valid, under condition of absence of hyperinflation.

E. MANDEL (15) puts it in an other way. The role of the arms race is to secure a good investment for surplus capital, which, due to diminishing benefit rates, cannot be profitably invested in the civil sector. Arms race will not prevent recession for American or other capitalist economies, but it will prevent their excesses, like the crisis of 1929-1932. For the working class, arms race has other consequences, as Rosa LUXEMBOURG puts it : "Weapons are paid not only through tax on added value, but also through tax on the revenue of the workers". Here the arms industry means a redistribution of national income, or, as marxists call it an increase of the exploitation of the "labour force". It is in fact a way to accelerate capital accumulation.

If arms production is partly paid by tax on revenue, it means that the net-revenue of the labour force will decrease more than with no arms industry. In the national income there has been a change at the expense of revenue from labour, but the total added value has increased and has accelerated capital accumulation.

Miles WOLPIN (16) has been doing research on military regimes and repression in the Third World. His study deals with 102 developing countries and his most striking finding is the existence of so many military regimes, viz. in almost 50

% of all states. Although not all military regimes are repressive (in some cases civil governments can be a lot more repressive, as e.g. the Philippines during the Marcos period, or Saudi Arabia) he finds a link between military regimes and violence.

But the division between military and civil regimes is probably not the best one. The development strategy of a government is more important. He distinguishes three strategies :

1. countries with a liberal monetarist strategy;
2. economic nationalism or state-capitalism;
3. Marxism-Leninism or a socialist regime.

WOLPIN's study concludes that repression is most frequent in a combination of a military regime with a liberal monetarist strategy. Military governments in sub-Sahara Africa and in other continents allocate about twice as much money out of the state budgets to defence as do non military governments.

Prof. E. BENOIT's study is not in contradiction with WOLPIN's point of view. We have mentioned before that also IMF, which advocates a liberal system, has seldom opposed to debts for arms trade.

It has to be pointed out that the military "product" is rather a military expense, representing a direct purchasing power for the military (40% of military expenses) without any compensation as productivity.

The question : "Is there a relation between defense expenditures and economics" has been studied more specifically for third world countries by Prof. E. BENOIT (17). His analyses of 44 developing countries, representing 80% of third world military expense, had to show whether a significant relation exists between defense expenditure and economic growth. Therefore, negative aspects of defense expenditure should be smaller than the positive aspects. It is, therefore, not enough to mention positive elements. He finds a positive correlation between defense expenditure and increase of the growth rate and vice versa. There is, however, no causal evidence between both. Countries with relatively high defense expenditures are also countries receiving large foreign aid.

This can also be the reason for fast economic growth. It is unlikely that investments, diverted from defense, would be used 100% beneficially to the economy. BENOIT thinks that a well planned and controlled defense limitation, combined with better coordination between defense planning and economic

planning, would significantly increase economic growth.

BENOIT's study has been the first to link defense expenditure with economic growth. Some people have concluded that this link is a reality, referring to positive effects of construction works, education programmes, etc...

BENOIT himself is more cautious with his conclusions. He suggests that in countries without hyperinflation (+25%) and extreme defense expenditures, defense may have a positive result due to its stabilizing effects.

It has to be mentioned however, that many developing countries faced inflation rates of more than 25% and others, where inflation is lower today, have also been forced to diminish arms expenditures. The arms race of the 1970's has been so expensive that it certainly has not had any stabilizing effect.

WHYNES (18) using a sample of about 20 Third World nations found like BENOIT that in the area of economic growth there has been a strong correlation with defence spending. The defence sector absorbs an enormous quantity of resources which could have an alternative use in the civil sector. Analysing coups and military expenditures, WHYNES finds that in all cases there has been a rise in military expenditures after a coup.

Defense expenditures of third world countries have often been imposed by industrialized countries, which needed a market for their arms production. Many political leaders and economists in developing countries however believe there is no opposition between militarisation and economic development. The former director of the Indian Institute for Defense Studies and Analysis argued that heavy investments in the military sector are a precondition for economic growth. The Shah of Iran in different interviews in 1975 and 1976 expressed this opinion "It is not only compatible but essential. The one is worthless without the other. There is no economic power without military posture" and he added : "What is the use of having an advanced industry in a country which could be brought to its knees when faced with any small, asinine event?" (19).

As far as Iran is concerned, it certainly was a strong economy and the largest military power in the Middle East. This military build-up has - so we learnt - not been enough to secure the economic system.

## **7. CONCLUSION**

Third World debt has various consequences. One of them is the dependency on the Western World, providing the money. They have, through the IMF, imposed measures of which some will not necessarily promote development. Free trade, free import and export facilities benefit strong economies and not developing nations. Nevertheless, no steps were taken by IMF to oppose or diminish debt for arms supply. Developing nations have found surprisingly less restraint in obtaining credits for military purpose, although they concern non-productive investments.

African arms imports increased dramatically in the second half of the 1970's (see table 1). In addition, there were numerous conflicts deteriorating their economies. In the early 1980's, arms imports decreased, mainly, for economic reasons. A large proportion of the imports of African States was in the form of military aid. The military build-up of some states (Libya, Nigeria) was made possible by high oil-incomes. Generally, the only way for arms supply was by selling their raw materials. Natural wealth was sold for arms, instead of using it for national development. High debt burdens have often been aggravated by weapon purchase, first, because weapons are expensive, secondly, because scarce money was diverted to non-productive activities.

Arms supply did not increase political or economic independence of African states, although, this is exactly the aim of military development. Africa remains dependent on the Western world and arms trade has increased this dependency. In cases of conflict, the supplier decides about the outcome by providing or not providing arms and spare parts. Interdependence only brings a theoretical solution. Interdependence between a rich and a poor nation, will only make the rich richer, the poor poorer.

For the economy, military expenses can have a stabilizing effect. It often is a means for the government to promote private industries and to activate the national economy. There might be a positive relation between defense expenditure and economic growth, although BENOIT could not prove that one is caused by the other, certainly not in case of hyperinflation.

Military expenses withdraw raw materials from the civil to the military production, as such decreasing new possible revenues which would enable countries to pay their debts or start new productive investments.

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