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Bush vs. Gore on Defense Issues

Lawrence R. Klein and Michael D. Intriligator

“Some foresee the reinvention of a powerful but less visible military-industrial complex, which is increasingly independent of government control, but dependent on government support.”

—J. Paul Dunne (see p. 4)

The presidential campaign is well underway, but it is remarkable how little attention is being paid to the leading candidates' positions on defense issues.

Both Texas Governor George W. Bush and Vice President Al Gore fail to recognize explicitly the key role of reduced defense expenditures, beginning with FY 1993, in starting the whole process of Federal deficit reduction, the turn to surplus, and the reduction of the public debt. This remarkable economic achievement has been extended to state and local government budgets that have also benefited from these favorable fiscal trends.

Both candidates support increases in defense spending over the next few years to boost military pay and funds for health, education, and housing for the armed forces and their families. Both would ensure that American troops continue to have equipment and training to address challenges of terrorism and nuclear proliferation. Gore, however, would continue “Reinventing Government” reforms that have produced savings in the military budget. He would also resist efforts in Congress to advance priorities the military says it does not want or need.

Bush, by contrast, would rebuild U.S. military power to deal with a “world of terror.” He would charge a leadership team under the Secretary of Defense with creating the military of the future, one that is “lethal, agile, and easier to deploy.” This, he says, will require more defense spending, with research and development up at least \$20 billion from FY2002 to FY2006. He would also strengthen U.S. intelligence resources, especially human intelligence and early threat detection.

While both candidates support the development and deployment of theater missile defenses, assuming the technology works, there are differences in their positions on national missile defense. Gore says the President will have to decide whether to proceed toward deployment based on: 1) the level of confidence in the technology; 2) its impact on U.S.

arms control interests; 3) an assessment of costs; and 4) an evaluation of threats. By contrast, Bush, noting that some nations, including North Korea, Iran, and Iraq, are developing missiles that may ultimately reach intercontinental range, has concluded that “the U.S. government can no longer afford to drag its feet on building and deploying a missile defense system.”

Sharp differences also exist on arms control issues. Bush says the United States “cannot continue to allow Cold War arms control agreements to restrict America’s ability to defend itself and its allies.” While he opposes ratification of the Comprehensive Test Ban Treaty, he supports a continued moratorium on nuclear testing. By contrast, Gore has called the CTBT the “tide of history” and said the United States should ratify it. On nuclear weapons, Gore believes in the value of nuclear deterrence for the foreseeable future, but does not think the United States needs a series of increases in its nuclear arsenal. He would like it reduced substantially through arms control.

On military procurement, Gore states that the Air Force does not require additional B-2 bombers beyond those authorized by Congress. He supports Congress's authorization to build six test F-22 aircraft, but says the Administration should negotiate with Congress over future F-22 purchases. Bush would earmark at least 20 percent of the procurement budget for acquisition programs that “propel America generations ahead in military technology.” He would also order a review of the entire aircraft program, encompassing not only ongoing shorter-range fighters, but also bombers and support aircraft needs.

The differences between Governor Bush and Vice President Gore on defense issues affect the U.S. economy and the security of the entire world. These are clearly much more significant issues than most of those now debated by the candidates and covered by the media.

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The Clinton Administration proposal to once again increase the defense budget is dismaying to those who believe that international conditions do not warrant increasing spending above the average levels spent during the Cold War. Even Republican leaders in Congress, who have been urging a major build up, were pleasantly surprised by the large size of this year's request. Rep. Floyd Spence, chairman of the House Armed Services Committee, hailed it as the best budget to come out of the Administration in eight years.

At \$305 billion the proposed defense budget for fiscal year 2001 is, in real terms, the highest it has been since 1994. Given the tendency of Congress to add billions of dollars to Clinton's defense requests, the budget is likely to grow more before the year is out. The Pentagon and Congress have already wiped out a substantial portion of the post-Cold War peace dividend and seem determined to absorb what is left. It is conceivable that military spending will be pushed up over the next several years to levels reached during the presidency of Ronald Reagan.

The amounts planned for procurement are indicative of what lies ahead. This year's budget requests \$60.3 billion for procurement, about 10 percent more than last year's figure, and 35 percent more than the budget for 1998. Nevertheless, the increase is not satisfactory to those who advocate a much steeper rise.

The Center for Strategic and International Studies (CSIS) has put forth the most extreme case for a more rapid buildup. The Center is a well connected Washington think tank comprised largely of former military and foreign policy officials. This year, it arranged to present its latest report on military spending to the House Armed Services Committee, one day before the committee was scheduled to hear from the Pentagon about the new budget proposal. James Schlesinger, who was Secretary of Defense under Presidents Nixon and Ford, was the Center's principal spokesperson. He presented the Center's main conclusion, namely, that procurement spending should be increased by \$100 billion per year.

The Pentagon agrees that much more needs to be spent for procurement, but it does not go as far as Schlesinger and CSIS, at least, not at the present time. Defense Secretary William Cohen told the House Armed Services Committee that there is nothing magical about the \$60 billion level (a goal set for procurement by the Pentagon several years ago), that plans call for the figure to rise to \$70 billion by 2005, and that it will have to go "much higher" in later years. The military services have suggested, preliminarily, how much higher. The House Armed Services Committee invited the services to tell it what they believe they need to spend over the next five years. Naturally, they believe they need more than the budget requests. The services responded with long lists of their "unfunded requirements," mostly for procurement, totaling \$85 billion for the five year period.

Several reasons have been advanced by the Pentagon to justify the buildup. There is, of course, the broad and sweepingly vague argument that we live in a dangerous world and that we need to be better armed to deal with terrorism and a variety of threats to our security and that of our friends and allies. Presidential candidate George W. Bush has phrased the issue most succinctly: even

though the evil empire is gone, evil remains. Therefore, he and many other politicians and Pentagon officials conclude, we must "rebuild" the military.

Those who favor a large increase in procurement are doing so under what can be termed the "steady-state" argument. They assume that the present force structure is about right but that procurement must be greatly increased to halt the long-term aging of our weapons and equipment. How much is required depends on assumptions about the numbers and costs of the new weapons intended to replace the older ones.

Another rationale for the buildup that is attracting attention in the Pentagon and Capitol Hill concerns the share of the gross domestic production devoted to the military. Schlesinger and CSIS argue that the share, known as the military burden, is too small. The military burden is presently about three percent. They believe the figure should be about four percent. Coincidentally, it would cost about \$100 billion to raise the share from three percent to four percent, the amount by which they want to increase procurement.

Secretary Cohen agrees with the steady-state approach, which has become something like a mantra these days. But it should be noted that the idea of a steady-state military program is broad enough to justify a number of conclusions about how much should be spent. Under it, some argue for more spending and some argue for a lot more spending. Sadly, that is about the extent of the defense budget debate today.

Cohen points out that the weapons in the present force structure need not be replaced on a one-for-one basis, contrary to the Schlesinger-CSIS argument. He asserts that some weapons can be replaced with more efficient ones that are more expensive individually but require fewer numbers and will reduce overall costs. Others argue that it is also possible to reduce costs by buying less expensive alternatives to the high-cost arms now being purchased, such as the F-22 fighter aircraft.

A revealing exchange occurred during recent congressional hearings when Rep. John B. Larson of Connecticut expressed concern about the layoffs that have been announced for a Pratt & Whitney defense plant in his district. Secretary Cohen replied:

With respect to layoffs, one thing we have tried to do, by reaching the \$60 billion mark, is to put more money into procurement, so that our industries will be able to function effectively, and not have these kinds of significant layoffs.

Oil and Gas Exports in Russia and the Transition to Technological Development

Vladimir Voloshin

The future use of revenue derived from oil and gas exports is hotly debated among Russians today. Notwithstanding the multitude of opinions on how to resolve the debate, one thing is clear: decisions on fuel exports will have a profound impact on Russia's economy and its ability to develop technologically.

Some argue that a high level of exports is needed to fund economic and technological development, while others fear that Russia's role as raw-materials provider to industrially developed nations will become permanent and will hinder the country's advancement. Others, some working in Russia's military-industrial complex, fear the country is being drawn into a vicious circle: raw materials (especially oil and gas) are being exported in exchange for the equipment needed to extract them. Efforts should be concentrated instead, they believe, on developing domestic manufacturing. Opposed to the curtailment of oil and gas exports, industry proponents contend exports are vital for the stabilization of Russia's economy. Oil and gas revenues, they argue, will help to create an environment favorable for Russia's transition to a market economy and technological development.

Wealthier than other sectors of the economy, the oil and gas complex in Russia has a special status. For one, it is the government's main source of tax revenue. In 1999, Russian oil and gas exports produced about \$30 billion in hard currency received by the state — about 40 percent of the federal income. This trend will likely continue, particularly if world prices increase.

Also in 1999, Russia exported about 132 million tons of oil and 194 billion cubic meters of gas. In the coming decade, nearly everyone agrees, it is necessary to maintain, if not increase, the current level of oil and gas exports. Most concur that there are significant unused resources in power saving as well as the opportunity to increase fuel production. In addition, world oil prices grew from about \$10 per barrel to \$28 per barrel. As a result, oil company earnings grew proportionally — about three times more in 1999 than in previous years.

With growing world oil prices, companies are currently receiving export "super profits." Particularly during this time of economic transition, it is necessary to use at least some of this revenue to benefit society as a whole. Oil and gas, after all, is national property. There are countless ways this money could be used for the structural transformation of the economy and transition to technological development — one has only to think of safety nets for the ill and unemployed as well as for economic and technological development.

Toward this end, it is essential to apply export duties on the companies from the sale of fuel for the benefit of the state. In the beginning of March export duties were set at a level of 20 euro per ton. It is simultaneously useful to adjust export duties to fluctuate according to the dynamics of world prices. As per barrel prices increase, duties placed on the so-called super profits should be adjusted to favor of state; as prices fall, they should be lowered to make the oil and gas industry more competitive.

It should be noted that in the absence of a developed competitive environment and market institutions, the participation of the state is necessary for further development of the complex itself. To maintain a balance between corporate and national interests, it

is necessary for those so charged to increase effective state regulation of economic processes. This can be done using duties, taxes, state purchases and other tools of regulation.

If not regulated, the oil and gas companies, backed by the vast economic forces inherent in the industries, could capture an ever increasing share of wealth at the expense of the public sector. The result of such massive income redistribution would further strengthen this sector and negatively impact revival of manufacturing, investment, and other high-tech, research-based industries. In short, it could stymie the transition to technological development and economic growth.

It is fair to say that the oil and gas sector will benefit from a growing demand for high-technology products from other manufacturing industries, particularly if oil and gas industry executives decide to relocate production plants northward to the Arctic. Advanced technologies facilitate production, especially in areas of severe weather conditions. Conversion of parts of the military-industrial complex, where basic high-technology industrial potential is concentrated, could actually drive an increase in high-technology production. Guaranteeing the efficiency of investments involved in the creation of high-technology equipment is crucial.

Oil and gas revenue should be used to build the domestic manufacturing base. Without such a base, Russia will find it difficult to expand the economy with its own resources and could risk becoming a "colonial economy" where corporate managers exchange non-renewable natural resources for the intellectual labor of developed nations. However, special interest groups may well determine how the country proceeds. If the national interests of Russia dominate instead of the momentary interests of oil and gas magnates, exports of oil and gas could become an important factor in the transition to technological development.

However, the intensified struggle to redistribute oil and gas complex incomes back to the respective industries can be traced to the creation in the State Duma of a group of deputies called "Energy of Russia," with members closely connected to oil and gas interests. Victor Chernomyrdin, former premier of the Russian government, heads the group. There is a danger this group will represent the oil and gas complex at the expense of the nation. Should this be the case, the group will probably become a lobbying group with its own agenda to preserve the current situation. One industrial sector would then remain disproportionately wealthy, and Russia would remain a country seriously dependent on oil and gas exports. This imbalance can only be viewed as unfortunate.

The transition to technological development in Russia depends on a fair and equitable plan to distribute national and corporate wealth. A policy that places national priorities ahead of oil and gas industry interests will lead Russia to economic and technological development, which in time will benefit many more people than if the government takes a hands-off approach, allowing the industry to cater to special interests.

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A Look at Restructuring in the United Kingdom's Defense Industry

J. Paul Dunne

Significantly changed since the end of the Cold War, the Defense Industrial Base (DIB) in the United Kingdom has been restructured to function faster and more efficiently than in years past. Under the new but still evolving system, commercial companies will be more involved in the production of weapon systems as well as the assessment of current and potential threats. Some foresee the reinvention of a powerful but less visible military-industrial complex (MIC), which is increasingly independent of government control, but dependent on government support. They caution researchers and other defense monitors to remain vigilant as the industry continues to change.

Look to the Past to Understand the Present

The seeds of these developments are found in the changes that were taking place as the Cold War drew to an end. The marked decline in military spending saw a global decline of about one-third and resulted in a restructuring of the arms market that has left world production highly concentrated. In 1996, the 10 largest arms producing countries accounted for almost 90 percent of production with sales of about \$200 billion (not including China and Russia). This declining trend has stopped, though restructuring continues in the United States and the European Union.

In the United States, concentration peaked in 1998 when four huge arms companies absorbed more than 20 others, and further concentration has been blocked by anti-trust concerns and some problems with the integration of the different companies. Western Europe seems to be heading toward cross-border integration but cross-Atlantic links remain important (Skoens and Weidacher, 1999). This rationalization in response to declining demand has seen no real conversion to civil production, and the internationalization has not created the truly global companies expected.

Not only has the industry restructured but the nature of the major defense companies has also changed. They have moved away from being manufacturing companies over a range of products to become systems integrators, putting the products of other contractors together. This is what Ann Markusen calls "hollowing out." BAE Systems, previously British Aerospace, is the obvious U.K. example which, in achieving profitability and becoming the apple of financial capital's eye, shed half its workforce and a lot of its production facilities.

In this way subcontracting has become increasingly important for defense contractors, as they outsourced. It also led to more non-traditional companies being involved in work for defense companies, as 'spin in' of civil technologies began to replace 'spin off' from defense technologies. There were clear changes in the nature of the U.K. defense contractors as they took on corporate governance structures common in the private sector. There were also changes in employment relations as, while shedding large numbers of employees on the production side, they have retained many engineers and scientists.

Defense contractors' supply chains extended internationally. This is nowhere clearer than in BAE Systems' move into South Africa (Batchelor and Dunne, 1999). There have also been numerous cross-border equity swaps and purchases, the development of joint ventures, licensed production, and technology

transfers, which clearly reflect a strategy of internationalization by the companies. These company-driven developments were well ahead of the national government's willingness to allow control over national defense industrial bases to wane. (Skoens and Weidacher, 1999). The companies have not been globalized, however. They remain tied to their national bases, despite some British Aerospace claims. They continue to require the support of national governments as major customers, have retained close links with procurement executives and they get considerable support from the government in exports. There were some differences, however, as they claimed to recognise the importance of their customers' perceptions in ways they had not before (Evans and Price, 1999).

At the same time, the process of procurement in the United Kingdom changed. With privatization came a change in the regulation of the industry both at a formal and an informal level, and with the Levene reforms of 1987 came a clear change in the rules. The prevalence of cost-plus contracts and gold-plating was no more. A more commercial environment was introduced with competitive tendering, contracts awarded with reference to market prices, for example. Most importantly, cancellation of the Nimrod and purchase of AWACs from the United States made foreign procurement a credible threat and represented a sea change in government/industry relations (Dunne, 1995). One problem was that with competition came failure, and the losers were taken over or closed down, leaving the government facing single suppliers with monopoly power. With foreign suppliers providing a credible threat, however, the defense industrial base became much less successful in capturing the government.

Export Policies Support Local Industry

This was never a hands-off approach as the government still played an important role in the industry. Its export policy provided support, encouragement, and subsidies to the local industry to help it reduce costs through economies of scale. This was policy that was pursued with vigor and led to now well-known scandals as the government took rather questionable actions. Offsets became increasingly important for foreign sales, and the government became increasingly involved in helping companies provide them (Martin, 1999). Over time, a weakening of the government position occurred as ad hoc planning was reintroduced. The first instance was when Prime Minister John Major favored the domestic Challenger tank over the U.S. alternative preferred by the forces. The credible threat became less credible. The defense industry started to see the importance of lobbying government and mounted successful campaigns of a sort not seen before in the sector.

Such developments suggest that the United Kingdom may now be witnessing a reinvention or 'reconstruction' of the MIC in a more informal, international, and a less visible form. The major defense contractors, no longer the workshop of the Ministry of Defence, are more commercially based firms with large numbers of contractors that have to use lobbying to influence government. They do this using their subcontractors and trade unions, local governments and development corporations, particularly in areas where they are important to the local economies. Companies

Arms, Conflict, Security and Development

June, 16—17, 2000

Middlesex University, London, England

ECAAR-UK, the Arms Trade Group and Middlesex University Business School have organized a conference on relations between arms production and trade, and on conflict, security and economic development in both developed and developing countries.

Plenary sessions and specialist workshops will cover:

- Security, military expenditure and development
- Economics of conflict and post-conflict reconstruction
- Economics of the arms trade and control
- Arms races and alliances
- Arms industry restructuring
- The peace dividend
- Policy responses

Confirmed speakers and their main topics of publication:

- Ron Smith: economics of military spending.
 Jurgen Brauer: economics of military spending and development.
 Paul Dunne: economics of military spending and conversion.
 Paul Levine: arms trade modeling.

To attend and/or to see if you may still send a 200 word abstract for a paper, please contact:

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need local sales as they provide a solid base and help them to sell abroad. They are more international and so can use the threat of losing jobs in the United Kingdom as well as being able to influence domestic procurement through their links abroad, such as through the European Union. Companies are also involved in determining the threat and the response to it with changes in procurement. Smart procurement, proposed by the U.K. government in the Strategic Defence Review, provides them with such opportunities.

In addition, the increasing use of civil technology in weapons systems, the development of dual use technologies, and the increase in intra-company trade, make trade less visible. Despite companies remaining dependent upon their national governments, they could face problems controlling them in the future. Regulation of the arms industry -- and trade -- at local and international levels is likely to become an important issue.

These changes present important challenges to researchers. The new architecture of security and the defense industry has to be understood and the internationalization of the companies tracked. They also present challenges to government if they attempt to take a rational approach to restructuring the DIB in the interests of the economy. They need to recognize the changes that have taken place, the defensive power of the vested interests, and that the military-industrial complex still exists, though in a less visible form, and is still influencing government decision-making. The government needs to decide what the United Kingdom needs for its defense and how best to get it. Given the problems with arms exports, it would seem reasonable to suggest that if the government produces arms domestically, it should subsidize them directly and not rely on exports. A more realistic target for the United Kingdom is to aim for intelligent customer rather than supplier capability. Finally, they need to recognize the economic costs of the defense industry and the opportunity that still remains to use the country's resources to produce goods for fast growing civil markets.

If the U.K. government acted in this way it would mean a more rational security policy and improved economic performance. If other countries were to follow, and multilateral controls on the arms trade and production could be achieved, there would be security and economic benefits internationally.

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Corporate Managers Resolve Local Conflict, Build Peace

Juliette Bennett

High-level managers of oil, mining and other multinational corporations increasingly find themselves operating in areas of armed conflict, indigenous cultural disputes, epidemic disease and other kinds of social upheaval. Adjusting to the difficult realities of business in the global marketplace means that corporate managers require conflict resolution and peacebuilding strategies when promoting peace as an essential element of successful business operations. To understand what some companies are doing in the area of conflict resolution, once a domain reserved for diplomats, one should consider the record of Bristol-Myers Squibb, BP Amoco and PeaceWorks.

Bristol-Myers Squibb, one of the world's leading pharmaceutical companies, recently created the "Secure the Future Program" and has partnered with other organizations and the United Nations to give \$100 million to fight the AIDS epidemic in Sub-Saharan Africa.

BP Amoco, in partnership with the United States Agency for International Development, has a \$7 million program to bring food aid to civilians affected by ongoing warfare in Angola.

PeaceWorks, a "not-only-for-profit" gourmet foods company, seeks to defuse conflicts with employment policies that bring culturally and racially diverse people together in volatile areas of the world — the Middle East, South Africa and Southern Mexico.

But there are many approaches businesses can take to promote peacebuilding:

- They can create cross-border initiatives that promote working partnerships on both sides of conflicted borders or ideological divides through increased trade initiatives and joint ventures. They can use methods that incorporate participation and collaborative decision making among stakeholders, and they can foster partnerships among diverse organizations that are familiar with the interests of the conflicted communities.
- They can contribute products such as electricity, telephones, agricultural technology, infrastructure development and new communication technologies such as computers and fax machines. Investment can be used to assist new and existing business growth, promote inward investment, increase public sector support into local businesses and spur economic regeneration. In addition, corporate management can use its expertise in the financial and strategic planning and managerial side of partnership programs.
- Management should look to promote good government policies that respect human rights, foster local engagement, encourage responsible distribution of public revenues generated by business operations, integrate environmental and social policies for sustainable development, and provide education and training for preventing conflict.

The complexities of corporations working in areas of conflict has led to an initiative from Bennett Freeman, U.S. Deputy Assistant Secretary of State for Democracy, Human Rights and Labor, to bring oil and mining companies together with non-governmental organizations (NGOs) to address human rights, security and other governance issues. Related to this initiative is a

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U.S./U.K effort to develop a voluntary standard on corporate security arrangements focusing on human rights.

A number of NGOs are intricately involved in conflict resolution and peacebuilding. The Fund for Peace's 'Foreign Policy Roundtable' works toward common goals of conflict prevention by bringing together human rights activists, government leaders and business leaders to build bridges between these communities. The Institute for Multi-Track Diplomacy is training business leaders in India and Pakistan to help stabilize relations in this unstable region, using case studies from its work in Cyprus and Northern Ireland. In addition, the Council on Economic Priorities, International Alert, and The Prince of Wales Business Leaders Forum, are preparing a report -- *The Business of Peace* -- to provide "a framework for understanding both the positive and negative roles that business can play in situations of violent conflict."

Other NGOs involved in the issue are Amnesty International, which recently organized 'The Business and Economic Relations Group' to examine business and human rights issues. In addition, Human Rights Watch has also begun to report on how business operations affect human rights.

With more than an estimated 6,000 distinct cultures in the world, and with a tragic history of at least 170 armed conflicts worldwide since the end of the Cold War in 1991, it is becoming increasingly difficult for multi-laterals to remain by-standers to local politics and conflict.

Chairman Mark Moody Stuart recently explained Royal Dutch Shell's new social awareness: "The demands of economics of the environment and of contributing to a just society are all important for a global commercial enterprise to flourish." Managers at BP Amoco recently commissioned an internal audit paper titled, "*Conflict Prevention and Post-Conflict Reconstruction.*" This report recommends measures to promote peace such as transparency (publicizing that the company pays taxes to the government); supporting community programs; and adopting security policies such as Amnesty International's Guidelines for Multilateral Companies.

The new phenomenon of business working closely with people involved in, or affected by crisis, promises to change the perception that the private sector is a remote or passive actor in the world of conflict. Just as economic interests can cause wars, they can also be used for peacebuilding. A working economy needs peace.

Peacebuilding Conference, April 29 at NYU

The International Peace Forum, in partnership with New York University's Center for Law and Business, will hold a full-day conference on April 29 at the NYU School of Law.

The conference, "Business and International Security," will foster discussion and dialogue about the emerging role of business in conflict resolution and peacebuilding. Participants will also explore various challenges to companies working in partnerships with NGOs, multilateral institutions and governments in international conflict situations. To register, go to "Events" at the website: www.intlfp.com or call (212) 628-1675.

As conflict darkens the skies over South Asia, charges of procurement mismanagement and allegations of large-scale corruption continue to surface in Pakistani and Indian weapons procurement and research and development planning. As the first civilian to have ever worked at the decision-making level in Pakistan's military, I believe the two governments should rationalize military planning and desist from an arms race and military competition. These objectives can be achieved by reviewing their respective defense doctrines and restructuring the armed forces with the goal of right-sizing the militaries. Keeping in view the dire need for socio-economic development, their defense budgets, most of which are absorbed in meeting personnel and maintenance costs, are not sustainable at the current volume.

Unless it is a military regime, the government in Islamabad has no system for authenticating and verifying weapons demands placed by the armed forces that to a great degree are influenced by the arms sellers operating in the country. In fact, there were occasions when military hardware was purchased not because it was needed but because of the personal whims of the chief of a service. Again, I know this from having worked with the Pakistani military on procurement issues.

Nor does it have any system for calculating life-cycle costs of equipment. In the past, this has led to situations when maintenance costs escalated due to foreign arms sanctions and eventually to increased financial wastage. The Navy, the smallest service of the Pakistani armed forces, and where I worked on arms procurement and production issues, was the only service throughout the 1990s to have engaged in major shopping worth over \$2 billion. This was done despite the fact that the service has no significance in broader national military-strategic plans. The previous naval chief, Admiral (Retired) Fasih Bokhari, who tried to tackle the problem of resource wastage in the service through streamlining the procurement system, met resistance both from the political government and his service officials.

All these deals had significant kickbacks attached to them. The procurement of a particular naval reconnaissance aircraft from the United States is a perfect case in point. The P-3C Orions were purchased from the United States when there was no strategic need for these aircraft. To date, there is no naval staff requirement for an aircraft capable of anti-submarine warfare. The plans

ECAAR Mobilizes NGO Opposition to Military Exercises on Vieques

Robert J. Schwartz

Economists Allied for Arms Reduction (ECAAR) has been gathering support from leading national peace and disarmament organizations opposed to the resumption of military maneuvers by US and NATO forces and for the return to the Viequeses of land occupied by the Navy base. This action was taken in accordance with the January 8 Board of Directors resolution to request President Bill Clinton to end target practice and close the U.S. naval facility on Vieques.

To resolve the dispute between the people of Vieques and the U.S. Navy, President Clinton in late December negotiated a deal with Puerto Rican Governor Pedro Rossello to resume military training exercises on the island, this time using inert bombs rather than live ammunition. This was done by the governor without consultation and in contradiction to his previous support for closing the base.

The resolution passed by ECAAR's Board of Directors, and the boards of several other organizations, was in response to the Administration's decision to resume military exercises. Under the current agreement, the people of Vieques will participate in a referendum in 2001 that will give residents the option of allowing the Navy to continue on its own terms with the use of live bombs and payment of \$50 million for island rehabilitation or requiring the Navy to cease all training by May 1, 2003. There are strong, vociferous objections to the agreement.

During one of the training exercises last year, David Sanes Rodriguez, a resident working at the base, was killed by fragments of an errant bomb. Pursuant to the accidental death, Rossello publicly declared he would do everything in his power to stop U.S. and NATO forces from resuming target practice on the island. "Not one more bomb" would fall on Vieques, he vowed. But, to the dismay of many who have closely monitored the situation, he broke his vow after an eight-month halt to training exercises on the island.

In the meantime, ECAAR, Peace Action, Americans for Democratic Action, the Council for a Livable World and numerous other peace, human rights and religious organizations will continue to demonstrate their opposition to the resumption of bombing on the island, which has been used by the military since World War II. Representatives from these organizations want to see the Navy leave Vieques. The island community and the island itself have been damaged environmentally and financially.

Many believe the agreement was the Administration's effort to force a compromise between the Navy, the Defense Department, the military-congressional complex and the people of Vieques who have firm support in Puerto Rico and are increasingly supported by democratic organizations, church groups, and political leaders in the United States and many countries.

Antonio Torres, ECAAR member, organizer and director of the Tufts University study entitled, *Vieques: Land Trust & Community Extension* (1998), took a large delegation from Massachusetts to participate in a demonstration on February 22. Several members of the delegation are legislators working to pass a resolution in support of closing the base.

The demonstration took place in San Juan. It was organized by church leaders including Juan Vera, Bishop of the Methodist Church of Puerto Rico, and Robert Gonzalez, archbishop of the Roman Catholic Church in San Juan. Between 85,000 and

150,000 people participated, according to police accounts and reports from one of the island's major newspapers, *La Voz de Vieques*. "It was the largest [demonstration] ever in Puerto Rico," reporters at *La Voz* allege the police commissioner on the scene that day had said. They noted the commissioner had indicated to them that he was baffled by the size of the crowd.

According to several local accounts, people involved in the demonstration hoped the size of the crowd would disprove President Clinton's comment that the majority of inhabitants favored continued military presence. A poll conducted by the weekly newspaper, *Vieques Times*, shows that only four percent of the island's residents actually favor a continued naval presence. It is important to note that many church leaders have sponsored resistance camps in the bombing areas to prevent military exercises from resuming. Rabbi Balfour Brickner of the Stephen Wise Free Synagogue, who is recognized worldwide as a leading spokesman of Jewish views on major civil and social issues, has joined in support of the opposition to the base.

Testing exercises involving the battleship USS George Washington were to have taken place in March but were canceled because of continued opposition. To meet the Navy's time schedule, new exercises have been proposed with the USS Dwight D. Eisenhower at Cape Wrath in Scotland. Having led fishermen in Vieques in their protest against the U.S. Navy, Alberto De Jesus will now join Scottish environmental groups in their struggle to oppose the training maneuvers.

In addition, many reports about Vieques are circulated on the Internet everyday. This has generated among religious, peace and non-governmental organizations international support for the people of Vieques. "We wish you much success in your fight against immoral bombing of Vieques," wrote one supporter, "and we sent a protest note to the German government to stop bombing in Vieques by [the] German military." Another supporter reports a discussion of the issue has reached the Dutch parliament, sparked in part by the reporting of the Dutch journalist, Anton Foek.

At ECAAR's January 8 Board meeting in Boston, Segito Hayabusa (ECAAR-Japan) pointed to similarities between Vieques and Okinawa. Having served as a Marine Corps Captain on Okinawa and subsequently followed the Okinawans' views of the United States and Japan, I concur with his analysis of the similarities to Vieques. As written in a recent letter asking organizations to join our resolution, "At a difficult time in my life, I am pleased to focus on Vieques which fits so well my vision of what ECAAR can and should do. It is this combination of study, reporting, influencing and taking action that may make the difference."

The effort shows where we are and what we might do. Here is this little island, a part of the United States with 19,000 inhabitants, offering people the opportunity to change from the use of force, destruction and death to peace, growth and democracy. Vieques provides a unique focus for reasonable people interested in economic growth and sustainable development. It is relatively compact, yet symbolically it represents the crucial issues facing those who would replace the law of force with conflict resolution, peace and the force of law.

Who will be the representative of the Water Keeper Alliance in Vieques? Tune in to the next newsletter.

Robben Island is Seen by Many as South Africa's Cradle of Democracy

Terry Crawford-Browne

Once a place of banishment, Robben Island five miles off the coast of Cape Town has become almost a shrine for hundreds of thousands of visitors to South Africa.

Throughout recorded time, the island has been a place of banishment: convicts, political prisoners from the Dutch and British colonies, the mentally handicapped, lepers and again — from 1961 until 1990 — political prisoners. Former South African president Nelson Mandela spent 19 of the 27 years of his imprisonment on Robben Island.

The limestone quarry worked by the prisoners became, surreptitiously, a place of learning and of political debate and, consequently, is nicknamed the University of Robben Island. The Island has recently been designated by UNESCO as a World Heritage Site, and is now annually visited by over 200,000 foreign tourists.

Despite its inauspicious past, Robben Island is increasingly regarded as the cradle of South Africa's new democracy, a place of transformation from its image of despair to a symbol of hope and peace. Half a mile from the prison and quarry is the Church of the Good Shepherd, also known as the Leper Church.

Built in 1895, when there were about 500 leprosy* patients quarantined on the Island in appalling conditions, the Church was abandoned in 1931 when the patients were forcibly removed. By then, they had come to regard the island as their home. The Church was restored last year, and re-consecrated in November by the Anglican Archbishop of Cape Town, the Most Revd Njongonkulu Ndungane who was, himself, a political prisoner on Robben Island during the 1960s.

The Archbishop then dedicated the Church as a "place of pilgrimage, a symbol of the whole world of God's power to heal and to transform." It is intended that in addition to being a place of prayer, the Church will be used as a venue for workshops open to all "who seek and foster global peace and the healing, reconciliation and unity of all human beings."

The first such workshop took place on Sunday, March 5. The Accord (African Centre for the Constructive Resolution of Disputes) in conjunction with the Royal Netherlands Embassy in Khartoum brought 36 women from strife-torn Sudan to South Africa for nine days training in conflict resolution skills.

Representing Muslim, Christian and Animist communities, the Sudanese Women's Civil Society Network for Peace studied post-conflict processes of the South African transition including a day on Robben Island.

The Coalition for Defence Alternatives was privileged to arrange the training venue, and to speak about its advocacy of demilitarization and reduction of spending on armaments. Africa is awash with weapons supplied by the "First World" to military dictators and warlords. The economic consequences have been devastating, including worsening poverty, refugees, and the spread of HIV/AIDS.

People from other NGOs spoke of the need for human security relating to people in contrast to the traditional notions of military security relating to states. Representatives from the Gun Free South Africa Campaign spoke of efforts to reverse the proliferation of small arms, including pending gun control legislation.

Women and children are disproportionately the casualties of the wars that afflict Africa, hence the recognition that networks of women must take the lead in the advocacy of peace.

Conflicts in Sudan, Nigeria and elsewhere in Africa are immensely aggravated by religious tensions, especially relating to fundamentalism. Christian and Muslim leaders spoke at the workshop of the inter-faith as well as cross-cultural collaboration in South Africa in the common struggle against apartheid.

Father Michael Lapsley — long-time activist against apartheid who in 1990 lost both hands and an eye to a letter bomb — spoke about the healing of memories and of the need of survivors of such atrocities to overcome their bitterness.

Africa — for the past five centuries the poorest and most marginalized of the world's continents — is beginning to grapple in hope for an African renaissance. The Church of the Good Shepherd, Robben Island, intends to contribute to that process.

Footnote: The Coalition for Defence Alternatives is a forum of individuals and non-governmental organizations which aims to provide a critical response to defense and military issues. ECAAR-SA serves on the Executive Committee, and Terry Crawford-Browne as a Co-Convenor.

* Leprosy is also referred to as Hansens Disease. Thanks to new multi-drug treatments, the number of patients around the world has fallen dramatically in recent years to about 1.2 million. The World Health Organisation announced in November 1999 that it has allocated US\$100 million to eradicate leprosy by the year 2005.

A Note From Terry Crawford-Browne:

"The Heath Unit had publicly committed to a finding by the end of January. It is now the end of [April]. They are themselves fighting for their political lives because they are on the brink of exposing massive governmental corruption, apparently including the President's brother. So the pressure is on them simply to brush it all under the carpet. Various journalists have also been 'warned off.' "

Record Attendance at ECAAR's Boston Dinner and Russia Panel

Attended by some 90 people, ECAAR's January 8 dinner in honor of John Kenneth Galbraith with Amartya Sen was a tremendous success with five ECAAR trustees speaking as well as Robert B. Reich who addressed issues of U.S. military spending.

At the opening of the dinner, Ken Galbraith appeared larger than life on an enormous video screen. He said "ECAAR and the scholars here assembled have taken the lead on the most important economic and political issue of our time; that is the invasion of government by the defense industry and takeover with the military establishment of . . . the public sector." He decried ". . . the vast diversion of public resources to military technology, to weapons production and to the military establishment in general. And social deprivation elsewhere." He also decried "the conservative defenders of the system who in our time vote against the regulation and reduction of nuclear weaponry and most recently the nuclear test ban."

Amartya Sen praised the breadth and reach of Ken's economics, and said his own ability to understand the world has been "immensely enriched by the questions and analyses that Ken has put to us over the decades." Copies of both the Sen and the Galbraith speech are on the ECAAR web site www.ecaar.org, or they can be obtained from the ECAAR office. (212-557-2545)

Other speakers at the Dinner were Akira Hattori of ECAAR-Japan and trustees Lawrence R. Klein, Franco Modigliani, Robert J. Schwartz and Robert M. Solow, as well as ECAAR Chair, Jamie Galbraith, who introduced the various speakers. Also at the head table were Catherine Galbraith, members of the Dinner Committee and a few other ECAAR leaders.

ECAAR's Second Annual Dinner will be in New Orleans on Saturday, January 6, 2001. It will be difficult to maintain the standard of our First Annual Dinner, but we will try.

If you will be in New Orleans, please attend the dinner.

Russia: Policies to Stabilize the Economy, Stimulate Growth

(The three papers presented at this AEA/ECAAR session are at www.ecaar-russia.org under Papers, Reports in English.)

At least 250 people attended the January AEA/ECAAR Panel on Russia to hear specialist presentations on the current state of economic and political issues.

Panel participants included Wellesley and Harvard Professor Marshall Goldman, World Bank Executive David Ellerman, and Alexander Nekipelov, director of the Institute for International Economic and Political Studies at the Russian Academy of Sciences. Convened and chaired by ECAAR Vice Chair Michael D. Intriligator, with commentary by ECAAR Trustee Douglass North, this event was widely considered one of the most important sessions of the Boston meetings.

"The challenge now is to reverse the policies of the past and revitalize those who, earlier, had attempted to start up businesses," stated Goldman. "If markets in Russia are to operate in a meaningful way, an effort must be made not only to make it easier for potential entrepreneurs to exercise their talents, but something should be done to actively facilitate, even stimulate their efforts." Past abuses must be redressed, and crime, unfair business intimidation, and corruption curbed, he added.

The paper by Joseph Stiglitz and David Ellerman stressed both the importance of curtailing corruption and the need to have more firms competing in order to build a culture of innovation and growth. It also discussed the value of simple business dealings between Russian firms and western firms, for example to make a product sold in Russia under contract to a western firm learning from its specialized experience.

Stiglitz and Ellerman emphasized restructuring that does not

Forthcoming Events

I. Nuclear Non-Proliferation Treaty Review Conference

From April 24 to May 19, 2000, the States Parties to the Nuclear Non-Proliferation Treaty will meet at the United Nations in New York to review progress in implementing the Treaty. Various related events will take place at the U.N. See <http://www.peacenet.org/disarm/nptcal>.

Monday, May 1, from 1-3 pm, ECAAR Board Member, Jeff Dumas, opening discussion on:

"Nuclear Weapons: Costs and Risks"

Professor Lloyd J. Dumas of the University of Texas at Dallas is author of "*Lethal Arrogance: Human Fallibility and Dangerous Technologies*"

II. Seminar/Reception, Mini Fundraiser With David Throsby

(contributions of \$50 to \$500 requested, call 212-557-2545 for details)

Monday, May 22, from 6-9 pm, At the New York Home of Dorrie Weiss, ECAAR's NGO U.N. Observer, David Throsby, ECAAR's Affiliate Chair in Australia, will lead a seminar on:

"Public Preferences and Decisions on Levels of Military Spending"

III. International Conference

on Arms, Conflict, Security and Development

Middlesex University Business School, London (see page 5 for more details)

Friday and Saturday, June 16-17, sponsored by ECAAR-UK, the Arms Trade Group and Middlesex UBS. For further information: + 44 181 362 6825. M.Lane@mdx.ac.uk.

IV. United Nations Panel on "The Restructuring of the Global Arms Industry and Its Implications"

Wednesday, June 21, from 2:30-5 pm, At the United Nations Dag Hammarskjold Library Auditorium (call 212-557-2545 or 212-963-6195 for U.N. access information.)

Organized by ECAAR, the World Policy Institute and the United Nations Department for Disarmament Affairs

Speakers: (Chair: David Gold; United Nations Host: Nazir Kamal)

Joel Johnson: **An Industry Perspective on Global Arms Industry Restructuring**

Janne Nolan: **An Update on U.S. Arms Control Policy**

Natalie Goldring: **Can Multilateral Regimes Cope With the Challenges of Restructuring**

William Hartung: **Changing Dynamics of Arms Production and Trade**

V. 2nd Lisbon Conference on Defence and Peace Economics The Economics of Civil War and Cooperation

Friday and Saturday, June 23-24, Organized and hosted by the Instituto Superior de Economia e Gestão da Universidade Técnica de Lisboa, this two-day event will include four keynote speakers and a round table with several journal editors on the subject "**Research on Defence and Peace Economics: the Future Ahead.**"

Papers of the conference will be distributed during the event, and publications related to the 1st Lisbon Conference will also be on display.

For more information, contact **Carlos Pestana Barros** (cbarros@iseg.utl.pt).

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April 2000

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