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## Missile Defense Complicates U.S.-Russian Relations

Paul Podvig

The announcement made by President Clinton on September 1st that the United States will postpone the beginning of work on the National Missile Defense (NMD) system was met in Russia with an audible sigh of relief.

That decision means that in the near future the United States will not withdraw from the Anti-Ballistic Missile (ABM) Treaty, providing Russia with additional time to attempt to preserve the regime limiting deployment of missile defenses established by this treaty. The U.S. decision also means that Russia does not have to make the tough choice of whether to deliver on its promises to withdraw from other arms control agreements in response to a U.S. withdrawal from the ABM Treaty. In this sense the decision to postpone work on National Missile Defense was a reasonable one. However, it did not resolve the issue of missile defense as it affects the U.S.-Russian relationship.

A closer look at the events that led to the U.S. decision and at the circumstances in which it was taken leaves precious little room for optimism. The issue of missile defense in general and the question of preserving the ABM Treaty in particular will remain contentious points that will most likely restrain if not impede any serious progress in arms control and disarmament. At the center of the disagreement are questions of intent related to U.S. missile defense programs and the impact their deployment will have on the relationship between Russia and the United States. The United States rightly points out that neither of the systems currently under development could pose serious threats to Russian strategic forces. But from the Russian point of view, U.S. missile defenses have the clear potential to disrupt the strategic balance Russia inherited from the Soviet Union and strives to preserve despite its economic problems.

The program that causes the most serious disagreement is strategic national missile defense, deployment of which would require either

withdrawal from the ABM Treaty or a very serious modification of its provisions.

Other differences, such as the demarcation between strategic and non-strategic defenses for the Soviet Union's successor states, are also taking a toll. Thus any step the United States and Russia take, such as the U.S. decision to postpone NMD deployment or Russia's offer to work with Europe on a non-strategic defense, are set against the existing problems. From this perspective, neither the United States nor Russia have demonstrated the willingness to resolve the disagreement over the missile defense issue and move on toward deeper reductions of nuclear weapons. This article briefly describes the areas of disagreement and the impact the missile defense dispute has or will have on the U.S.-Russian arms control dialogue.

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## Globalization and its Implications for International Security

Kenneth J. Arrow

"Globalization" is at once an economic imperative and a scheme for undermining local cultures and exploiting Third World labor. In France, a man became a hero for burning down a MacDonald's; in Seattle, Washington, and Prague, self-righteous demonstrators tried to shut down global institutions forcibly.

It is possible to distinguish at least five different aspects of globalization: international trade, capital movements, migration of people, migration of exotic biota, including pathogens, and the diffusion and possible homogenization of culture and ideas of all kinds. At the same time, international institutions have evolved to encourage these broad movements and to meet the problems they create.

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*Support for expanding the military budget is a tried and true way for the conservatives who control the Republican Party to put the moderates and liberals who control the Democratic Party on the defensive . . .*

— Richard F. Kaufman  
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## North Korea's Missile Program: From a Physicist's Notebook

David C. Wright

In brief, North Korea during the early 1980s was able to obtain a 300-kilometer range Soviet Scud missile, which it copied and began to build domestically. It sold a large number of these missiles to Iran, which used them in its war with Iraq. In the late 1980s, North Korea developed and built a longer-range version of the Scud that could reach 500 kilometers.

In parallel with that program, North Korea began to develop a larger missile -- the Nodong -- that is believed to have a range of 1,000 to 1,300 kilometers. The missile body is larger in diameter than the Scud, which could make it easier for the missile to accommodate an early generation nuclear warhead. (North Korea is believed to have enough plutonium for perhaps two nuclear weapons, but it is not known whether it has developed a working weapon.)

### North Flight-tests Nodong

North Korea flight tested the Nodong missile only once (in 1993), but the Pakistani Ghauri missile, which has been flight tested at least twice, is widely believed to be a Nodong missile or closely related to it. Intelligence reports say North Korea has begun building and deploying Nodong missiles on mobile launchers.

The Nodong range is significant since it would allow North Korea to target all of Japan, and if sold abroad would allow Iran and Libya to target Israel. Press reports have claimed that Nodong development was partially funded by Iran, and that North Korea has provided technical assistance to Iran's missile program. Press reports also state that North Korea recently sold Nodong missiles to Libya. Foreign sales provide both an incentive to continue the missile program and money to allow North Korea to do so.

In August 1998, North Korea launched its first multiple-stage missile, the Taepo Dong 1. The launch is believed to have been an unsuccessful attempt to launch a small satellite, and was highly controversial since the missile flew over Japan. The missile appears to have consisted of a Nodong missile as the first stage, and a missile similar to a Scud as the second stage. In addition, the missile carried a small solid-fuel third stage — a discovery that surprised the U.S. intelligence community.

This launch was important for several reasons. First, if used as a ballistic missile, this missile could deliver a small payload over a long distance. For example, it might be able to carry a 300-kilogram payload 6,000-6,500 kilometers. Such a missile could reach parts of Alaska with a small biological warhead, and therefore is seen by some as proof of a long-range missile threat to U.S. territory. Second, the launch demonstrated North Korea's ability to do multi-staging, crucial for developing long-range missiles. This launch showed North Korea has developed a key technology needed to build even longer-range missiles.

On the other hand, the capabilities of such a missile must be kept in perspective. It would be highly inaccurate, with an expected inaccuracy possibly of tens of kilometers. Without a significant flight testing program, its reliability would be unknown, but would likely be low. Moreover, with a payload of 800-1,000 kilograms, which might be required for a nuclear warhead, the range would be less than 3,000 kilometers.

North Korea is also believed to be developing an even longer-range missile, the Taepo Dong II. The first stage would be a new, large booster powered by four Nodong engines. The second stage is believed to use a single Nodong engine. To reach intercontinental ranges with a significant payload, the missile would likely have a third stage, although its characteristics are not known. Such a missile could probably carry a significant payload (large enough to accommodate a nuclear weapon) to the western parts of the lower 48 U.S. states. If the North was able to make the body out of light-weight material such as aluminum alloys rather than steel, it could increase the range.

A key question is how soon a Taepo Dong missile might be tested. Such a missile would be considerably larger than North Korea's current missiles and would pose a number of technical problems. The added complexity of this missile would raise additional questions about its reliability, especially if the flight testing program is limited, as is assumed. Moreover, North Korea's motivation to build this missile may have decreased since the spring of 1999, following U.S. Special Envoy William Perry's visit to Pyongyang. After that meeting, North Korea pledged not to flight test new missiles while discussions with the United States on missile issues continue. Reportedly there is evidence it has stopped some ground development and testing activities, part of the Taepo Dong II development program.

On the other hand, North Korea has shown considerable capability in developing missiles. Unlike Iraq, which built its al Hussain missiles using parts taken from Soviet Scud missiles, North Korea was apparently able to build working engines and guidance systems for the Scud missiles it produced.

### North Capable of Developing ICBM

Moreover, the design of the first two stages of the TD-2 appears to be roughly similar to the Chinese intermediate-range DF-4 missile, which was given a third stage to produce the DF-5 ICBM. This does not imply Chinese help in its design, but that the design could be used successfully to build an ICBM if North Korea decided to do so. Finally, there are continuing reports of Russian technical assistance to the North. If true, this could be a significant help to North Korea's program.

In sum, North Korea's demonstrated ability to engineer missiles suggests that it is possible it could develop a long-range missile like the Taepo Dong II missile in the next five years if it decided to do so, especially if it is getting foreign technical assistance. It has defended such development as supporting a domestic satellite-launch program, although such launch vehicles could also be used as ballistic missiles. Given its recent engagement with South Korea and the United States, however, it is not clear that it will decide to invest in such development. And, as with the Taepo Dong I missile, if it did build the Taepo Dong II, questions about its reliability and accuracy would limit its military utility, although it would allow North Korea to threaten a terror attack.

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## Changing of the Guards: The Future of Kosovo

Colonel George F. Oliver

After 13 years of autocratic rule, the people of Yugoslavia elected a new head of state. How will the U.S. election affect Kosovo where there are some 7,000 U.S. soldiers?

Under President Slobodan Milosevic, there was an intense effort to create a greater Serbia, and the province of Kosovo was center stage. Milosevic used the Yugoslav Army and National Police to drive ethnic Albanians out of Kosovo. His ruthless tactics in 1998 and 1999 led to intense but failing diplomatic efforts, a bombing campaign against Yugoslavia, and occupation of Kosovo by NATO forces. Prior to Milosevic's fall from power, NATO had over 35,000 troops still in the province with the Yugoslav Army and National Police across the border. This, coupled with the equally intense desire of Kosovar-Albanians to create an independent country free of Serbians, means Kosovo is still a volatile and dangerous area.

### From Milosevic to Kostunica

Under President Kostunica, the fate of Kosovo is still very much undecided. There are two main issues: the final status of the province – an autonomous region of Yugoslavia or an independent nation, and secondly, whether the region will become an integrated or an ethnically separate society. This will depend on the new Yugoslav President, the new U.S. President, and of greatest importance, the Kosovar-Albanians.

Though not prone to military action like his predecessor, President Kostunica is a Serb nationalist. His underlying interest will be for a greater Serbia. If he allowed Kosovo to become an independent country as the Kosovar-Albanians want, he could very well lose political support and ultimately his presidency. Kosovo is considered the heart of Serbia; some even see it as the Holy Land of Serb nationalism. Aware of the desire of NATO to make Kosovo an autonomous province of Yugoslavia, Kostunica will probably wait out the nation building effort in Kosovo. For him, it makes sense to let the United Nations with the support of the European Community continue to rebuild Kosovo.

### The U.S. Factor

For the United States, involvement in Kosovo appears to be tied closely to who wins in the upcoming presidential election. Governor George W. Bush argues that the U.S. military should not undertake nation building activities while Vice President Al Gore argues that nation building is an appropriate mission for the

military in this new world order. Regardless of who is elected, it is not likely that the United States will pull out of Kosovo, even with Congress threatening to withhold funding. Ultimately, Bush will discover that U.S. involvement in Kosovo is directly tied to vital U.S. interests -- maintaining the NATO alliance, for example. Gore, if he becomes the Commander in Chief, will better understand the challenges facing the U.S. military and not increase U.S. involvement. The bottom line, regardless of the outcome of the election, is that U.S. policies toward Kosovo will change little.

The wild card is the Kosovar-Albanians. They will seek an opportunity to settle one of the major issues not settled in the aftermath of the 78 day bombing campaign -- complete independence. As more and more nations welcome the change of leadership in Belgrade, Kosovar-Albanians see their dream of independence fading. All the while, ethnic tensions remain very high. Although there has not been a marked increase of violence toward Serbs since the Yugoslav election, attacks against Serbs are far too frequent and appear to be part of an organized effort to rid Kosovo of Serbs. Thus more Serbs leave Kosovo every day. Ethnic cleansing continues in this reverse mode right under the noses of the NATO peacekeepers.

The future of Kosovo, therefore, lies, as it always did, with its people. It is unlikely that the Serbs and Albanians will learn to live side by side. The issue of independence must be addressed. The international community cannot continue to sit on the fence. The United States must take the lead because no other nation will. While the international community attempts to find a solution, peacekeepers must keep the violence of Albanians against Serbs to a minimum. The answer for either a Gore or a Bush Administration will be nation building, to get U.S. troops home more quickly. Solving the issue on the future status of Kosovo will accomplish both. In weighing all the factors, and there are many, the answer should be independence for Kosovo. With the changing of the guards, the time is right to begin this dialogue and forever bring peace to this troubled region.

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## Missile Defense *(continued from page 1)*

The problem of non-strategic defenses is historically the oldest contentious point of the current debate and the one that has done most of the damage thus far. It originated in 1993, when the United States ruled in an internal review that testing of some of its theater missile defense systems, such as the THAAD Theater High Altitude Area Defense system, might violate some of the ABM treaty provisions. The ABM Treaty does not limit non-strategic defenses, but prohibits giving them capabilities to counter strategic ballistic missiles. However, the treaty does not specify what this capability is exactly. The United States decided to seek a clarification of this particular treaty provision that would determine which systems should be considered non-strategic and thus not limited by the agreement. Russia agreed to the idea in principle, but almost immediately rejected the U.S. approach to the problem. While the United States suggested that any system that is not tested against a strategic ballistic missile should be considered non-strategic, Russia saw this as too permissive. It insisted on establishing a set of technical parameters, such as maximum velocity of an interceptor, which would be used to define more strictly non-strategic systems.

The disagreement proved to be serious and soon became politicized. Russia saw the United States as trying to avoid the inclusion of specific technical parameters into an agreement as an attempt to open a way to circumvent the ABM Treaty. As a result, Russia became convinced that solving the problem of demarcation on its terms was the only way to preserve the ABM Treaty, which was seen in Russia as one of the basic elements of the arms control regime. The demarcation agreement, which was supposed to preserve it, came to be viewed as an integral part of the START II strategic arms reduction treaty, which was awaiting ratification by the Russian parliament.

The United States, quite naturally, objected to a demarcation agreement that included specific limits on future defense systems since such limits could potentially limit a missile defense's effectiveness. Also, the United States found it difficult to reconcile itself to the fact that Russia, in effect, has a right of veto over U.S. national security decisions.

Eventually, after almost four years of negotiations, the United States and Russia signed the demarcation agreement in September 1997. It consists of several protocols and comes in a package with other documents, namely a protocol to the START II Treaty, which extends the implementation time until January 2008, and a protocol of succession to the ABM Treaty, which names Russia, Belarus, Ukraine, and Kazakhstan successor states of the Soviet Union.

Although both countries announced a major breakthrough, the demarcation agreement failed to achieve any of its stated goals and does not, in fact, prevent circumvention of the ABM Treaty. Nevertheless, the Russian Duma gave its consent to it and made it part of the START II ratification system. This explicitly prohibits exchange of ratification documents unless the United States ratifies protocols to the ABM Treaty (the memorandum on succession and the demarcation agreement). Thus the START II Treaty has almost no chance of entering into force, since the United States Senate has made it clear that it will not approve ABM Treaty protocols that limit capabilities of future defense systems or the memorandum on succession in its current form.

The situation with the demarcation agreement, although overshadowed by other events recently, gives a striking example of how missile defense plans are damaging nuclear arms reduction even before they become real. As it stands now, the situation could be resolved by either the Duma's dropping its conditions or the Senate's agreeing to approve the memorandum on succession and ABM protocols. Unfortunately, both these developments are equally unlikely. And consequently the START II Treaty will probably never enter into force.

### **Disagreement on Strategic Defenses and the ABM Treaty**

By the time the United States and Russia concluded the demarcation agreement that was supposed to prevent giving non-strategic systems strategic capabilities, it became clear that this issue was no longer the central one. The idea of building strategic missile defense was gaining popularity in the United States, so by mid-1998 the problem that occupied the political scene was not whether the demarcation agreement set excessive limits on U.S. theater defenses. The issue was whether the United States should withdraw from the ABM Treaty in order to build a defense system to provide protection for its territory.

As a result of this debate Congress passed a bill declaring it a policy of the United States to deploy a national missile defense system as soon as technologically possible. Attempts to pass a similar bill were made before, but it was not until 1999 that it received almost unanimous bipartisan support. President Clinton, although not enthusiastic about NMD plans, signed the bill into law and made a formal proposal to Russia to negotiate amendment to the ABM Treaty that would make deployment of strategic defense possible. Russia's reaction to that proposal made in January 1999, was sharply negative. Russia has opposed any modification of the ABM Treaty and, in fact, made this opposition one of the central points of its foreign policy.

At first glance, the modifications proposed by the United States are relatively minor since they are aimed at allowing deployment of a limited defense that would be capable of intercepting no more than 20 incoming warheads. Since the current capabilities of the Russian strategic forces are much larger, it looks like Russia should not be concerned about losing retaliatory potential. However, the modification would change the most fundamental provision of the treaty prohibiting deployment of a base for a nation-wide defense. Removing this ban from the treaty would make meaningless all other provisions and leave the treaty virtually powerless. For practical purposes, modifying the ABM Treaty would be to abandon it.

Confronted with strong opposition to any ABM Treaty modification, the United States adopted a tactic of linking Russia's concessions on missile defense to progress at the START III talks — a possible tactic because Russia is interested in negotiating the START III arms reduction agreement that would set a much lower ceiling on the number of offensive weapons than the 2,500-warhead START II limit, not to mention the 6,000-warhead limit of START I. However, neither of the arms reduction proposals the United States made to Russia was attractive enough to make the trade worth making. Russia would like to see an agreement that would reduce the number of offensive weapons to about 1,500, the maximum number Russia will be able to maintain after the next several years. But the United States thus far has been unwilling to discuss any number lower than 2,000–2,500 nuclear warheads.

Thus the link between the ABM Treaty and START III complicates the already difficult arms control negotiations to the point where any progress seems all but impossible.

#### **New Presidents, New Policy?**

As Russia held its presidential elections in March 2000, and the United States in November, it is the new presidents who will eventually have to find an answer to the missile defense questions, which could move the two countries toward further nuclear disarmament or in the opposite direction.

When President Putin of Russia said in an interview before the summit meeting with President Clinton in June 2000, that Russia would be ready to work jointly with the United States and Europe on missile defenses to protect Russia from future threats, many considered this a sign of Russia's willingness to soften its opposition to missile defense. Putin's proposal was interpreted as an invitation to work jointly on a so-called boost-phase defense system, which some experts saw as an alternative to NMD. Immediately after the U.S.-Russian summit, Putin visited several European capitals where he promoted the idea of a joint Russian-European missile defense.

The Europeans certainly welcomed Russia's less confrontational stance in contrast to its earlier rhetoric position. Not long before Putin's European tour the Russian military threatened to return to deployment of SS-20 missiles in Europe if the United States withdraw from the ABM Treaty. At the same time, the reaction in Europe was not overly enthusiastic to Putin's ideas. Later the Russian military clarified and, in effect, disavowed Putin's proposal, saying that work on actual missile defenses would be the last stage of a long process that should begin with evaluation of threats that justify a defense deployment.

Another step that the Russian president took to advance the Russian position on the ABM Treaty was his visit to North Korea. The North Korean leader reportedly told Putin that his country would be willing to stop its ballistic missile program in exchange for international help to launch its satellites into space. This step was aimed at undermining one of the arguments made

by U.S. missile defense proponents, who refer to the threat from North Korea as justification for NMD deployment.

As these examples show, Russia is trying to play an active role in missile defense issues. However, since preserving the letter of the ABM Treaty remains the centerpiece of its policy, Russia is very limited in its choices. As a result, the arms control agenda will be most likely determined by U.S. policy both on arms reduction and on missile defense.

It is difficult to predict the next administration's policy regarding national missile defense. But it is clear that the United States does not intend to abandon its missile defense plans. Most likely the new administration will begin a limited NMD deployment, a decision that would require either modification of the ABM Treaty or abandoning it. Russia's reaction to such a decision will certainly be negative, but it is highly unlikely that Russia will take any truly confrontational steps, such as withdrawal from START I treaty or deployment of intermediate-range missiles in Europe. Moreover, it is still possible that Russia could accept a compromise on missile defense, especially if it will be linked to a reasonable offer in strategic weapons reductions.

In the end, the new leadership of Russia and the United States should realize that missile defenses, strategic or non-strategic, far from providing security, cause serious damage to their relationships. The sooner both countries recognize that missile defense is a completely inadequate response to the threats of the current world, the sooner they can turn their attention to the real problems that confront them -- safe and secure elimination of nuclear weapons and building a reliable international security system. Although Russia and the United States have yet to show that they are able to move in this direction, the potential for progress exists despite the current disagreements.

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### ***Capitol Hill Seminar, Washington DC, Friday, December 1, 2000***

*ECAAR invites members and other interested people to a Capitol Hill seminar on:*

#### ***Globalization and the Future of Defense***

*The seminar will run from 8:30 am to 1:00 pm and will take place in Room HC 5 in the Capitol building. Hosted by Representatives James Leach (R-IA) and Lynn Woolsey (D-CA), co-chairs of the House Study Group on Security for the New Century, there will be three sessions on:*

*A New Look at Deterrence; Rethinking The Export Regime; and Private-Public Partnerships to Build Regional Stability.*

*Call the ECAAR office at 212-557-2545 for details.*

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### ***International Conference on Conflict Management, near Berlin, Germany, August 23-25, 2001***

*For further information, see the ECAAR web site: [www.ecaar.org/events.htm](http://www.ecaar.org/events.htm)*

## Military Spending and Public Opinion

Richard F. Kaufman

The two major political parties are on record firmly supporting increases in military spending and it is important to understand the convoluted politics that underlie this support. The most salient political facts are that advocating increased military spending is an integral part of conservative ideology, and opposition to such spending increases is a perceived vulnerability of moderates and liberals. The conservative impulse to expand the military budget was constrained in the immediate aftermath of the Cold War when the Pentagon itself agreed that cutbacks were in order. But this widespread feeling subsided in a few years.

For a while, President Clinton held off demands from the Republican controlled Congress for military spending increases. Bending to the pressure, Clinton announced in the mid 1990s that it was time to reverse the downward trend, although he did not begin to propose real increases in spending until the late 1990s. As the 2000 elections neared, the rise in military spending began gaining momentum. In his campaign for the presidency, George Bush argued that the military was in decline and that he would build it up. By this time the Democrats had taken steps they hoped would neutralize the issue. Secretary William Cohen asserted in direct response to Bush that "We have begun the largest sustained increase in our military spending in a generation." And Al Gore promised to spend much more on defense if he was elected than would Bush.

The first question that needs to be addressed is why do the two major parties advocate a military buildup in an era of diminished threats and when the United States is already spending about the average amount spent during the Cold War? Part of the answer has been alluded to. Support for expanding the military budget is a tried and true way for the conservatives who control the Republican Party to put the moderates and liberals who control the Democratic Party on the defensive in the jockeying that takes place in Congress and on the campaign trail during national elections. Most Republicans believe that they benefit politically from this posture because they assume the public supports increases in military spending and will reward them at the election booths. Most Democrats support increases because they are always nervous about the defense issue. They know that much of the spending is wasteful and unnecessary, but they are reluctant to vote against when the appropriations bill is brought up as they, too, assume the public approves of spending increases except in exceptional circumstances, such as the end of a war. The Democrats fear the electorate will punish them if they do not support spending increases.

### What the Opinion Polls Say

Both groups are heavily influenced by their assumptions about public opinion, but what does the public really think about military spending? The belief that the public generally supports military spending increases, and specifically the current buildup, and that voters would lose confidence in and might vote against any elected official who is opposed, is not supported by public opinion polling data. For one thing, military spending is usually not a high priority among the general public, contrary to the accepted wisdom of politicians. A *Washington Post/ABC* poll conducted in September 2000 demonstrates the relatively low level of interest in military spending. The survey found that defense was ranked below the top 10 issues that most concerned

registered voters. The higher priority issues were education, the economy, social security, health care, moral standards, the federal budget, crime, helping the middle class, and prescription drugs, in that order. The Mellman Group commissioned by the Council for a Livable World in the spring of this year found similar results in a poll. Of course, there are people who feel otherwise. They are a small minority. The polls show that only three percent to four percent of those surveyed rank military spending as a top priority.

More importantly, what the politicians assume the voters think about military spending differs from what the voters are actually saying to the pollsters. However, the way the voters respond to questions about military spending depends upon the specific questions that are asked and the information given to the persons polled. This point helps explain the varying results and apparent contradictions that show up in different polls. If the question is simply whether people favor a strong military program and are comfortable with the present level of spending, most people answer affirmatively. On the other hand, if the question is whether the U.S. military is strong enough to ensure national defense and protect our interests around the world, as was asked in an April 1999, *NBC News/Wall Street Journal* poll, most people respond that the United States is strong enough.

The Center for the Study of Policy Attitudes of the University of Maryland has been analyzing polling data on military questions since the early 1990s. The Center's results reinforces the conclusion that if questions about military spending are placed in an appropriate context most people see no reason to increase military spending and would prefer that it be reduced. For example, if people are asked to specify the level of military spending they would prefer, the majority say they would like substantially less to be spent. If they are asked whether they would prefer increases or reductions in military spending, most favor reductions. When people were informed by the polling group about the portion of the federal budget's discretionary dollars spent for defense, compared with the amount spent on other discretionary programs, most people say they favor a substantial reduction in the share going to the military. If given the choice of cutting military spending in order to balance the budget, most people support cuts. When people are informed about U.S. military spending relative to military spending of our potential enemies, the majority conclude that U.S. spending is excessive.

When the preface to the question states that monies from cuts in defense will be redirected to domestic programs, a large majority favors reductions in military spending. According to the Center, in one poll 75 percent of the respondents agreed with the statement that the military budget is inflated by members of Congress promoting jobs in their districts, duplication of activities by the military services, and the influence of campaign contributions from defense contractors.

### National Missile Defense

A similar situation exists in the area of nuclear missile defense. The accepted wisdom in Washington is that the public strongly supports the national missile defense program. The polling data shows, once again, that the

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## Globalization *(continued from page 1)*

Why the pace of globalization has been stepped up is hardly a mystery. As in the past, the fall in the costs of communication and transportation have been decisive. To be sure, some of its effects can be offset by adverse nationalistic policies as in the interwar period. The great increase of international trade relative to world income is most well known. Specialization has increased along the lines that economic theory would predict. There are, of course, disruptions as well as gains; trade restrains inflation, permits real economic growth, and stimulates economic development abroad, while imposing costs on parts of the labor force.

Capital movements have been more troublesome in some ways. Indeed, capital markets in general, domestic as well as foreign, are always unstable, for understood reasons. Foreign investment has in general been good for developing countries and at least for the rich, if not the poor, in developed countries.

The economic effects of increased migration are complex. Economic growth and falling birthrates have created a demand for labor in developed countries, in European countries even more than in the United States. But immigration is not inevitable. Japan has shown that even a virtual ban on immigration is compatible with rapid economic growth, if not with generosity toward the deprived.

The migration of alien species, including pathogens, has many consequences, even apart from the spread of diseases such as AIDS. The introduction of alien species without local predators has in many cases led to a loss of biodiversity.

What can be said about the global diffusion of ideas and culture? McDonald's is not the only example of culinary globalization. A visitor anywhere in Europe cannot help notice the Irish pubs. With regard to languages, English has indeed become the business norm. But languages with few speakers are headed for extinction everywhere. It is estimated that of the 6,000 languages currently spoken, only 600 will survive the next century.

It is true, though perhaps surprising to some, that all these aspects of globalization have historical precedent. Today's trade and capital movement are no bigger in proportion to world income than they were in the 30 years preceding World War I. It is the interwar period that is exceptional. Many of today's problems also existed then. If anything, today's foreign investment is more directed to developing countries and less to countries already prosperous.

Instability in foreign capital markets is indeed an ancient phenomenon. As early as 1300, the leading banking firm of Florence, the New York or London of its day, was forced into bankruptcy by the loan default of King Edward I of England. This was at a time when Florence was further in time from England than the Moon is today. The English and the Dutch lost money in United States railroad investments and even in defaults by states. Gunboats and military intervention were powerful methods of debt collection against weaker countries.

International cultural globalization has even more precedents. McDonald's is much like the omnipresent Chinese restaurant or the introduction of pizza in the United States. For even earlier episodes, try to think of Italian cuisine before the tomato or Szechwan or Indian cooking before the chili pepper, both imports from the New World. What more remarkable examples of cultural diffusions can be thought of than the worldwide

spread of two obscure Semitic religions called Christianity and Islam from backward corners of the world?

As for disease and the spread of biota, they are also of long standing. Bubonic plague, syphilis, and smallpox are but a few of the diseases that have spread across nations and continents during periods of much less intensive globalization.

Turning briefly to the development of an institutional infrastructure for globalization, it can be said that institutions, in the sense of standing visible organizations with headquarters and staff, have been around for at least a century, with the International Postal Union and the international agreements on patents and copyrights.

After World War I and World War II, there was a further proliferation. There were also many regional organizations, such as the Organization of American States, but the most remarkable of this type is certainly the European Union.

It is necessary, however, to call attention to a common feature: They are all far removed from democratic control. Even the European Union, which is closest to a classical state, locates its parliament far from the seat of administrative power where the important decisions are made. An extreme case is the European Central Bank, a monetary authority with no parallel political authority. There are good reasons in terms of efficiency and practicality for this development. But the long-run implications of the growing importance of responsible agencies have not been thought about.

And finally, what are the implications of globalization for international security? On the whole, one would suppose that globalization furthers world peace. Surely, greater contact should both mitigate differences and permit greater understanding of others. The economic links should also be important. If nothing else, they create mutually profitable relations that would suffer in case of war. One doesn't have to subscribe to an economic interpretation of history to believe that interests in trade and foreign capital should at least be considered in the scale against war.

The history thus sketched is not kind to such optimism. The previous age of globalization, the late nineteenth and early twentieth centuries, culminated in World War I. This war was indeed economically destructive, breaking up long-lasting profitable ties, just as was predicted at the time. But the potential destruction of economic links and those of the cultural connections at least within Europe had no force against those of nationalism.

It may be, though, that the pressures toward globalization already reflect an attenuation of the kind of nationalism that makes war so acceptable. Certainly, the probability that two members of the European Union will go to war must be regarded as negligible. The world's greatest military power seems to have the greatest aversion to casualties. Its military leadership combines an insatiable demand for more weapons with an equal aversion to their use.

I offer, then, this tentative optimism: It is not so much globalization as the factors encouraging it that may well signal a reduction in the possibility of international armed conflict.

*Kenneth J. Arrow, who received the Nobel Prize in Economic Sciences in 1972, was co-chair of ECAAR from 1988 to 1996. This article is based on his presentation to the ECAAR seminar in Palo Alto in September, 2000.*

## *Captives of the Cold War Economy: The Struggle for Defense Conversion in American Communities*

Readers of this newsletter are well aware that, in its ambivalent and ultimately reactionary response to the end of the Cold War, the United States has blown a golden opportunity to reshape the international security system and to restructure its own economy toward more peaceful purposes. For despite the significant U.S. defense spending cutbacks that occurred from the late 1980s through the mid-1990s, military spending remains stuck at over 85 percent of average annual Cold War spending. And there is no sign that Congress or the president is ready to cut spending to peacetime levels.

How did this happen? A large part of the answer, of course, can be laid at the foot of the so-called Iran Triangle of the Pentagon, defense contractors and Congress, which kept U.S. military strategy rooted in Cold War thinking, which ensured that military spending would not fall far below the Cold War average, and which encouraged large contractors to avoid conversion to civilian production. The research of Ann Markusen, Greg Bischak, Lloyd Dumas, Michael Oden and others has documented this quite thoroughly.

Less appreciated are the ways that defense-dependent states and localities influenced the ultimate outcomes of U.S. military spending policy through their responses to real or potential spending cutbacks. In his book *Captives of the Cold War Economy*, John Accordino shows that federal ambivalence toward defense spending cutbacks during the late 1980s and the first half of the 1990s sent mixed signals to defense-dependent communities. As a result, state and local interests played a significant role in determining local defense and conversion policy outcomes. Drawing upon case studies of communities in

Virginia, Southwestern Connecticut, Maine, Washington State, Missouri, Arizona and Southern California, Accordino describes how dominant interests in these communities – principally growth advocates and military boosters – sought to use traditional connections with Congress and the Pentagon to bolster military spending in their communities or at least to avoid cutbacks.

Yet the defense spending cutbacks that did occur and fear that more would follow also provided a small window of opportunity for defense conversion advocates in some communities to advance their vision of a prosperous local economy and to help secure federal conversion and adjustment grants. The result was that small defense contractors in many communities were able to diversify into civilian markets, and new models of labor-based conversion and business development were created. Once defense cuts occurred, even growth advocates were able to embrace some adjustment policies. Thus conversion and adjustment models worked tolerably well during the 1990s, where they were seriously tried and not subverted by military aims. What the United States lacked and still needs, argues Accordino, is a national security policy that favors less costly, collective international security arrangements over the philosophy that informed the country's Cold War strategy; in other words, a policy that makes defense conversion necessary. Until then, many American communities seem destined to remain captives of the Cold War economy. *Captives of the Cold War Economy: The Struggle for Defense Conversion in American Communities* is published by Praeger Publishers, Westport, Connecticut.

**Public Opinion** (*continued from page 6*) program depends on the way the questions are asked and the facts possessed by the respondents. If the question is whether the United States should try to develop missile defenses or not try because the effort might interfere with existing treaties with Russia, most people would go forward with the program.

A different kind of inquiry was made this past July by a Harris poll. It asked whether those polled had seen or read anything about the missile defense system that the Pentagon had been testing. A majority of respondents said they had seen or read something about the system and most (64 percent) people in that group knew the test was unsuccessful. The question then asked was whether President Clinton and Congress should (a) continue with more research until a system is successfully tested before deciding whether to go forward with the full system, or (b) commit now to the full system. Two-thirds of them chose to continue research until the missile defense program proves successful in tests. Only about one-fifth said the government should commit to the full system now. These findings are similar to those of the Mellman Group poll mentioned above. In that poll, the majority said the decision about building a national missile defense should await completion of all scheduled tests.

There are several important lessons in this. One concerns the interpretation of the polls. Explanations of public opinion about military issues provided by government officials and

reported by the media are frequently misleading. There is a tendency to exaggerate the public's support of military spending increases and of expensive new weapons. Because assumptions about what the public believes plays an important role in policy decisions about the military budget, closer attention needs to be paid to polling data and their meaning.

Another lesson is that the more the public is informed about military spending and related issues, the more reasoned and based on facts is public opinion. Both the polls on military spending and on missile defense demonstrate the truism that information is necessary for opinions to be informed. When pollsters include related information with questions, respondents give reasoned replies on spending levels and on plans for complex new weapons. But the information about military issues provided to the public is often fragmentary and out of control.

Groups such as ECAAR have a special responsibility to illuminate through economic analysis the choices for military spending. Economic analysis of the military budget and military programs, and the effects of spending trends on the economy, among other topics, can contribute greatly to public understanding and to policy making. In fact, it is not possible for the public to make rational choices without an appreciation of military economics. One needs to ask whether enough is being done in these areas and whether it is possible to do more.

*Richard Kaufman is a Vice Chair of ECAAR.*

## *The Economics of Regional Security: NATO, the Mediterranean and Southern Africa*

Co-edited by Professor Jurgen Brauer, Vice Chair of ECAAR, and Professor Keith Hartley, Director of the Centre for Defence Economics at the University of York, *The Economics of Regional Security: NATO, the Mediterranean and Southern Africa* is a selection of revised papers presented at the 1<sup>st</sup> Lisbon Defense Economics conference in June, 1998. The volume includes contributions by renowned scholars, Keith Hartley, Todd Sandler, Jacques Fontanel, and John Treddenick, but also the work of a follow-on generation of younger scholars who are beginning to make their mark on the profession.

Part I focuses on NATO and deals with its European dimension, defense budgets and future challenges. The opening chapter by Keith Hartley (United Kingdom) shows the contribution of defense economics to policy formulation and examines the economic implications of creating a single European market for defense equipment. Pierre Willa (Belgium/Switzerland) analyses the role of the European Union in determining the stability of the Mediterranean region in the post-Cold War era. John Treddenick (Canada) analyses the economic impact of falling defense budgets on the central economic questions of allocation and efficiency. Part I ends with a chapter by Todd Sandler (United States) that shows how defense economists are addressing important questions about the future of NATO. These include NATO's new roles and missions, weapons of mass destruction, terrorism, rogue states, and NATO expansion.

Part II focuses on the economics of security in the Mediterranean region. Typically, defense spending is criticized for its "crowding-out" of valuable civil investment. Emmanuel Athanassiou and Christos Kollias (both from Greece) extend the crowding-out debate by assessing the impact of Greek-Turkish rivalry on foreign direct investment. There follow two chapters written by Selami Sezgin and Onur Oszoy (both from Turkey) that assess the evidence on the defense-growth relationship for

Greece and Turkey. Carlos Pestana Barros (Portugal) examines the determinants of military spending in the European Catholic countries and the Muslim African states of the western Mediterranean, and Jacques Fontanel and Fanny Coulomb (both from France) end Part II with a case study on Algeria, a nation about which little has been published in defense economics literature.

Part III is devoted to southern Africa, including South Africa. This region has been characterized not only by the search for a peace dividend in post-apartheid South Africa but also by continued conflict and civil wars. The southern African region provides case study material on new threats, some of which could spill over to developed nations. It is also a region that has been relatively neglected in defense and peace economics literature.

Part III remedies this deficiency. It starts with an original and novel contribution by Tilman Bruck (UK/German) that presents an economic analysis of civil war in Mozambique, including its effects on output, growth and distortions in economic structure. Andre Roux (South Africa) examines some of the myths and the reality of the search for a peace dividend in South Africa, especially assessing its macroeconomic impacts. Michael Hough (South Africa) assesses the impact of illegal migration on official perceptions of threats to national security, especially for the country. Denis Venter (South Africa) explores attempts to institutionalize regional security by taking a South African perspective of the southern African region. This book concludes by analyzing regional peace as a collective action for good. Jurgen Brauer (U.S./Germany) explores the implications of the public good approach for peacemaking and peacekeeping in southern Africa, for free-riding, and for the design of institutions.

*The Economics of Regional Security: NATO, the Mediterranean and Southern Africa* is published by Harwood Academic Publishers, Amsterdam.

### MAKING ECAAR A MORE INTERACTIVE NETWORK

The staff and officers of ECAAR would like your help.

**On research projects that relate to ECAAR's mission**, please consider whether other members and readers of this Newsletter could be of help, and whether the ECAAR office might be able to find people/projects to gear in with your works in progress.

One research topic on which we would like to find investigators concerns the relationship between the **drug trade and the arms trade in Colombia**. Please send a message to Galbraith@mail.utexas.edu, jbrauer@aug.edu, or to lucywebster@mail.ecaar.org if you have ideas or plans relating to this subject.

We would like to have **Letters to the Editor** to print in the Newsletter, or longer items that relate to material reported. Please send us material in any form, but email is best.

The web site, [www.ecaar.org](http://www.ecaar.org), is available for your use. It can serve **to post your publications or to list information about articles and books** that you have published.

If readers have **events or articles to publicize**, please let us know. Kate Cell can post appropriate material on the web site. She can also work with our press agency to try to obtain wider dissemination of your articles and other information that relate to ECAAR's work.

Write to: [katecell@mail.ecaar.org](mailto:katecell@mail.ecaar.org).

### Focus on NMD

With National Missile Defense as a major topic for its research and educational work, ECAAR is setting up a study group on the question.

If you wish to participate, please call the ECAAR office:

212-557-2545  
or send an email

## ECAAR-South Africa Reports “Betrayal of the Struggle Against Apartheid”

Lucy Webster

The South African Government proposes to spend R48 billion on armaments, an unwise investment particularly when the country is not threatened by any foreign military threat and the majority of people suffer acute poverty, reports Terry Crawford-Brown, chair of ECAAR-South Africa, an autonomous affiliate of ECAAR-U.S.

The justification for this is said to be offsets of R110 billion. However, according to Crawford-Browne, an Auditor General's report recently presented to Parliament found serious shortcomings in the acquisition process for the offset agreements. The report, he stated, points to a disregard for the skills needed to operate the equipment and includes a naval sub-contract given to a French firm that had higher costs than a local company.

### Non-Delivery of The RDP

South Africa's first democratic government came to office in 1994 committed to implement its Reconstruction and Development Program to redress socio-economic legacies of apartheid. Education, health services, housing and job creation were to be priorities, wrote Mr. Crawford-Browne. Six years later, he stated, South Africa's education and health services were in chaos, eight million people lived in disgraceful conditions, and the economy had lost one million jobs. It is generally agreed that South Africa needs an annual growth rate of approximately eight percent to redress the poverty crises, and annual GDP growth was forecast at six percent by 2000. Instead, it was 1.55 percent during the first half of 2000.

The reason given is lack of financial resources. Income inequality, on which South Africa was already one of the worst in the world, has increased sharply in recent years and unemployment is estimated at about 35 percent. The rand has collapsed from R3.60 per US\$1 in 1994 to R7.30 per US\$1. Instead of foreign capital inflow, there has been massive capital flight.

Crawford-Browne emphasized that there is no conceivable foreign military threat to South Africa. Yet the government, while repeatedly pleading financial constraints, has embarked upon a massive rearmament program. Expenditure on armaments increases South Africa's national and foreign debt problems and compounds the poverty that afflicts the majority of the people.

In spite of this, the government proposes to spend R48 billion on warships, warplanes, tanks and a ground-based air defense system. Nothing contributes to the sense of betrayal of expectations more than the fact that there is money available for armaments but not for social development. There is said to be no funding available for reparations to the victims of apartheid as promised by the Truth and Reconciliation Commission, nor any to combat HIV/Aids.

### The Rearmament Program

In 1995 the South African Navy proposed to buy four Spanish corvettes for R1.7 billion (compared now to four German frigates for R6 billion). The proposal was aborted because of a public outcry that demanded houses and schools before expenditures on warships. In return for the purchase for R1.7 billion, the Spaniards were to provide offsets worth R4.8 billion which, it was declared, would create 23,000 jobs.

In addition to increasing Spanish purchases of coal, the proposals called for development of South Africa's fishing industry in underprivileged communities. Spain proposed to build 30 fishing trawlers, fund them with low-interest foreign currency loans and build two fish processing factories. Fishing industry analysts calculated that the annual harvest of hake to make the two factories economically viable would need to increase from 140,000 tons to 250,000 tons. The resulting overfishing would have led to a final collapse of South Africa's fishing industry, which employs about 85,000 people. Because of public protest, South Africa very narrowly avoided the Spanish corvette proposal, and the 23,000 jobs it was supposed to create.

The unintended consequences of other programs are also clear. Announced in November 1998 as costing R29.8 billion, the weapons acquisition program is already re-estimated as costing R48 billion. The justification for such expenditure was that "offsets" by the European armaments companies would make it affordable through investments and exports worth R110 billion, which would create 64,165 jobs. Jayendra Naidoo, who was contracted by the Cabinet to negotiate the procurements, concedes that job creation will fall far short of that number of jobs.

In addition to acquisitions of warships and warplanes for R32 billion, a further R16 billion is to be spent on tanks, military vehicles and ground-to-air missile systems. The secret and as yet unannounced ground-based air defense system (GBADS) is considered to be a "poor man's version" of America's controversial missile defense system.

### Offsets, An Invitation To Corruption

Offsets are promoted by Armscor and the Department of Trade and Industry (DTI) as pivotal to South Africa's industrial development. The practice, a complicated form of barter, is however internationally discredited as an invitation wide open to corruption. Crawford-Browne stated that international experience shows that the only function that offsets perform for recipient countries is to provide political legitimization for the large outlays required on modern defense systems by allowing policy-makers to point to apparent, but ultimately non-existent economic benefits.

The Auditor General's report notes that performance guarantees required from contractors averaged 10 percent of the contract price. He declared:

“I am of the opinion that the guarantees, in the case of non-performance, may be inadequate to ensure delivery of the National Industrial Participation commitments. This could undermine one of the major objectives of the strategic defence packages which was the counter-trade element of the armaments package deal.”

International experience, stated Crawford-Browne, is that armament companies first raise the prices of the equipment to compensate for the nuisance of the offsets and guarantees, but then walk away from the commitments once the weapons contracts have been secured. In addition, it is argued that were the industrial investments economically viable, they would stand on their own merits rather than be conditional upon armaments acquisitions.

*Continued at bottom of page 11*

## **Second ECAAR Annual Dinner**

*Keynote Speaker: Joseph E. Stiglitz*

*Saturday, January 6, 2001 at 7:30 pm in the Melrose Room (Hilton Riverside)*

*During the AEA/ASSA Conference in New Orleans*

*Please make your reservations early; call 212-557-2545 or send a check for \$75. Use the form on p. 12.*

ECAAR Board Meeting: 5:00 pm to 6:00 pm, Saturday, January 6, 2001, followed by:

ECAAR's Annual Meeting: 6:15 to 7:15, Norwich Room (Hilton). Paid-up members may vote; others welcome.

### **ECAAR Panel Sessions at the AEA/ASSA New Orleans Conference**

**ECAAR Panel Saturday, January 6 at 10:15 am in Hilton Grand Salon 19**

***Toward a Post-Washington-Consensus on Development and Security*** (FO, GO, 01)

**Presiding:** James K. Galbraith and Isabelle Grunberg

- ? Zéphirin Diabré: The Washington Consensus Seen from Africa
- ? John Eatwell: International Financial Liberalization: The New Wisdom
- ? Inge Kaul: Changing Development Paradigms
- ? Jose Antonio Ocampo: Building a Post-Washington Consensus
- ? Joseph E. Stiglitz: Revisiting "More Instruments and Broader Goals"

**ECAAR Panel Saturday, January 6 at 2:30 pm in Hilton Grand Salon 19**

***Military Economics in the New U.S. Administration*** (HO)

**Presiding:** Lawrence R. Klein

- ? Lloyd J. Dumas: The Economic Impact of Dangerous Military Technologies: Policy Implications
- ? Kenneth Flamm: Is the U.S. Defense Industry in Crisis?
- ? James K. Galbraith: Air Power After Kosovo: What Should We Learn?
- ? Steven I. Schwartz: The Full Costs of U.S. Nuclear Weapons
- ?

**Discussant:** Richard F. Kaufman

In short, he continued, offsets are promoted by the armaments industry to get money from the taxpayers of both supplier and recipient countries. They are prohibited in civil trade arrangements between the EU and NAFTA in terms of the General Procurement Agreement, but the politically influential armaments industry has so far managed to retain an exemption.

South African taxpayers will be responsible for the expenditure on armaments, but are prohibited from knowing details of the related offset contracts because of commercial confidentiality clauses. Even the DTI concedes that its capacity to monitor compliance with the intended offsets of R110 billion is completely inadequate, Crawford-Browne reported.

#### **"If You Want Peace, Prepare For War"**

The old guard of the apartheid-era lobbied successfully during the 1996-1998 defense review for a core force of technologically-advanced equipment. The military establishment remains wedded to archaic and apartheid-era perceptions that "the world is a dangerous place" and that expenditure on armaments is merely a form of insurance, stated Crawford-Browne.

Further motivation for military expenditure was the expectation that South Africa would play a leading role in

peacekeeping operations in Africa, but this has not happened. Another agenda was to reduce military forces by some 70,000 personnel. However, warnings that retrenchment of ill-educated soldiers might lead to banditry were substantiated by various crimes. Instead of cuts, conscription has been reintroduced not least to find staff to operate the new warships and warplanes and the high-tech equipment being purchased.

#### **Human Security Instead of Military Security**

The Coalition for Defence Alternatives and other citizen groups had argued at the defense review that there is no conceivable foreign military threat to South Africa, but that the real threat to security and the transition to democracy is poverty. They declared that human security relating to people required priority over traditional notions of military security relating to states. Housing, education, health services (including the need to address the HIV/Aids pandemic), policing/crime prevention and jobs are much more relevant to most South Africans than any prospect of military attack by neighboring countries.

*Terry Crawford-Browne, a retired banker who worked actively to end apartheid, is chair of ECAAR-South Africa, an independent affiliate of ECAAR.*

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