



ECAAR News Network

The Newsletter of Economists Allied for Arms Reduction

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"Our ability to respond internationally to environmental, social and economic crises is severely hemmed in by military spending excesses."

- U.S. Representative
Barney Frank
(see p. 3)

Message on the Future of ECAAR

James K. Galbraith

I had thought the draft was abolished. But late last year a letter from Bob Schwartz, Larry Klein and Ken Arrow, writing on behalf of the Board of this organization, informed me otherwise. I am not the sort to resist such authority, so I was duly inducted and then sworn in as the Chair of ECAAR a few weeks ago.

I was fortunate: I was able to persuade three ECAAR stalwarts to join John Tepper Marlin, our Treasurer, on an Executive Committee. They are Ann Markusen, Jurgen Brauer and Mike Intriligator; each a leader in ECAAR's fields of interest. Lucy Webster continues as Executive Director, and Allen Sinai has agreed to take on responsibilities as a Co-Chair of our Advisory Committee, whose purpose will be to find sustaining support for ECAAR's core operations.

ECAAR's great assets are our membership, our Board, and our Trustees. Otherwise, we are a small organization with an overworked, underpaid staff of just three persons. A modest sustaining grant from the MacArthur Foundation and your contributions are, for now, our major revenues. And this newsletter is presently our principal product.

But great things are possible. To begin, we are working to strengthen our Advisory Committee, to secure stable financing for core operations, to develop press contacts, and to reach out to our members. We hope to identify all economists who have strong interests in peace and security economics, and to serve as a clearing house and point of connection for them, as well as a policy voice. An early project will be an ECAAR web-site, where a global register of arms experts can be maintained and eventually an on-line bibliography of current work on peace and security issues. Ultimately we would like to organize a research conference, perhaps every two years,

alternating with conferences by our strong affiliates in Europe and Asia.

Once basic preparations are made, we expect to seek support for several new projects. These may include: (1) a project on the defense budget and U.S. security requirements, so that ECAAR can begin to be heard in Washington on these critical issues; (2) a global economic security project, focussing on economic stabilization in the nuclear age; (3) a project on science and technology development policy; and (4) a project on military burdens, democracy and human rights in the developing world. The final form of these ideas remains to be decided, and we are looking for colleagues with the interest and capability to help us carry them out.

ECAAR needs to hear from you. We need to know what you have written. We need to know what you are working on. We need your ideas and your active participation. And we need your money, needless to say. Send a letter today. Enclose a check. You will be hearing from us. Many thanks.

Costs of NATO Expansion

Lucy Webster

On April 30th the U.S. Senate voted, 80 to 19, to ratify NATO enlargement, adding Poland, Hungary and the Czech Republic.

In light of this decision, a number of public interest research groups are starting a project to monitor the costs of NATO Expansion. One early action in this NATOWATCH program was a lunch held at the Harvard Club on June 2nd under the chairmanship of Lawrence R. Klein, ECAAR Chair Emeritus. Panel speakers were Ann Markusen on military expenditure

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NPT PrepCom Pointed to Proliferation Risks

Dorrie Weiss

On May 11, three days after the second Preparatory Committee (PrepCom) for the year 2000 review of the nuclear Non-Proliferation Treaty (NPT), India conducted the first of five underground atomic tests. Pakistan followed with six tests some two weeks later.

The juxtaposition of the NPT PrepCom in Geneva and nuclear explosions in South Asia highlights the impasse between those who seek nuclear disarmament as specified in Article VI of the Treaty, and those who favor a non-proliferation approach restricting nuclear weapons to the five nuclear powers recognized by the NPT. Article VI calls for "negotiations in good faith to nuclear disarmament," as was also unanimously endorsed by the International Court of Justice.

India, a non-signatory to the NPT, has for years insisted that the Treaty has been honored more in the breach than the observance because the nuclear powers do not support a time-bound framework for nuclear disarmament. In fact, both India and Pakistan strongly protest the NPT as setting different rules for the nuclear "haves" and "have-nots."

The United States, having won international support for indefinite extension of the NPT in 1995, is now pressing the international community to ratify the Comprehensive Test Ban Treaty (CTBT) while asserting that its own practices of computer simulations and sub-critical testing are in line with the CTBT as they do not produce "nuclear explosions."

India and Pakistan disagree, saying they have no intention of joining the CTBT unless the five nuclear weapon states defined as such in Article IX of the NPT make a firm commitment to disarmament and stop all forms of testing. But the nuclear powers refuse to enter any multilateral negotiations for nuclear disarmament. Hence the impasse, and the lack of any real progress during the NPT PrepCom.

The questions addressed at the PrepCom — particularly by the non-aligned states — focused on transition programs that could break this impasse by engaging the Treaty parties and prospective parties in commitments that could lead to negotiations for nuclear disarmament. These questions included placing a ban on the production of fissile materials, establishing a policy of no-first-use of nuclear weapons, and giving security assurances to non-nuclear states. The non-aligned states also discussed the possibility of placing plutonium and highly-enriched uranium from dismantled warheads in internationally monitored storage facilities to insure that they would not be used for weapons.

Ultimately, the two weeks of debate at the Geneva PrepCom brought little agreement; the participating parties were unable to get beyond the divide between those calling for disarmament and those defending non-proliferation beyond the five, which are also the five permanent members of the UN Security Council.

About ECAAR's New Leadership Team

James K. Galbraith is Professor at the Lyndon B. Johnson School of Public Affairs and the Department of Government, University of Texas at Austin. Following degrees from Harvard and Yale and studies at King's College, Cambridge, he served on the staff of the U.S. Congress, including Executive Director of the Joint Economic Committee. From 1994 to 1997 he was Chief Technical Adviser to the State Planning Commission, P.R. China, for a macroeconomic reform project. Author of *Balancing Acts: Technology, Finance and the American Future* (Basic Books, 1989), his newest book, *Created Unequal: The Crisis in American Pay*, is published by The Free Press.

Jurgen Brauer is Associate Professor of Economics at Augusta State University's College of Business Administration. With degrees from the Free University of Berlin and the University of Notre Dame, he has written widely on economic issues of disarmament and on economic development; and his most recent publication is *The Economics of Conflict and Peace* (Avebury Press, 1997).

Michael Intriligator is Professor of Economics and Political Science at UCLA and Professor of Policy

Studies in its School of Public Policy and Social Research. With degrees from MIT and Yale he has published more than 180 journal articles and other publications in the area of econometrics, economic theory, health economics, strategy and arms control and on the transition to a market economy in Russia.

Ann Markusen is Professor of Urban Planning Policy at Rutgers University, Senior Fellow of the Council on Foreign Relations and author or co-author of six books on high technology and U.S. economic development. Her current research is on the impact of military spending on technology, industry, and on economic and foreign policy worldwide.

John Tepper Marlin is the NYC Comptroller's Chief Economist. With degrees from Harvard, Oxford and George Washington University, Marlin has written or co-authored 15 books.

Isabelle Grunberg, ECAAR's new Secretary, is Senior Policy Advisor at the Office of Development Studies of UNDP. With degrees from the Sorbonne and the London School of Economics, she has published studies and articles on international finance and the political economy of peace and war.

Economists Can Play Vital Role Convincing Congress to Cut Defense Budget

U.S. Representative Barney Frank

The collapse of the Soviet Union is my nominee for the best news since the end of World War II. Removal of the thermonuclear threat and freedom for hundreds of millions of people formerly dominated by the Soviets are two other historic realities of enormous importance. The reduction worldwide of weapons expenditures should have been another.

While no one in his or her right moral mind regrets the end of Soviet hegemony, the effort in the United States since the end of the Cold War to reduce military spending illustrates the old maxim that in politics no silver lining comes without a cloud or two. The threat of thermonuclear war has fortunately dissipated, but the cloud in this case is the substantial collapse of momentum in the U.S. body politic to push for continued arms reduction.

Many people throughout the 1970's and 1980's argued that the arms race represented not simply a threat to world security carried to extremes but also an enormous waste of resources, ours and others. It is now clear that major political support to curtail Pentagon spending was driven by the fear of nuclear war and the desire to abate unnecessary Cold War tensions. Now that those elements are no longer present, the political force behind arms control efforts has also substantially diminished.

This is where economists must come in. While nuclear weapons have fortunately become marginalized, resource availability and distribution have gained center stage. The recent budget enacted into law by Congress and signed by the President makes one thing overwhelmingly clear: Given the overall limit on discretionary spending that is included in that agreement through the year 2002, if substantial reductions in the military budget of the United States are not made, the government will not have the money to fund at a reasonable level certain federal programs that are essential to the quality of many peoples' lives.

Budgetary restraint under that deal starts slowly, but by a year from now, the Environmental Protection Agency, the Department of Housing and Urban Development, the Labor Department, and virtually every other civilian area of the federal government will be feeling severe pain. A few favored programs in education or the environment may well get some increases, but unless Congress cuts the military, those increases will come out of other environmental, educational, health and housing programs, so that no overall gain in the quality of peoples' lives will result.

There is a Choice — Feed the Needy or the Military

And it is not simply in the domestic area that the military will be eating everyone's lunch — literally, when it comes to some of the programs that feed people in need, and figuratively everywhere else. The country's ability to respond internationally to environmental, social and economic crises is severely hemmed in by military spending excesses. Indeed, the nexus between reducing military spending and finding the resources necessary to deal with international economic problems is strong, because this is an area where politics and economics are intertwined.

A major reason for the defeat of the fast track proposal — which most economists obviously support — was the unhappiness that many, particularly in the Democratic Party, felt with a public policy that supports the enhanced mobility of capital

internationally, while cutting back on safety net programs for workers disadvantaged by this activity.

Low-Skill Workers Remain Short-Term Losers

Many who agree that enhanced international trade and other moves toward globalization have overall benefits, are reluctant to move forward until forms of assistance have been provided for employees clustered in the low-skill end of the economy and find themselves at a disadvantage by these trends. In developed countries these people are often the short-term losers in capital flows; in many bargaining situations, for example, they have been told that unless they are prepared to concede and accept lower wages, reduced benefits or less protective public policies, their employers will find more profitable places to do business.

When John Kennedy launched the Alliance for Progress program in the 1960's, he looked back at Franklin Roosevelt's good neighbor policy, the first effort the United States made to treat Latin American nations as equals — at least rhetorically. Roosevelt was, of course, the president who not only sought fairness in international economic relations, but also brought the country into the era of freer trade. Roosevelt was able to move in this direction, Kennedy noted, because he was also supporting a domestic program that for the first time in U.S. history sought to create a safety net for workers and others at the low end of the income spectrum. Franklin Roosevelt could be a good neighbor abroad, Kennedy said, because he was a good neighbor at home.

The essential political truth of that point remains, and indeed is underlined by the fate of the fast track. Until the United States is able to do a better job of dealing with equity questions at home — until American workers faced with the loss of their jobs are not also faced with a loss of their health care, the possible loss of the homes in which they have been making mortgage payments for years, and the prospect of never again finding a job remotely comparable in compensation to the one they lost — resistance to economic integration with the rest of the world will remain.

A United States that continues to spend tens of billions of dollars more than it needs on Cold War weapons like the B-2 Bomber and the Seawolf submarine and to defend Western Europe against non-existent military threats, clearly has the resources to provide equity for people who will suffer as the transition toward a globally integrated economy continues.

The reduction of military spending is important morally and socially because only then can the United States free up the resources it needs to improve the nation's quality of life, making it a more fair and equitable place in which to live. The ability to use the resources now being wasted in the military arena for domestic and international, social and economic purposes, is the *sine qua non* for building political support in the United States necessary for embracing the future and benefiting from its historic promise of an inclusive society. Economists are among the best suited to help convince lawmakers to change the way the United States conducts its business.

Barney Frank, a U.S. Representative from Massachusetts, is a long-time advocate of smaller defense budgets.

U.S. Budgets \$2.5 Billion Over FY 97 Request for Defense

Liesle Heeter

Congress enacted and the President signed laws providing \$268 billion for national defense in fiscal year (FY) 1998. This is almost equal to the topline negotiated in the May 1997 balanced budget agreement. The principal legislative vehicles were the FY 1998 Defense Appropriations Act of \$247.7 billion, the \$9.2 billion Military Construction Act and the \$11.5 billion Energy and Water Act in addition to trace amounts of defense-related funding in other appropriations bills. FY 1998 funding is \$2.5 billion more than requested, which is a one percent real decline over FY 1997.

By shifting \$2.1 billion out of the Department of Energy (DOE) defense activities request, Congress was able to add a total of \$4.6 billion to other portions of the national defense budget. Defense appropriations gained \$3.8 billion, more than \$2.6 billion primarily for new weapons procurement and more than \$700 million for research and development. Military construction appropriations went up \$800 million from the request. The Administration asked for \$13.6 billion for defense-related DOE activities, about \$2.3 billion more than in FY 1997. Much of this increase was to fund construction projects upfront as Department of Defense (DOD) and many other federal agencies do, rather than continue the current DOE policy of funding construction incrementally while work progresses.

Defense Act Became Law in November

The FY 1998 Defense Authorization Act became law in November, authorizing the appropriation of funds that were provided through the DOD, military construction, energy and water and several other appropriations bills. Generally, differences between the appropriations and authorization budgets are slight and have traditionally been resolved through discussions between the staff and leadership of the House National Security and Senate Armed Services committees and the House and Senate Defense Appropriations subcommittees.

Congress also approved the requested end strength of 1.4 million active-duty personnel and a 2.8 percent pay raise.

The largest increase in the defense appropriations was the \$803 million congressional add-on to the Administration's \$2.9 billion request for ballistic missile defense. The Defense Authorization Act provided just \$710 million more. In particular, Congress added \$474 million to national missile defense. (In its May 1997 Quadrennial Defense Review [QDR], the Administration had stated that the National Missile Defense budget would be \$2 billion short for the next three years.)

Defense Budget Outlook

According to the Center for Strategic and Budgetary Assessments and others, DOD faces roughly a \$20 billion annual gap between its plans and expected funding level over the long term, which arises from the likelihood that future costs will exceed current estimates. DOD has taken several steps to reduce the gap. The May 1997 QDR would probably generate some \$6 billion to \$7 billion a year in savings while Secretary of Defense William Cohen's November 1997 Defense Reform might produce another \$3 billion per year if the initiative's infrastructure reductions are realized. Historically, though, infrastructure reform savings have

often eluded DOD. Moreover, the QDR figures depend on savings from further base closure rounds, which Congress has yet to approve. Finally in December the National Defense Panel went the furthest, recommending force structure cuts if other savings measures failed to close the gap.

The long-term outlook for DOD budgets is a function of the status of the balanced budget agreement and the deficit. According to the agreement, the FY 1999 DOD budget is set at \$265 billion (FY 1998 dollars), a 1 percent real decline from FY 1998. But if current economic projections hold, the federal government will run a surplus next year. This would allow Congress to continue its tradition of adding to DOD's topline — \$2.5 billion in FY 1998; \$10.5 billion in FY 1997; \$6.5 billion in FY 1996; and \$6.8 billion in FY 1995. However, because Congress generally adds plans, not just funding, the existing long-term gap is unlikely to be closed by additional funding. Moreover, because the balanced budget is premised on continued economic growth through 2002, it is probable that future federal budgets will not be in balance, necessitating spending cuts. It is therefore likely that defense budgets will continue their decline in real terms. But the debate over defense spending needs to go further, not only to discuss how much the United States should spend, but how wisely it is spending its defense resources.

Liesle Heeter is a defense analyst at the Center for Strategic and Budgetary Assessments in Washington, D.C.

China and the U.S.A. as Military Powers

(Military data were compiled by John Isaacs of the Council for a Livable World. GDP figures come from *The Economist*.)

	China	U.S.A.
GDP (billions U.S. dollars)	1,098	8,431
Per Capita GDP (U.S. dollars)	880	31,230
Military budget (billions U.S. dollars)	32	264
Helicopters	513	7,925
Strategic nuclear weapons	149	7,150
Modern Tactical Aircraft	697	4,450
Transport Aircraft	484	1,070
ICBMs	17	580
Long-range Strategic Bombers	0	178
Transport Ships	55	205
Attack Submarines	61	78
Ballistic Missile Submarines	1	17
Aircraft Carriers	0	11

Diminished Threat Justifies Smaller Defense Budgets

Lawrence J. Korb

During the Cold War, the U.S. military was sized to deal with the threat of Soviet Communist expansionism. The Pentagon wanted to have sufficient nuclear and conventional forces so that together with our allies we could deter, and if necessary, defeat an attempt by the Soviet Union to expand its empire by force.

Since the Soviet military machine was so large, our military leaders assumed that if U.S. forces could handle that threat, they could handle other smaller ones. While that assumption seemed logical, it did not apply to many situations. For example, the army's heavy, tank-equipped divisions and the Navy and Air Force's supersonic aircraft could not match the North Vietnamese and Viet Cong commitment to defend their country.

Since the collapse of the Soviet Union, the U.S. military has been sized to deal simultaneously with the threats posed by two rogue or outlaw states. These rogue nations are those that try to acquire weapons of mass destruction, support and practice terrorism, have sizable conventional forces — hundreds of thousands of troops, thousands of tanks, and hundreds of combat planes — and do not respect even the most basic international norms. Iran, Iraq, Syria, Libya, and North Korea are generally considered to be the rogues.

Based upon the Pentagon's assumptions of what it would take to wage war against two of these countries simultaneously, Iraq and North Korea, for example, the Department of Defense has asked for and received an annual budget nearly equivalent to the amount the Pentagon was given on average each year during the Cold War. As it did then, the U.S. military assumes that if it can handle these major regional contingencies or major theater wars (MTWs), it can handle any smaller conflicts.

This threat assessment of the Pentagon presently championed by the Clinton Administration, has several flaws. These may be put in five categories.

First, it seriously over-estimates the threat from "rogue states" and downplays the contributions of our allies. For example, the Pentagon assumes that in a war on the Korean Peninsula, a North Korean military person would be as effective as an American and 23 percent more effective than a South Korean. Given the advanced age of North Korean equipment and Pyongyang's lack of funds for training, their military is at least 25 percent less effective than that of South Korea, and not anywhere near as capable as the United States military.

As the U.S. National Defense University's 1997 Strategic Assessment noted, "The shortage of fuel, along with Pyongyang's lack of hard currency, bad credit rating, and loss of major power sponsorship all reduced the Korean Peoples Army's (KPA's) combat readiness." Similarly, when looking at refighting the Gulf war, the Pentagon assumes that we would standby and let Iraq again conquer Kuwait and that the United States would have to evict Iraq by itself.

Spending More Than Potential Enemies

These extreme worst-case scenarios cause us to spend some 70 percent more on defense than all of our potential enemies combined and, together with our allies, account for almost 80

percent of the world's military expenditures. In inflation adjusted dollars, Bill Clinton spends more on defense annually than Richard Nixon did at the height of the Cold War.

Second, preparing for two MTWs simultaneously ignores history. Since no other nation took advantage of the United States when it was bogged down in Korea, Vietnam, and the Gulf, why should the assumption prevail that North Korea would attack the United States if it was engaged militarily with Iraq? The National Defense Panel, established by Congress to review Pentagon plans, noted in its December 1, 1997 report that a significant share of resources is focused on the unlikely contingency that two major wars will occur at the same time. Similarly, forces designed to combat major conventional powers like North Korea are not likely to be effective in situations like Bosnia or Haiti or for handling chemical or biological attacks within this country.

Third, focusing primarily on these major conflicts ignores the real threats to U.S. security that the military can and should deal with. For example, using military force to stop such humanitarian outrages as ethnic cleansing in Bosnia or genocide in Rwanda will establish international norms to guide the behavior of political leaders in the 21st century.

Fourth, spending so much on our defense compels us to shortchange non-military instruments of foreign policy. For example, the total budget for diplomatic and foreign assistance for the United States is \$18 billion or about one percent of the total federal budget and six percent of the defense budget.

Skimping on Foreign Policy Needs

This \$18 billion funds the State Department and its 260 overseas posts, United Nations dues, contributions to international financial institutions like the World Bank, and bilateral assistance. This small amount of money in the international affairs budget forces the government to continuously make tradeoffs that undermine stability. For example, to stabilize Haiti, economic support was diverted from Turkey; to respond to the Rwandan refugee crisis funds were diverted from other parts of Africa.

By spending so much to over-prepare for two situations unlikely to occur at the same time, the Pentagon does not have the funds available to work on the emerging information-related technologies that can make our military more effective in 10 to 15 years, should a new superpower rival emerge. In the 21st century, automation and systems architectures capable of disseminating that information will lead to victory on the battlefield.

A much smaller defense budget that dealt realistically with defeating one rogue state would free up resources to design military forces for peacekeeping and peace enforcement, take advantage of emerging information technologies, allocate sufficient resources to the non-military instruments of foreign policy, and bring U.S. spending more in line with that of our potential adversaries. This would be a more effective way to deal with current and future threats to national security.

Lawrence Korb is currently senior analyst at the Brookings Institution and was a Deputy Secretary of Defense in the Reagan Administration.

Chilean President to Announce Contractor for Purchase of Combat Planes

Tom Cardamone

Saab, the Swedish manufacturer known in the United States more for its luxury automobiles than its combat aircraft, may be the winner of a multi-million dollar contract to build 24 high-tech fighter jets for the Chilean government.

Independent analysts believe the sudden announcement of Secretary of Defense William Cohen's May 23 departure to the region may have been an 11th hour attempt by the United States to shore up the flagging bids by defense and aerospace giants, Lockheed Martin and McDonnell Douglas, competitors in the four-way runoff between the French company, Dassault, and Saab. Officially, the purpose of Cohen's three day trip was *not* to sell arms, but Chilean President Eduardo Frei has been expected for some time now to announce the winner, and recent visits by ministerial-level Swedish and Chilean government officials have led analysts to believe Frei is nearing a decision, one Cohen may have wanted to influence even at the very last minute.

Of the four competing designs, Lockheed Martin's F-16 is the least expensive — about \$25 million per copy. Saab makes the Gripen, which costs about \$28 million per copy; McDonnell Douglas makes the F/A-18 at the cost of about \$30 million to \$35 million; and Dassault makes the Mirage 2000-5, which tops the list at about \$45 million per aircraft. Officially, training and spare parts are additional expenses above the actual per plane cost.

Details about each of the four competing aircraft designs have not been made public, but sources close to the future arms transfer believe Saab officials may have sweetened the sale, making their offer difficult to decline. Others believe Chilean officials distrust the U.S. government, which has stipulated it will curtail the sale of spare parts to Chile if the equipment is used "inappropriately."

Until recently analysts speculated that economic turmoil in Asia, Chile's primary purchaser of copper, would hurt Chile's chances of buying the high-tech aircraft at least in the foreseeable future. Prices rebounded to .73 per ounce, however, causing some on Wall Street to reconsider their position. By law, 10 percent of all copper profits in Chile go to the military to acquire weaponry.

But it was Cohen's trip — in addition to speculation about a sweetened Swedish deal — that left many believing Frei was nearing a decision, particularly since the Defense Secretary's trip followed so closely on the heels of two high-level meetings, one by the Swedish prime minister in April to Santiago, Chile, and the other by the Chilean foreign minister in mid-May to Stockholm, Sweden. Cohen's schedule is usually posted well in advance, and this trip was not, another fact that seemed to add fuel to the fire of speculation that an historic arms transfer was in the making.

No one disagrees the winning contract, which could be worth as much as \$1 billion, would bring a steady stream of business to the winning company as well as bring some of the most advanced aerial equipment in the world to Chile, making it the dominant air power in the region — at least until it is challenged.

Latin Arms Sales in Perspective

Last August the Clinton Administration said it would reverse a "presumption of denial" policy established in 1977 by President Carter to keep such technologies out of the region, and it indicated it would consider selling F-16s or F/A-18s to the Chilean military. The Clinton Administration's decision to shift the policy came

after quiet but intense lobbying by American arms makers, all of whom claimed they would lose business to competitors if the Carter policy remained in place. Industry leaders convinced the White House to weigh the economic arguments more heavily than the security concerns. The two-year debate often focused on this point, leaving opponents of the deal to show how the real threats to Latin security — drug trafficking, trans-national crime and corruption — are unlikely to be addressed with combat planes.

While the White House decision caused a greater outcry in the United States than in the region itself, Argentine government officials as early as mid-1996 said that Chile's acquisition of new fighter planes "would be very destabilizing." In an attempt to prevent unneeded spending on advanced weaponry, Carter and Nobel Laureate Oscar Arias have proposed that Latin American countries institute a two-year moratorium on the purchase of advanced arms. Although 27 nations currently support the idea, none of the countries likely to buy attack jets in the next few years, including Chile, Brazil and Venezuela, have endorsed the plan.

With Moratorium Ending, Requests From Abroad Increase

While the moratorium effort proceeds, the United States is beginning to receive requests for jets that could not have been sold under the old policy. A State Department decision on October 28 to allow the delivery of price and availability data for two F-16B aircraft to Venezuela could be the first test of the Administration's new arms sales policy for Latin America. The one exception to the Carter policy occurred in 1982 when the United States sold 24 F-16s to the Caracas government in response to a Cuban military build-up, which included Havana's acquisition of MiG-28 fighters. The recent Venezuelan request for F-16s is to replace two similar jets lost in training accidents. A U.S. government official, who did not wish to be identified, said U.S. Air Force personnel will deliver pricing data to Venezuela. "Several options will be provided, one of which will be classified," the official noted.

Further, the Ecuadorian Air Force is currently examining options to procure aircraft to modernize its aging fleet. Colonel Jorge Cabezas, Air Attaché at the Ecuadorian Embassy in Washington, recently said the air force "is interested in buying interceptors as part of its air defense systems." Some 38 aircraft are being considered, and the acquisition is "a necessity," he said.

Ecuador in the last two years is the fifth nation in the region to express a desire for the so-called fourth generation military aircraft. Peru purchased 18 MiG-29 jets from Belarus in late 1996, and Chile, Venezuela and Brazil all declared their need for new planes. Ecuador and Peru fought a border war in early 1995, a dispute that is still unresolved. Asked if Ecuador's announcement was in response to the potential threat posed by Peru's MiG-29s, Cabezas noted that "Ecuador must be prepared for anything."

While press reports say U.S.-built F-16s are among the planes being considered by Ecuador, current Clinton Administration policy prohibits technology sales to either the Quito or Lima governments until the border dispute is settled. U.S., Argentine, Brazilian and Chilean teams keep the two negotiating.

Thomas Cardamone, a defense analyst at the Council for a Livable World in Washington, DC, is an arms transfer specialist.

South Africa's New Crossroads: Development or Defense Spending

Report by Kelley Bates on an ECAAR Briefing

There are rare moments in a nation's history when the outcome of public debate changes the course of events.

South Africa today may be at that point. Many there believe the country's arms industry should continue to function, slowly converting when the economy is more stable. But others believe the industry should downsize immediately, reallocating limited government funding to economic development programs.

Donna Katzin, executive director of Shared Interest, a New York-based Non-Governmental Organization which operates in South Africa as a guarantee fund for community development, favors the latter. Joined in mid-January at a private meeting in Manhattan by Terry Crawford-Brown from Economists Allied for Arms Reduction (ECAAR) and Michael Fleishmann from The American Committee on Africa also based in New York, Katzin said she believes popular support from the international community could help defeat supporters of the defense establishment in favor of community development.

The Time Has Come to Change the Way Business is Done

"The time has come for South Africa to abandon the old idea of security rooted in arms and look at the kind of security that is rooted in an equitable, inclusive and democratic economy," Katzin said at the home of Nadine Hack and Jerry Dunfey, long-time ECAAR supporters. Brown and Fleishmann, believing South Africa is truly at an historic crossroads, agreed. "We have no security threat to South Africa," said Brown, providing those present with a brief history of the country's arms industry during the 20 years of apartheid. He noted that it is inappropriate for the government to continue funding weapons development. "We must now be looking at human security, and these are issues of poverty, of unemployment, of housing, clean water and jobs. Fleishmann, briefly addressing the issue of South African arms sales, said no government in the world would look lightly on reducing an industry which for the most part employed hundreds of skilled, relatively well-paid black metal workers. But, he noted, if the South African government could better employ people then it should seriously consider an alternative.

To facilitate international support for community development in South Africa, Katzin attempted to expose four fundamental myths used by proponents of the South African arms industry.

* The notion that the arms industry is key to the country's security. This was the position taken by the industry during the apartheid years and unfortunately it remains so -- only with a twist. Many within the industry believe Armscore, South Africa's procurement agency, continues to play a vital role in the country as does Denel, the military's production wing. But Katzin, wondering which country or countries really threatens South Africa, disagrees. To her, the foreign policy of no other African nation justifies the expenditure of billions of dollars annually when so many people suffer in each country.

* The industry insists it adds value to the country because it employs people -- it creates jobs. Although it is difficult to deny this, Katzin noted that the arms industry does not enhance South African productive processes. "[Arms manufacturers] don't create goods that create other goods or create the potential to create other goods," she said. The industry "may be productive in

the short-term sense, the short link in the chain. But the other links of enhancing South Africa's production of social equipment do not follow." Nor does the arms industry employ all that many people, she added, noting that Armscore employs roughly 1,200 people while Denel employs 12,000. "I'm not saying the industry should be wiped out completely," she said, "but if it was, it would only mean the loss of 13,000 jobs. She emphasized that arms industry jobs are capital intense, not labor intensive, meaning the government spends massive amounts of money to keep the industry's workforce alive and well.

* South African arms generate foreign exchange for development. While it is true that the sale of arms generates income in foreign exchange, Katzin says, it is dubious whether the money -- or very much of the money -- is actually being spent for development. During the apartheid years, income generated from the sale of weapons helped the country repay its national debt by avoiding the impact of sanctions and embargoes imposed by the West on South African companies. "But even if we include counter trade, trade in exchange for the arms, it's very debatable whether that money finds its way to development," Katzin contends. Then there is the argument that exports are important because the more a country exports the more money it has to use. In Katzin's opinion, this argument is unsound because it implies a certain model of development not applicable to South Africa, one that assumes the country exports more than it really does. "[This argument] says the only way development can be financed is if you have lots and lots of exports," she said. "It makes it vulnerable in terms of the international economy, but to hook it to the international arms trade makes it more vulnerable yet."

* South Africa's arms trade enhances the country's role in the international marketplace. This argument to continue financing the country's arms manufacturers rather than reduce arms expenditures "contradicts" South Africa's role of political leadership in the region. South Africa should not sell arms to Rwanda, nor should it sell arms to the Congo, to Uganda and Angola, all countries devastated by civil war and unrest. "In many cases," she said, "the arms trade -- official or unofficial -- is out of sync with South Africa's national policy agenda." Then, she said, there is the problem with guns intended for sale abroad that are re-directed back into the country for domestic use. "The industry has been flooding the country with the kinds of weapons that have fueled violence and crime," she said, adding, "it would be a public service to have less weapons in the countryside.

Defense Spending Takes Away From the Many

"It's been said that if you give a person a fish she can eat for a day," she concluded, using a familiar analogy. "But if you teach her to fish she can eat for a lifetime. I would add that if you go out and protect her fish with an Upholder submarine that costs \$100,000 you can be sure she'll be less likely to get the jobs, the housing, and the food she needs." It costs a relief group about \$14 to produce a job for the needy, Katzin said. For several hundred dollars the group can produce a house for that same person. In her mind, there is no question about what is more important.

Costs of NATO Expansion (continued from p. 1)

trends and implications of an economically based foreign policy; William D. Hartung of the World Policy Institute on the hidden costs of NATO expansion and the costs to the U.S. taxpayer; and Michael Intriligator on costs of NATO expansion to the economy and security of Russia and on the potential future of NATO.

Hartung said that if there is enough transparency and public education so people insist on being shown the costs first, it will not be possible to use the expansion of NATO as a means to sell arms excessively, or to expand NATO further.

In an earlier published report on *The Hidden Costs of NATO Expansion*, Hartung had brought out various related findings:

—**The U.S. Government has already spent more than \$1.2 billion to support NATO expansion**—authorized from FY 1996-1998 in grants, loans, training and exercises to pave the way.

—**The U.S. share of NATO expansion costs could reach \$250 billion.** The Clinton Administration seriously understates costs in three ways: It allows for the addition of only three to four new members; it ignores the costs of U.S. grants and loans for the purchase of U.S. weaponry; and it assumes the U.S. share will be 6-15 percent of total expansion costs, when it could reach one-third to one-half.

—**NATO expansion has spurred a dramatic increase in U.S. military aid.** In the past three years, 19 new nations have been added to the Pentagon's largest military aid program to help them "prepare for NATO membership."

—**Potential new members of NATO are the largest recipients of subsidized military loans from the U.S. government.**

Allocations for potential NATO members now dominate Pentagon loan programs. Romania was authorized to receive the first loan under the Pentagon's \$15 billion Defense Export Loan Guarantee Fund and also received the largest single commitment for Export-Import Bank "dual use" funding—a \$90 million loan for the purchase of a Lockheed Martin FPS-117 radar system.

—**U.S. arms makers are in the midst of a global lobbying campaign to support the expansion of NATO.** In the United States, Lockheed Martin Vice President Bruce L. Jackson served as the president of the U.S. Committee to Expand NATO, with its campaign of literature distribution, advertising, and face-to-face meetings with members of the Senate to push NATO enlargement. Meanwhile, Textron-Bell's Washington office has promoted Romania's NATO bid. Lockheed Martin's Norman Augustine went on an April 1997 sales tour of aspiring NATO nations, and "industrial team cooperation conferences" were held for 11 Lockheed Martin units and 39 subcontractors discussing future business with 136 companies based in East and Central Europe.

—**Political spending by U.S. weapons manufacturers is on a record pace in the 1997/98 election cycle.** U.S. weapons makers gave over \$3.5 million in political donations during the first seven months of 1997, a pace that could result in a record \$12 billion in contributions for 1997/98. Lockheed Martin, gave \$639,000 in

campaign donations in 1997/98. In the first nine months of 1997, Lockheed Martin executive Bernard Schwartz contributed \$255,000 to Democratic party committees. He sent a \$50,000 check to the Democratic Senatorial Campaign Committee a few weeks after attending a dinner briefing for Senators, hosted by the U.S. Committee to Expand NATO. Lockheed Martin, McDonnell Douglas and Textron have also provided funds to U.S.-based ethnic lobbying groups such as the American Friends of the Czech Republic and two pro-NATO expansion foundations set up by the Romanian Embassy in Washington.

—**NATO expansion is good news for Boeing and Lockheed Martin, but a potential disaster for U.S. taxpayers.** Lockheed Martin has promised "100 percent economic cooperation and up to 100 percent financing" for countries that buy F-16 fighters. Lockheed Martin, Boeing and Textron all have deals in the works to produce U.S.-designed weapons in East and Central Europe as an inducement to get officials there to "buy American."

According to ECAAR Vice Chair Ann Markusen, Hartung's findings show how economics has come to dominate arms export policy. The State Department has explained that we have to

export to lower the cost of weapons to ourselves by increasing production runs. The resulting Administration decision to permit — to formally, explicitly include — economically based considerations has dramatically increased the level of subsidies the United States is willing to pay. Thus we are spending billions each year to subsidize exports. In the end we are

getting almost nothing in return—the billions we spend almost amount to the total of the sales of the arms we export, she said.

ECAAR Vice Chair, Michael Intriligator, pointed to the opportunity costs of NATO expansion: the opportunities lost for improved U.S.-Russian relations, and increased global security. He stressed the risks involved in expanding NATO toward Russia without including Russia, and proposed that NATO evolve to be a peace-keeping organization. In his remarks on June 2nd, and also in an earlier letter to the *New York Times*, he stated that the last things the three proposed new NATO countries need are the advanced jets and military infrastructure required for membership. He believed that the earlier numbers from the Pentagon on NATO expansion costs (some \$30 to \$40 billion) were the realistic ones, and that expansion beyond the first entrants would cost much more. It would, in fact, lead to a level of financing which could be used to establish a new Marshall Plan which he said would be some \$80 billion in current dollars.

Alistair Millar of the British American Security Information Council said that various former Warsaw Pact countries were buying NATO equipment in the hope of joining, and then selling many of their Soviet weapons to countries in conflict, including areas with UN embargoes. One aim of monitoring the expansion of NATO will be to assess impacts on stability.

"This level of financing could be used to establish a new Marshall Plan that could help turn around their economies."

—*Michael Intriligator*

William Hartung is Senior Policy Analyst at the World Policy Institute at the New School for Social Research. His report, *Welfare for Weapons Dealers 1998: The Hidden Cost of NATO Expansion*, can be obtained by calling 212-229-5808 ext.112.

The Russian Economy: Time for Radical Change

Report by Kelley Bates on an ECAAR Briefing

Moscow's merchants privately boast of healthy investment returns. But some of today's best known experts find it difficult to spot signs of national recovery in Russia, gripped since 1991 in a crisis so profound that it is compared to the Great Depression.

Economists Stanislav Menshikov of Erasmus University, Rotterdam, and Marshall Goldman from Wellesley College and Harvard, tried nonetheless to shed light on the complexities of the Russian economy. Speaking in December to a private gathering in New York sponsored by Economists Allied for Arms Reduction, each told a story of compelling financial hardship and national fortitude. The two, both of whom have written extensively about Russia's attempt to convert to a free market economy, were joined by James Tobin of Yale University and Lawrence R. Klein of the University of Pennsylvania. The latter, Nobel Laureates in economics, spoke from the perspective of their long-standing experience of the issues, while Menshikov and Goldman provided lively comment on the current situation.

A plan to end Russia's near decade-long period of economic discontent was not advanced. Instead, Menshikov and Goldman spoke of a flattened Gross Domestic Product, the negative impact of the shadow economy and sagging foreign investment. Russian President Boris Yeltsin, desperate to win support for free market reform, continues to highlight the bright side by showing that the slide has stopped; he often points to last year's rise in GDP and industrial production — up 0.2 percent and 1.5 percent respectively. But the numbers, Menshikov and Goldman note, only prove the economy remains flat, despite continued government claims to the contrary. In fact, Menshikov said, each year since 1992 Yeltsin has said the economy would rise, but each year it has failed, frustrating stabilization.

Making matters worse, the shadow economy is running between 20 percent and 25 percent, as calculated by the government, and 30 percent to 40 percent as calculated by some private forecasters. And foreign investment in 1997 was down from the previous year by six percent to eight percent — 80 percent when compared to the Soviet era. In and of themselves these problems would be difficult for any government to manage, the speakers said at various points. But the job of stabilizing an economy where massive amounts of money are invested elsewhere — many of the country's newly rich own villas in the Azores and the south of France — has become a real hardship even for the best trained because the problems are so deep seated.

Inflation Remains a Real Problem

Inflation may be down — in December it was running between 11 percent and 12 percent, a far more manageable figure than the 2,000 percent to 3,000 percent of previous years — but it was still too high to facilitate stabilization. Menshikov did suggest the time had come for the Yeltsin team to implement less restrictive fiscal and monetary measures, the idea being that inflationary pressure would decrease even more if different monetary measures were adopted. But if it were only that simple. With the exception of Moscow's Mayor Yuri M. Luzhkov, the fact that many politicians pocket local tax revenue rather than reinvesting it in their localities makes it even harder to stabilize Russia's long-suffering

economy. Luzhkov, a strong man of sorts, and a possible presidential contender, annually collects five percent to six percent revenue in taxes, reinvesting half in the city. Because of this, the signs of wealth are everywhere. Mercedes parade the city streets, and sights of the well dressed entering posh restaurants, newly built hotels and banks are commonplace. Long the country's banking center, the city benefits from years of foreign investment. But Moscow is an exception to the rule, Menshikov and Goldman both said. The majority of Russians say they will never see a smooth running, western-style market system.

Desperate to find solutions, some have said that if more politicians had Luzhkov's resolve to reinvest in their communities, then many of the country's economic woes would begin to disappear. This would be only a partial solution, however.

Russia's Fundamental Problem: its Barter System

The root of the problem is that the government owes a majority of Russians back wages or pensions or both. Private enterprises in Russia operate under a type of barter system whereby producers and customers alike agree to pay each other in other products than actual money. Some employees are paid in manure, others in braziers, condoms and caskets. The fortunate are paid in cotton goods such as sheets and towels. "It's not just the government that's not paying wages to its employees, but private enterprises don't pay their wages either because they don't get paid by their customers." Menshikov said, adding that most of what is reported to be collected in taxes is illusory. In fact, about one-third of the receipts are debts cancelled by the government. "These are payments that aren't really made to the government but are counted as being paid, and they are deducted against debts the government owes to private enterprises," he said. "It's not real money and that's the problem to solve."

Last fall, Goldman noted, the Russian bond market collapsed when the Brazilians, Koreans and Americans withdrew money, causing interest rates to soar to somewhere between 30 percent and 50 percent. This, of course, negatively impacted investment, which has steadily dropped each year since 1990. In 1996, for example, investment was 25 percent of what it was six years earlier. This made it very hard to generate any kind of positive investment activity, Goldman said, noting there were 60,000 fewer small business start-ups in 1997 than there were in 1996, another sign that any significant change in Russia's economic difficulties may be delayed for some time to come.

Goldman also said Russia's privatization policy has produced a power imbalance whereby a handful of bankers joined by Gazprom, the world's largest holder of natural gas reserves, and Lukoil, with reserves equivalent to Exxon, hold 50 percent of the country's assets, including control of the media. This powerful block, in fact, gave Yeltsin his presidential victory in 1996. "It simply froze out all other candidates," Goldman said, noting "These people are just trying to divide up the spoils; they really aren't creating anything; they're just fighting among themselves."

The speakers unraveled a mix of interrelated problems, shedding light on what is most important to fix. But they were hard pressed to say how and when this could be done.

ECAAR's Global Web-Site Plans

Jurgen Brauer

A large number of web-sites are available that address arms, the arms trade, and arms control. But not a single site is devoted specifically to in-depth information and analysis concerning the economics of conflict, war and peace.

ECAAR hopes to fill this void.

ECAAR affiliates in Japan and the United Kingdom already have established web-sites. Under the current proposal, a web-design expert with access to computing equipment at Middlesex University in England will develop a global web-site consisting of two parts: One part refers to materials common to all ECAAR sections; the other to those unique to each.

Specific affiliates (in Canada, India, Israel, the United Kingdom, the United States, etc.) will have their own sections within the global ECAAR site and will be able to directly change the content of their sections, but items common to all of our affiliates will be in a common area. I am working with people at ECAAR-Netherlands and ECAAR-UK in particular to develop content ideas. These will include:

- General information on ECAAR such as the statement of purpose, contact addresses, and links to affiliates;
- An annotated bibliography of relevant literature and an on-line archive of working papers;

- Course reading lists and universities where students can study the economics of conflict and peace;
- On-line databases: links to pertinent information on various databases such as that of the U.S. Arms Control and Disarmament Agency;
- An updated on-line version of the Global Register of Experts on the Economics of Military Affairs (GREEMA) with on-line links to e-mail addresses and web-sites of people who are registered to make the on-line GREEMA searchable by area of expertise and location.

It is proposed that items should be indexed and searchable by keyword. Once the web-site is up and running, it will be important to contact publishers in order to secure the rights to reproduce abstracts which would not be readily available elsewhere.

ECAAR White Papers, conference announcements, the ECAAR Newsletter and links to other relevant sites will gradually be included on this web-site. Perhaps you could drop me a note to tell me what things you would find useful on an ECAAR web-site. These should be items which ECAAR is uniquely qualified to provide. Contact me at jbrauer@aug.edu or brauer@ix.netcom.com.

Some Prospects for Conversion on Vieques

Robert J. Schwartz

Vieques is a small, beautiful island seven miles east of Puerto Rico where most of the land is owned and used by the U.S. Navy, leaving residents with diminished decision-making authority over the limited land remaining to them. There is growing sentiment among residents to change this.

Economists Allied for Arms Reduction (ECAAR) in 1996 commissioned two independent reports to study the effects of military exercises on the island's population and to make recommendations. Prof. Lionel McIntyre of Columbia University developed a strategy for the redevelopment of the part of Vieques which is currently occupied by a naval ammunition facility. Profs. Leticia Rivera-Torres and Antonio Torres made further recommendations for economic conversion.

Based upon recent consultations in Vieques including important information from Charlie Connelly, editor and publisher of *The Vieques Times*, ECAAR's project coordinators, Robert Schwartz, Antonio Torres, Lionel McIntyre and Robert Rabin stress five main areas for action:

- A land trust is needed to ensure broad participation and control in the management of the land that would be reclaimed, and to provide for the protection of the two bioluminescent bays remaining on the island.

- Efforts to transfer to the Municipality of Vieques the 8,000 acres now used as a munitions facility need support. Puerto Rico's Resident Commissioner Carlos Romero Barcelo, has told ECAAR he will file legislation for this. A land transfer to a trust

could result from a presidential decree, a defense department grant or congressional action.

- A schedule is being developed for people in Washington, DC to aid Barcelo's legislative efforts and to engage Puerto Rican Governor Pedro Rosello in this work. The director of the Planning and Development Office of Guaynabo, Migdalana Bernardo, who is planning the base transfers from Fort Buchanan to Guaynabo has given ECAAR advice and suggested further contact with Haydee Pinero Buck, a member of the Vieques Environmental Committee.

- On-site leaders such as Robert Rabin of the Committee for the Rescue and Development of Vieques, CPRDV, continue to work with people and organizations in Vieques— fishermen, teachers, social workers, members of the business community.

Other key players include: Lourdes Miranda, president of the Miranda Foundation, the organization which has provided essential practical support to ECAAR's efforts; Eng. Johnny Vazquez, director of Planning and Community Development; the Chairman of the Federation of New Progressive Party Mayors; Michael Kaiser, president and CEO of Capital Consultants; John Hertz, Dean of the School of Architecture and Planning at the University of Puerto Rico and Professor Edwin Quiles.

ECAAR's further progress on Vieques depends upon adequate support so that a single coordinator can pull together all the efforts and groups now working for a land trust and the transfer of the military depot property to it for civilian use.

ECAAR-Related News and Plans Around the World

ECAAR will hold its Annual Meeting during the American Economic Association (AEA) Conference, which will take place in New York City, January 3 - 5, 1999, from 4:00 pm on Monday, January 4th at the Conference Hotel. All members are urged to attend to meet our new officers and to contribute to our planning for the future.

ECAAR-France has published a short book based on the January 1998 AEA Conference panel entitled, "What is the Future of the Russian Economy." The book, "L'avenir de l'économie russe en question, Collection Débats," includes papers by Michael Intriligator, Yegor Gaidar, Marshall Goldman, Stanley Fischer, Stanislav Menshikov, Padma Desai, Serguey Braquinsky, Jacques Fontanel, Fanny Coulomb and Ivan Samson. It is published in French by Presses Universitaires de Grenoble (BP47, 38040-Grenoble Cedex9, France) and edited by Jacques Fontanel.

Following the January 1998 decision of the ECAAR Board at its meeting in Chicago to support the formation of an **ECAAR-Russia** affiliate in Moscow, active supporters of ECAAR-Russia have had a series of discussions with various Russian economists and sociologists. They have developed a proposal for a research project and a conference to be held in Moscow on the problems of defense industry down-sizing in a transition economy. The project will examine prospects for integrating Russia's military industrial complex into a market economy.

Terry Crawford-Browne, from **ECAAR-South Africa** was in Stockholm in mid-June to represent **Archbishop Tutu** at hearings in the Swedish Parliament organized by the Krista Fredsorelsen to protest Saab plans to sell fighter aircraft to South Africa and Brazil. **Former Costa Rican President Oscar Arias**, another ECAAR Trustee, was one of the scheduled speakers at the Stockholm event.

The Dutch-Flemish chapter of ECAAR, also known as **Economen voor Vrede (EVV)**, awarded its most recent Isaac Roet Prize to Vesselin Batzarov of Sofia, Bulgaria, for a paper entitled "Promotion of World Peace Through Economic Interaction." The 1998 prize will be given for an essay on "the role of transnational corporations in promoting global stability and peace." EVV is actively supporting The Hague Appeal for Peace which will take place from May 11 - 16, 1999. More than 5,000 participants are expected to take part in this multi-faceted event which will address the same themes as the 1899 Hague Peace Conference: the Armament Question, Humanitarian Law and the Laws and Customs of War, and The Peaceful Settlement of International Disputes.

A conference on defense economics held in **Lisbon, Portugal** was attended by **Paul Dunne** of **ECAAR-UK**, **Jacques Fontanel** of **ECAAR-France**, **Peter Batchelor** of **ECAAR-South Africa** and **Jurgen Brauer** of **ECAAR-USA**. The conference was organized primarily by Prof. Manuel Ennes Ferreira and Prof. Carlos Barros of the Technical University of Lisbon as well as by the Institute of National Defense and the Portuguese Industrial Producers Association, and also by two print media organizations, including *Diario Economico*.

ECAAR-Japan will hold its regular annual symposium on peace economics this autumn. It will take place in Tokyo at the United Nations University on October 27, with participation by a number of scholars and other leaders from Japan and abroad. Key Japanese participants expected include: Mr. Seiji Tsutsumi, President of the Saison Foundation; Mr. Isamu Miyazaki, former State Minister of Economic Planning; Prof. Koichi Hamada, President, ECAAR-Japan; and Prof. Shiraishi from Kyoto University. Other speakers will include: Prof. Lawrence R. Klein and Dr. Robert J. Schwartz from ECAAR-USA; Prof. Wang Chung Ang from the University of the Republic of Korea; Prof. Iwan Azis of Cornell University; and Prof. Li Jingwen from the Chinese Academy of Social Sciences.

Both **Terry Crawford-Browne** of **ECAAR-South Africa**, and **Annemarie Rima**, Chair of our **Dutch/Flemish** affiliate, participated in a meeting for establishing a Pugwash group in South Africa which was funded by the government of the Netherlands. This meeting took place in Johannesburg during the second week of June, 1998.

An international meeting on **Arms, Development and Security in South Asia** is planned to take place at Kathmandu, Nepal at the end of February 1999. For details contact:

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ECAAR-UK, officially launched with its September 1997 conference on *Globalisation of European Military Industry and the Arms Trade*, held a second research conference in March 1998. Entitled, *The Economics of Military Expenditure in Developing and Emerging Economies*, the conference included papers and discussion by Saadet Deger, Jurgen Brauer and Manas Chatterji on military expenditure and development; Thomas Scheetz on military expenditure and development in South America; Lloyd J. Dumas and Neil Cooper on demobilization and development in Africa and on the arms trade and internal conflict; Somnath Sen on 'new trade theory' and the arms trade; David Saal on arms production and manufacturing performance in South Africa; Jurgen Brauer on peace as an international public good, with application to Southern Africa; Paul Dunne on restructuring military industry in South Africa; Jurgen Brauer on military industries in developing economies; Christos Kollias and Efi Nikolaidou on the opportunity costs of defence in Greece; Selami Sezgin on Turkey's defense/growth relationship; Ron Matthews and Fotis Mouzakis on defense, development and technology transfer in Saudi Arabia, and on domestic production as an alternative to importing arms; Ayesha Siddiq-Agha on possibilities of defense conversion in militaristic societies, a case study of South Asia; Olani Oyinola on military spending and the economic development of sub-Saharan Africa; and Stanislav Menshikov on the problems of military conversion in Russia. Leaders of Campaign Against the Arms Trade spoke on military spending and the peace movement.

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I would like information for registering at the New York City conference of the American Economic Association, January 3-5 1999, and for taking part in the ECAAR Annual Meeting at that time _____

Please send me information on ECAAR's 20/20 Vision Group _____

Authors Wanted

The next issue of this newsletter will contain a listing of recently published books and articles by ECAAR members on topics relating to defense economics.

Please send us your listing, or better, a copy of your publication.

We would also like to cite your work on our web-site.

20/20 Vision Group

ECAAR is seeking 20 major supporters who would like to help ECAAR make a real difference.

Reducing excessive military expenditure depends on the views and work of people with knowledge and influence.

ECAAR has members who understand defense policy issues whose voices should be heard.

To make a real difference we need to further stabilize ECAAR's own core budget.

**If you would like further information about our 20/20 Major Donors Group, please contact Lucy Webster at the ECAAR office:
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