



# ECAAR NewsNetwork

The Newsletter of Economists Allied for Arms Reduction

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**The ECAAR report on "The Full Costs of Ballistic Missile Defense" shows that time may be on the side of the critics; while there may be efforts to deploy small parts of the program, "it will be many years before anything like full deployment occurs."**

— Richard F. Kaufman  
from page 10

## What Economic Price This War

James K. Galbraith

Based on an article published on Monday, March 24, 2003 by the "Boston Globe"

In March, as we debated war in Iraq, seven Nobel laureates joined some 200 other US economists (including myself) to call for full consideration of the costs. When economists talk of costs, what do we mean? First, we mean budget costs—for gasoline, equipment, and explosives—that begin at some \$70 to \$100 billion, if the war itself goes well, as it has. The history of warfare—from Europe in 1914 to Vietnam in the 1960s—is littered with gross underestimates of costs, but here the higher costs will follow the war.

We also mean material costs that are sometimes overstated because bombs may fall on empty fields or rubble so that damage looks worse than it is. In Iraq, though, even modest damage—to the water, to the electric grids and the health system—is causing turmoil to people who were already stressed. And there will be some damage, inevitably, to the archeological heritage of Iraq and Baghdad.

The human costs are beyond accounting. No matter the number of casualties, every dead soldier, on either side, every dead civilian, is a human being who could have lived a productive and perhaps happy life. Every injured person will carry a burden of pain. We need not demean the grief by trying to give it money value.

The uncertainty costs are more prosaic but just as hard to calculate. How much business investment, how much production, how much trade has been lost—in the United States and throughout the world economy—because of the fear and uncertainty surrounding this war? What effect will war have on global economic plans and decision-making, consumer and market confidence, global energy prices?

Reconstruction costs are imponderable. One estimate for rebuilding Iraq puts costs as approaching \$2 trillion. But will the US actually do the job? What if it takes two years and 100,000 troops? Five years and 200,000 troops? How well and when will the oil fields operate?

The follow-on costs arise from the situation we now face. Will peace and democracy break out in Iraq? Will the war lead to peace, democracy, and demilitarization across the Middle East, as some believe? Or will there be rebellions, revenge killings, and proxy wars across Iraq, Syria, Iran, Saudi Arabia, and even Egypt? Not to mention in Israel and Palestine.

The diplomatic costs lie in the damage to relationships with Europe, Russia and other countries. One may count also the cost of disillusion, of much of the world's population, with the American ideal.

The opportunity costs are those that arise every time we make a decision to do one thing rather than another. By choosing to go to war, we chose to do less to solve our problems at home. We face a crisis in every state and local budget in this country—in every school, every welfare program, and every part of public health care. We face a crisis of trust in our corporations, and a crisis of confidence in the profitability of future business investment. American households are facing in slow motion a crisis of household debts. Little will be done about any of this, so long as we are preoccupied with Iraq.

Finally, the apocalyptic costs should be considered. North Korea has learned from Iraq. It boasts about its nuclear bombs to counter US threats. There is also the risk that Iran will buy a few of them or make its own. There is the risk that we will shortly face several nuclear powers who regard us—and not entirely without reason—as a mortal threat to their existence. There is the risk that we may make a catastrophic error in our response.

Once the real costs have been considered, the economic conclusion is not controversial. It is that collective security based on the rule of law and the United Nations is the only kind of security that any nation can afford.

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## Statement by U.S. Economists on Iraq

The statement below, endorsed by the 203 US economists listed to the right, including 7 Nobel laureates, formed the basis of a Wall Street Journal ad run by Business Leaders for Sensible Priorities who added the names of 56 business leaders.

As American economists, we oppose unilateral initiatives for war against Iraq, which we see as unnecessary and detrimental to the security and the economy of the United States and the entire world community.

If war would serve to counter a clear threat to the country, the economic consequences would be secondary. But we question whether war would serve security and not increase the risk of future instability and terrorism. We see the immediate human tragedy and devastation of war as clear; and we see as well serious potential economic harm to our nation and to the world.

Given the precarious state of our own economy, America requires the attention and focus of leadership and resources to address economic problems at home. Instead, leadership and resources are being diverted to an unnecessary and costly war. As UN Chief Inspector Hans Blix points out, the objective of containment is being achieved now, by 250 inspectors at a cost of \$80 million per year, in contrast to a force of some 150,000 soldiers and at least \$100 billion for war.

No administration can credibly promise to solve all problems simultaneously, and as a result of our administration's comparative neglect, the American economy suffers the following serious problems:

First, private business investment in the United States has not yet started to recover in most areas. Lack of new investment means lack of jobs. The prospect of war threatens America's financial, energy and other markets. And the larger commitment of the administration to the military will impede, not advance, the recovery of the technology sector, by drawing resources away from civilian applications.

Second, there is a recent and troubling slowdown in consumer spending, which has been supporting the slow recovery. American households are highly indebted. Only low interest rates, continuing demand in the housing sector, moderate oil prices and cheap imports have kept the consumer going. We fear that war may significantly drive up interest rates and oil prices. If indeed this is so, or if the ongoing decline

in the dollar goes too far, the effect could be to unleash a major consumer retrenchment in the United States, overwhelming the added government military spending.

Third, state and local government budgets continue to suffer. These budget shortfalls are translating into service cuts and tax increases. Either way, household budgets will take a serious hit. The war fever in Washington is blocking efforts for revenue sharing with the states, which is a major way the federal government could prevent a state and local calamity, and it is blocking adequate support efforts for homeland security. Nor can we hope, in such a climate, to address our continuing and larger problems of health care, education, unemployment, and poverty, all of which remain urgent concerns here at home.

During the 1990's America enjoyed strong economic growth, strong financial markets and unprecedented job expansion. We believe a contributor to that growth was the "peace dividend" following the end of the cold war. Unfortunately, in place of a "peace dividend," today we are being offered a "war surcharge," which will be further aggravated by the effect of a war on the price of oil, especially if it results in destabilizing Saudi Arabia.

The current policy of sponsoring a new war in the Middle East plays "Russian roulette" with our economy. Instead, our leaders should focus on restoring our economy and stimulating job growth. The American people cannot afford to tolerate a mismanaged economy or a naïve underestimation of America's economic perils. We ask economists, business leaders and all Americans to join us in opposition to the decision to go to war and instead to support a return to a policy that pays adequate attention to the needs of our economy. We do not believe that this war is necessary to the national security of the United States. A sound economy is necessary to the security of the United States and to peaceful world economic development.

*from 17 February 2003*

## Endorsements of Economists who are US Based and/or US Nationals:

Clark Abt, Daron Acemoglu, Benjamin Alamar, Abbas Alnasrawi, Polly Allen, Neil Alper, Blair Alpert-Sandler, Theodore W. Anderson, Ali Arshad, Kenneth J. Arrow, John S. Atlee, Asatar Bair, Dean Baker, Stephen E. Baldwin, Pranab Bardhan, Nancy S. Barrett, Janis Barry, Randall Bartlett, Parantap Basu, Rathin Basu, Joan Bavaria, Amanda Bayer, Jess Benhabib, Pierpaolo Benigno, Barbara Bergmann, Günseli Berik, Carole Biewener, Cihan Bilginsoy, Cyrus Bina, Stanley W. Black, Judith Blau, Patrick Bolton, Roger Even Bove, Kenneth D. Boyer, Elizabeth Brainerd, Jurgen Brauer, Andrew Brimmer, David S. Brookshire, Robert Buchele, John P. Burkett, Paul Burkholder, Glen G. Cain, Al Campbell, Alfred B. Carlip, Vivian Carlip, David Cass, Jens Christiansen, Polly Cleveland, Jim Cobbe, Stephen P. Coelen, Robert M. Coen, Steve Cohn, Laura D'Andrea Tyson, Jane D'Arista, James G. Devine, Randall Dodd, Peter Dorman, Thomas A. Downes, Lloyd J. Dumas, Richard W. England, Donald Farness, Christian Fauliau, Rashi Fein, William D. Ferguson, Ronald Findlay, Dietrich Fischer, Duncan K. Foley, Ronald L. Friesen, Byron Ganges, Robert Scott Gassler, James K. Galbraith, John Kenneth Galbraith, Ilhan Kubilav Geckil, Helen Ginsburg, David Gold, Neva Goodwin, Ilene Gabel, Timothy W. Guinane, Robert Guttmann, Bronwyn H. Hall, John M. Halstead, Alan Harper, Jonathan M. Harris, Tom Head, Daryl Hellman, Susan Helper, Peter Hess, Bert G. Hickman, Thomas L. Hungerford, Michael Intriligator, Walter Isard, Parul Jain, Kenneth P. Jameson, Rajani Kanth, Richard F. Kaufman, Lawrence R. Klein, Richard Kohl, Denise Eby Konan, Kate Krause, Mark Kuperberg, John Kwoka, Sumner La Croix, Lester Lave, Lori Leachman, Donghooon Lee, Sang-Hyop Lee, PingSun Leung, Guido Lorenzoni, Catherine Lynde, Jay R. Mandle, Stephen A. Marglin, Roberto S. Mariano, Judy Markland, Ann Markusen, David Martin, John Tepper Marlin, Andrew Mason, Julie A. Matthaei, Elaine McCrate, Daniel McFadden, Robert J. McIntyre, Will Milberg, Lawrence Mishel, Fred Moseley, Peter Mueser, Lynne Murguia, E. Wayne Nafziger, Edward J. Nell, Julie A. Nelson, Teresa D. Nelson, Douglass North, Mark Obrinsky, Mehmet Odekun, Efe Ok, Stephen O'Connell, Brendan O'Flaherty, Spencer Pack, Kichool Park, Eva Paus, Lynne Pepall, Brian J. Peterson, Luigi Pistaferri, Robert Pollin, Marshall Pomer, Thomas Michael Power, Frederic L. Pryor, Debraj Ray, James E. Rauch, Robert Reich, Nola Reinhardt, Kenneth A. Reinert, Helene Rey, Dan Richards, Tom Riddell, S. Abu Turab Rizvi, Robert Robertson, Judith Robinson, Frank Roosevelt, Don Roper, Sumner M. Rosen, Arthur H. Rosenfeld, David R. Ross, Jeffrey D. Sachs, Sidney Saltzman, Max B. Sawicky, Thomas Scheetz, Robert J. Schwartz, Michael Schwarz, Willi Semmler, Charles W. deSeve, Edward Shaffer, Anwar Shaikh, William F. Sharpe, Cheryl Smith, J. W. Smith, Robert M. Solow, Dominick Salvatore, Sally Weaver Sommer, Steve Spear, Marcus Stanley, Joseph E. Stiglitz, Michael A. Stoller, Paul Streeten, Lance Taylor, Scott R. Templeton, Frank Thompson, Charles Tontar, Ann Velenchik, Shapoor Vali, Marjolein van der Veen, Milledge W. Weathers, Mark Weisbrot, Dorrie Weiss, Helmut Wendel, Sarah E. West, William D. White, Gordon C. Winston, Cecilia Ann Winters, Ann D. Witte, Justin Wolfers, June Zaccane, David J. Zimmerman, Carol Zytznik.

## To Put An End To War

Lucy Webster

Military triumph is not enough to win. While people throughout the world are relieved that there has been regime change in Iraq, large minorities in the United States and large majorities elsewhere are disturbed by the US military victory.

What has been done to international law and the sovereign responsibilities of states to protect their citizens? Can any country attacked by terrorists now attack any country that might help terrorists in the future? Clearly not. Only the United States with its vast military power and its claim to bring democracy to all can push its power in this way.

Can one be surprised that other nations resent such US action?

Above all people do and should resent the US use of its muscle without its taking real responsibility. How could the US military not have planned for the need to bring water and order to conquered cities?

But the main duty of a superpower that claims leadership is to build an agenda that will bring others into its program for the world.

The United States has the power to lead, but must learn to do so in multilateral mode; anything else simply will not work. A program to strengthen, not weaken, cooperation is needed.

Peace with gross injustice as in Saddam's Iraq is not acceptable, and yet war means pain and vast injustice. We need a way to assert change for human rights without war, and several of the components of such a reality are partly in place, with relatively few additional elements required:

- The Security Council must dare to challenge the sovereignty of states that abrogate their sovereign responsibility by the systematic, gross abuse of their citizens.
- The UN needs a directly recruited military force reporting to the Secretary General so that UN Marshals sent to apprehend a future Osama Bin Laden or a Saddam Hussein could do their job under the International Criminal Court rules.
- Citizens and communities throughout the world need to know their rights so NGO networks can alert the Security Council to incursions at an early stage.

## ECAAR wins arms skirmish....CAPE ARGUS, THURSDAY, MARCH 27, 2003

Estelle Ellis

THE CAPE High Court has ordered the government to hand over the full affordability study done before South Africa entered into the controversial arms deal.

The head of Economists Allied for Arms Reduction [in South Africa], Terry Crawford-Browne, said that this was the most important document that they wanted.

"The Department of Finance warned government of the risks of entering into the arms deal. This will give more details of what the precise risks were."

He said that the study will be important for ECAAR to prove that the Minister of Finance, Trevor Manuel, was reckless when he signed the loan agreements for the arms deal.

This allegation will be part of ECAAR's main attack on the deal. They want the court to declare the loan agreements unconstitutional.

The judge also accepted in favour of ECAAR that the Cape High Court does have the jurisdiction to hear the matter and that ECAAR does have

standing. A final decision on the matter will be made in the main application

The application asked the Cape High Court to set aside Manuel's decision to enter into foreign loan agreements and export guarantees in respect of 4 corvettes, 3 submarines, 28 Gripen fighter jets, 24 Hawk trainer aircraft and 30 light utility helicopters worth billions of rands.

ECAAR also wants the court to declare the deal null and void.

After they filed this application, ECAAR claimed they needed access to nine categories of documents to prepare for their court case.

The government refused to give them access to these documents.

They [ECAAR] filed an application for a court order. The documents they sought included: the four loan agreements, one further financial agreement, written decisions of parliament and cabinet related to the arms deal, the purchase contracts and the affordability study.

Mr Justice Andre Bignault and Mr Justice Dennis Davis ruled

yesterday that ECAAR was not entitled to discovery of the loan agreements as they could use the one loan agreement in their possession to prepare an attack on all the loan agreements.

An application for a court order to force the Minister of Finance to hand over a written decision of parliament about the arms deal was refused, because it is a public document.

The judges said that the government could not be forced to hand over "the gist of a cabinet resolution" because apart from the questions of relevance and privilege the document they wanted did not exist.

The government argued that the affordability study was not relevant to the court proceedings. Judges Blignault and Davis disagreed. They said that it was relevant to the decisions which were under attack.

The court ruled that the purchase contracts were also irrelevant for ECAAR's purposes.

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Subsequent to the decisions reported above, the Cape High Court ordered the government to hand over the documents of the International Offers Negotiating Team and the Financial Advisory Team, but the government has replied that these documents are confidential and should only be given to the legal team and not to the officers of ECAAR-South Africa.

## Rebuilding Iraq: the US as Imperial Power or Global Partner

William Hartung

As US and British troops consolidated their control in Iraq, Bush administration officials continued to send conflicting signals about who will play the key role in rebuilding Iraq post-Saddam. Will it be a secretive regime dominated by the Pentagon, or will the White House internationalize rebuilding by bringing in the United Nations and mending fences with allies like France and Germany?

As usual, Secretary of State Colin Powell has played the good cop, suggesting that the administration was prepared to engage in “pragmatic dialogue” to determine the United Nations’ role in the rebuilding and stabilization of Iraq. National Security Advisor Condoleezza Rice has taken a starkly different tack, arguing that “it would only be natural to expect that after having participated and having liberated Iraq, coalition forces, having given life and blood to liberate Iraq, that the coalition would have the leading role” in shaping the post-war regime.

Rice’s rhetoric is disingenuous—the troops who are giving their lives to overthrow Saddam Hussein’s regime will have as little to say about the future of Iraq as the rest of us. Under the “unilateralist” rebuilding model favored by Rice, Donald Rumsfeld and other administration hardliners, the future of Iraq will be largely decided by the chicken hawks back in Washington. Right-wing ideologues like Vice President Dick Cheney, who has never seen a wartime shot fired, will be running the show—not the men and women who risked their lives in battle.

But the larger problem with a “made in the USA” approach to rebuilding Iraq is that it will not produce the desired result—a stable, democratic nation. As Gen. Gordon Sullivan (Ret.), the head of the Association of the United States Army, recently noted, the choices facing the Bush administration mirror, on a smaller scale, the problems faced by the United States in Europe during the 1940s, when the Roosevelt administration had to decide which countries would be “dealt in” on shaping the postwar settlement.

General Dwight D. Eisenhower, the commander of US forces in Europe, believed strongly that post-war planning should involve not only countries like the United States, the Soviet Union and United Kingdom, who were providing the bulk of the military forces needed to drive back Hitler’s armies, but also allies like France, whose forces were mostly restricted to liberating their own nations with major US assistance. Eisenhower felt that involving a broader range of allied nations in post-war planning would lead to a more stable, prosperous and legitimate governing structure for Europe as it moved forward from the horrors of war and fascism.

Similarly, in Iraq, internationalizing the rebuilding process is the best way to ensure post-war stability. That means putting as much of the rebuilding effort

***How Iraq is rebuilt will determine whether the United States will use its immense power to act as a quasi-imperial power, or as a responsible global partner.***

as possible under UN auspices, as quickly as possible—from aid delivery, to decisions on which companies will get reconstruction contracts, to selecting an interim government, to training new Iraqi military and police forces, to setting out the steps needed to create a new constitution and elect a legitimate government.

The Council on Foreign Relations has endorsed a number of these steps in its recent report on rebuilding Iraq, suggesting that a multilateral process would be the best way to spread the costs of rebuilding and to ensure that a post-Saddam regime has maximum international legitimacy. Even British Prime Minister Tony Blair—Bush’s most enthusiastic coalition partner—

understands this and has made UN cooperation the lynchpin of his post-war rebuilding proposal.

Some anti-war activists have expressed unease about a major UN role in post-war Iraq, suggesting that it would throw a cloak of legitimacy over what they view as an illegal military action. Those concerns must be counterbalanced by the realities on the ground.

Massive needs—economic, humanitarian and security—will emerge in the immediate aftermath of the fall of Saddam Hussein.

The international community—including anti-war elements in the United States—can’t afford to “take a pass” and stand back from the process of meeting these urgent demands, whatever their cause may be (Saddam’s reign of terror or the added hardship caused by the US invasion). It must demand widespread, full internationalization of the rebuilding process. It must treat the unilateralist nature of the intervention itself as an aberration not to be repeated.

A democratic, internationalized rebuilding process is the best option for the long-suffering Iraqi people, but it is also the best option for meeting long-term US security interests. A new regime brought to power under UN auspices will have far more legitimacy than one perceived as a puppet installation run by Donald Rumsfeld and his merry band of aggressive unilateralists. A multinational peacekeeping force will be far less likely to become a target of international terror groups than a large US-dominated occupation force. And a process in which Iraqi oil resources are used to rebuild the country through open bidding processes will create far more goodwill than a secretive rebuilding plan that gives contracts only, or primarily, to well-connected US companies like Halliburton (Vice President Cheney’s former company) and Bechtel.

Nothing embodies the Bush administration’s shortsightedness and moral bankruptcy more than employing former Army Lt. Gen. Jay Garner as the head of the Pentagon’s rebuilding effort for Iraq. Not only does Garner have interests in

## Choices for Economists and Business Leaders: To Speak or Not To Speak

Marcel Arsenault

As reported a few weeks ago by Carol Hymowitz, in the Wall Street Journal:

*In the debate over the war with Iraq, where are the voices of U.S. business?*

*'There is a silence among business leaders that is deafening, and which is an exception to the rule of how executives behaved in the past,' says Richard Tedlow, a business historian at Harvard Business School and author of "Giants of Enterprise."*

*When General Electric Chairman and CEO Jeffrey R. Immelt was asked by French newspaper La Tribune what impact a war would have on GE, he said "I'm a businessman, not a politician. As an American, I stand behind my president, but otherwise it's beyond my expertise."*

### Reasons to Keep Quiet

As a businessman, I have openly voiced opposition to the current US war policy. An article in the Rocky Mountain News (complete with photos) quoted me, "We are in a very frail economy right now...a war with Iraq could cause our economy to be gut shot". The same article quoted a large defense contractor who "disagreed." Of the 1000 tenants in my various buildings, that defense contractor happened to be the largest. Word got back to me that they were mad as hell at my statements, and if they had other practical options they would leave my building. I still sweat bullets when I think of the

consequences. I'm naturally outspoken, but as a businessman, it's hard to ignore the benefit of keeping your mouth shut.

### Freedom of Speech for Some

Many ECAAR members and supporters signed the open letter in opposition to the Iraqi war. However, most endorsements came from economists safely protected in positions of academia, an environment where freedom of opinion has long been cherished. Relatively few signatures came from economists working for private industry where statements that offend clients can get you fired.

Similarly, I rather suspect that those "Giants of Enterprise" professor Tedlow was referring to were self-made, tough and crusty entrepreneurs who molded and controlled their business (Carnegie, Ford, Edison and their ilk). These were a different breed from the mandarin-politician required to manage the incredibly complicated enterprises founded by these giants.

Because I control 100 percent of the stock in my small enterprise, I enjoy rare freedom to say what I deem correct, regardless of the consequences. If the emperor has no clothes, I stand up in the crowd and exclaim it. I'm a contrarian and value the luxury of thinking very long term. My relative success has afforded me a unique pulpit: I can afford being buffeted by the breeze of popular

opinion. By contrast, the president of GE, juggling the pressures of his board, shareholders, employees, states "the emperor looks wonderful" or "I'm just a businessman, the emperor's dress is beyond my expertise."

Those of us cloistered with our freedom of voice dream that we would have the courage to *still* declare objection to wrongheaded policy of our government—even if it cost our company a lucrative jet engine contract, or cost us our job. I suspect not.

As academic economists, or independent businessmen, we are protected from termination. Even in our unique protection there are centripetal forces compelling us to the center of popular opinion. We must struggle against these forces. We have the responsibility to sponsor and nurture unique voice. Our colleagues, citizens at large, and especially our government, need this voice, even if it pisses them off. History may prove that we were their best friends and the truest patriots.

Courage. Humanity is always better served by the force of unpopular ideas than the steel of the sword.

Marcel Arsenault is CEO of Colorado & Santa Fe.

The family foundation of Marcel and Cynda Arsenault supports long term programs to put an end to war.

companies like SY Technologies, which stand to profit from the war in Iraq, but he is a longtime associate of the Jewish Institute for National Security Affairs. Although it claims to be non-partisan, JINSA has close ties to the right-wing Likud party, and has long supported "regime change" in Iraq while denigrating the Camp David peace process as an inappropriate way to resolve the Israeli-Palestinian conflict.

If the Bush administration were to consciously set out to pick a person most likely to raise questions about the legitimacy of the post-war rebuilding process, they could not have selected a better man for the job than Jay Garner.

In contrast, if they truly want a stable, democratic Iraq, they should send Mr. Garner packing and start immediate bargaining to bring the United Nations—and anti-war allies like France, Germany

and Russia—into the center of the rebuilding process.

How Iraq is rebuilt will determine whether the United States will use its immense power to act as a quasi-imperial power, or as a responsible global partner. It will say a great deal about whether this is the last unilateralist war for regime change launched by the Bush junta, or the first in a series of "wars without end" to reshape the globe.

William Hartung is director of the Arms Trade Resource Center at the World Policy Institute and the author of *The Hidden Costs of War*.

## Companies And Conflict

Philip Nauwelaerts

Jan Tinbergen, the Dutch 1969 Nobel laureate in economics who was a founding Trustee of Economists Allied for Arms Reduction, asserted that economic welfare and war are not compatible. I would add that war cannot lead to security. Quite the contrary, especially if the military capacities of the parties are unequal, as is the case for war by the United States against Iraq. War will only reduce security and increase terrorism.

### Economics and Business

Businesses, corporations, and also multinationals, cannot grow in an uncertain and destabilized environment. Through globalization multinationals extend their activities throughout the world, preferably in countries where production conditions are good, with stable government, fair working conditions and a positive "business environment." Some multinationals follow codes of conduct based on international regulations of the ILO, the OECD guidelines for multinational companies and the Universal Declaration of Human Rights.

Such norms build understanding between companies and their stakeholders, especially in poor countries, where abuses are sometimes difficult to keep under control. More and more leaders of large companies understand the value of "ethical entrepreneurship." In the long run companies benefit from ethical business practices and from showing respect for the environment and culture within which they operate. This improves their reputations and thus benefits their business results.

The reputation of a company is based on a number of complex subtle factors such as quality, correctness, and social and environmental responsibility. Peter Sutherland, Chairman of BP/Amoco, says: "Of course financial achievements are important, but you need more. Enlightened business people have realized that good business is good for business. Good business is sustainable: it is part of the global society, not at odds with it, and reflects values that are shared across the world."

### Economists and Iraq

Many economists in the United States and elsewhere oppose war against Iraq, because it is in large part a business war where one of the final goals is control over natural resources that will benefit a limited number of powerful companies. These companies, together with their colleagues in government, who have decided on war can afterwards divide the benefits among whomever they choose. On the other hand, should there be losses, these will be on the account of the tax payer.

Any such complicity between politics and business is not consistent with the goal of sustainable development. War not only harms the population, but also many corporations and whole industries. In Iraq, the economy will collapse as will that of other countries and many companies that are economically weak. Import-export trade and shipments will diminish, air traffic will be in crisis, tourism will fall significantly, all of which will reduce financial activity for financial institutions leading to downward cycles of economic deterioration.

Companies should not keep silent; they should raise their voices to oppose war. It is clearly unacceptable for a country to intervene militarily to secure its oil supplies. Any such action must be viewed as a form of neo-colonialism whenever one country secures its imports through any form of coercion.

### War as Good Business

Starting war for economic interests, or to open new markets for companies, is not the route to economic development. Leaving aside whether a war can be viewed as just or not, the outcome will always be uncertain, while the cost in human lives and social and environmental destruction is always clear. Let us remember the Vietnam example.

More than one million Vietnamese and 50,000 Americans died, the country was (and still is) in environmental chaos, people suffered for many years, both during and after the war. What has been the benefit? Since the 1990s, Vietnam has developed international trade and business cooperation agree-

ments that improve peace and well-being much more than any conflict has ever done. Good business promotes peace whereas economic production is not possible within an area of conflict.

In Iraq companies will be promised access to profitable contracts after the war. Oil contracts, reconstruction opportunities, business in many fields, will tend to go to companies based in countries that join the stronger side, and the costs of the war will be recouped by deals with such companies. This might be good business, but it makes the companies that are rewarded complicit in the war, whereas it is expected that French oil companies will be excluded.

A comparable war was the 1997-1998 civil war in Congo Brazzaville where two presidential candidates and two ethnic tribes opposed each other. The group that was supported and financed by American oil companies was promised new oil deals in the region, whereas the group led by Sassou Nguesou was supported by the French Elf-Total-Fina company. In the end, Sassou won the war, and French companies now dominate the oil industry in Congo Brazzaville. Thousand of people were killed.

Decisions to join or to oppose the war in Iraq were clearly influenced by fear of being excluded from valuable oil contracts. In the case of the new NATO partners in Eastern Europe the economic benefits related to the purchase of new military equipment.

### Conclusion

Companies and their leaders are accountable for their actions and like political leaders they are responsible for conflict prevention and resolution. They can be made accountable by stakeholders and civil society to observe the UN and OECD norms for sustainable business. This was also the view of Jan Tinbergen.

Philip Nauwelaerts is Associate Professor of Development Economics at the University of Antwerp (IDPM), Belgium, and vice-chair of the Dutch-Flemish ECAAR

## Oil and the 2003 War in Iraq

Edward Nell and Willi Semmler

The US administration claims it invaded Iraq because only a 'regime change' would suffice to protect the United States from the threat of weapons of mass destruction. Also the change would bring democracy to Iraq and contribute to its development throughout the region, with greater regional security and less threat to Israel and the West.

Yet there is no clear-cut evidence of any weapons of mass destruction, or of any facilities to build them, and any concealed biological weapons would be too old to be effective, although some dangerous chemical or biological material may still be there.

What is clear by now, in fact, is that, far from being more menacing, Saddam was much less of a threat before this war than in the past. His army had been reduced to about half its previous size; his conventional weapons were out of date; his missiles had been used up and not replaced; and most of whatever arsenal of mass destruction he had was destroyed by inspectors or bombing. And it was clear that the regime was not popular; in the north, the Kurds were in almost open revolt, while in the south of the country, the Shiite majority had long resented its exclusion from government. In short, before the invasion of Iraq, Saddam was weaker and less dangerous than ever.

Prior to the invasion the US administration did not seem to have a plan for the future after Saddam. None of the obvious questions were answered. What would replace him? Would there be a new constitution? Who would draw it up and how? Would genuine democracy be allowed even if fundamentalist Islamic parties are elected?

Would the large French and Russian investments in Iraq be protected, and the huge foreign debt (ten times more than other debt-ridden countries, such as Argentina) be honored? Much is owed to the Kuwaitis, as reparations, and to the French and Russians for various kinds of development projects. Would the French and Russians be allowed to participate in the reconstruction of Iraq and be invited to join in policy-making? And how much autonomy will Kurds and Shiites have?

Far from dealing with these issues, the administration evaded them. A look at the writings of the group around Vice President Cheney, and the neo-conservatives generally, however, did indicate an interest in using military force to redraw the map of the Middle East. But it is hard to find details. The administration had kept its designs largely secret, and concentrated publicly on "weapons of mass destruction" and threats to the security of US citizens.

### Oil Imports, Production and Reserves

	US Imports of its total 2002 imports, from:	%	Production million barrels per day, 2001	Reserves billions of barrels
Kuwait	2		1.8	99
Saudi Arabia	15		7.3	262
Iraq	3		2.3	115

Source: US Department of Energy, 2003

Any outline of plans for a new Iraq, and for new arrangements for the control of oil, were never made public before the invasion. It is understandable that the administration did not want to show its hand in advance, but there is no evidence that it *had* a hand. Managing and rebuilding post-war Iraq did not even seem to be on the table until the US was pushed by the international community – the Bush team has *opposed* 'nation-building.' It may have had something else in mind – perhaps a compliant pro-American, government, along with a large US military presence...?

And why would it be worthwhile to go to war for this? One reason might be to enhance the security of Israel by reconfiguring the balance of power in the Middle East. This is plausible and the administration has admitted as much, but we also see a more economic reason too.

#### The Oil Issue

After 9/11, it became apparent that Saudi Arabia was not just the home of 16 of the 19 hijackers, but that Saudi money had financed both the Taliban and Al Qaeda, and that internal pressures kept the Saudi regime from cooperating fully

in the investigation. Bin Laden came from the establishment of Saudi Arabia, the world's largest oil producer, which sits on the world's largest and most easily tapped pool of reserves, a country that could no longer be trusted to be loyal and cooperative. The US depends on Saudi Arabia and on Iraq for imported oil. The Texas oilmen who are prominent in the US administration are unlikely to opt for conservation and improved energy efficiency.

What to do? Well, Saddam's *weakness*, together with his belligerence and general unpopularity, offered an opportunity.

The United States obtains almost half the world total net imports of oil. It imports 2.3 million barrels a day from the Middle East with Europe importing 2.56 million from the region. In percentage terms the US imports 20.2 percent of its oil from the Middle East compared with imports by OECD Europe of 35.9 percent of its oil.

Looking beyond imports and annual production, the ease of extraction and remaining reserves show who controls the most significant potential resources.

After Saudi Arabia, Iraq ranks second in world oil reserves. Overall, the Persian Gulf/Middle East commands over two thirds of world oil reserves, and some 40 percent of these are in Saudi Arabia according to current official estimates of proved reserves. Less official estimates as from the London-based Centre for Global Energy Studies, put Iraqi reserves at 300 billion or well above Saudi Arabia. Thus two countries account for an enormous proportion of reserves.

The quality of this oil is orders of magnitude better than other oil in terms of ease of extraction and efficiency of processing at a low cost. This is not just a matter of profit for whoever controls the oil. These world energy reserves are needed by the entire world, either to wean itself from fossil fuel dependency or to muddle through as now.

This article is based on a longer forward-looking analysis entitled *The Economic Consequences of the Peace in Iraq*. Both Edward Nell and Willi Semmler are Professors of Economics at the New School University, New York.



## Missile Defense: Can Anything Be Done

Richard F. Kaufman

Ballistic Missile Defense is well on its way to become America's most expensive and least effective weapon. If present trends continue, and there was an annual award for the Dollar for Dollar Most Wasteful Government Spending Program, it would, in a fair competition, go to missile defense.

Very large cost overruns are coming to light: wasteful practices noted by the General Accounting Office, an imprudently accelerated research and development phase, and a manipulated, distorted test program that even Pentagon officials have complained about.

There is a rush to deploy a portion of the program that is not ready for deployment. ECAAR's recent study, *The Full Costs of Ballistic Missile Defense*, documents the potential military and economic costs of the program and some of the critical technical uncertainties.

The Bush Administration envisions a layered program with defensive weapons based on the ground, at sea, in the air and in space. It would take many years to fully deploy all the systems and no one can predict with certainty what the present administration and its successors will actually build. Military plans change and sometimes, rarely, weapons programs are curtailed or canceled.

The ECAAR study shows that if all systems that logically could be included in a layered program are built the full costs could total \$1.2 trillion. This includes research, development, testing, production, and operations and support for the expected lives of the systems. The study concludes that even if all the systems are built there is no assurance that they would be effective in protecting military assets or urban populations.

The idea of spending vast sums on weapons systems that have not been proven to be effective violates the acquisition procedures put into place to assure that the Pentagon does not waste taxpayers' money, and is inconsistent with the principles that govern the market place and common sense. Only in the strange world of military contracting could such practices survive.

Defense Secretary Rumsfeld has been leading the way to deploy missile defenses, whether or not technologically ready. He argues for an "evolutionary" approach to missile defense in which systems will be built and deployed before they are proven successful in operational tests, and later replaced as necessary when more effective ones are developed. Instead of the fly-before-you-buy approach adopted by his predecessors, Rumsfeld wants to buy-fly-and-retrofit. But, given the difficulties of successfully defending against small and possibly large numbers of offensive missiles, equipped with decoys and other penetrating devices, there can be no assurance that ineffective systems can be made effective after they are deployed.

The White House and the Pentagon, emboldened by control of both houses of Congress, and their success in persuading Congress to approve massive increases in defense spending, are pushing the program forward. Nevertheless, there are limitations on executive power in our system of government, as well as fiscal and physical limitations, and recently some aspects of these were brought home to the Administration with respect to missile defense in small but significant ways.

At the end of last year, the Pentagon announced it would deploy in 2004 the first 20 ground-based missiles together with up to 20 sea-based missiles. This came as no surprise to those familiar with George Bush's stated commitment to deploy missile defenses by the end of his term of office. But it did raise eyebrows among those familiar with the state of missile defense developments and the many failures in the test program. Failures have occurred even though the tests have been highly scripted, to the point where beacons have been installed on the test attack warheads so that the defensive missiles would be sure to locate and hit them.

Several years ago, Phillip E. Coyle, the Pentagon's Director, Operational Test and Evaluation, criticized the poor results of missile defense tests. Coyle, who

resigned his post, has continued to point out shortcomings in the program. Just recently, Thomas P. Christie, the present Director, Operational Test and Evaluation, has made known his own concerns about the program and the limited effectiveness of the planned initial deployment of missile defenses. In a new official report Christie's office concludes from the test results that the ground based missiles have yet to demonstrate significant operational capability, that there still remains a lack of a deployable boost vehicle, that technical limitations have forced "unrealistic engagement at relatively low altitudes," and that systems other than the ground-based one also lack operational capabilities.

In addition, Christie's report expressed concern about the potential for systems in the program to circumvent the normal acquisition process and to go into full-rate production prematurely.

In an apparent effort to avoid further embarrassing test results, the Pentagon proposed in a recent defense spending bill to simply bypass the further testing required before going into production for the initial deployment. Rumsfeld justified this decision by asserting that it is not necessary to dot every i and cross every t before deploying such an important program. The technical justification was that the initial deployment should be considered part of the development and demonstration phase.

Some members of Congress complained vigorously about this tactic and for reasons still not entirely clear the Pentagon seems to have reversed the decision. In testimony before the Senate Armed Services Committee on March 18, Pentagon officials said that they did not intend to avoid the required testing. One day later, testing director Christie, appearing before the same committee, expressed doubts that the initial deployment could be completed in 2004. Christie told the committee that essential components of the ground-based system had still not been built and probably could not be tested by that time.

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## Deploying a Campaign Promise

Matt Martin

President Bush has announced that the United States will deploy an array of missile defense systems between 2004 and 2005. This declaration fulfills a campaign promise. However, the reality is that the three systems being rolled out all suffer from technological difficulties, cost overruns, and politics.

Senator Carl Levin, ranking member of the Senate Armed Services Committee, said recently missile defenses will be developed. The challenge now is "whether or not we are going to deploy a system which we take steps to assure will work." So far, that is little more than a wish. The latest Patriot short-range system (PAC-3), the sea-based Aegis cruiser configuration, and the former National Missile Defense component—now renamed the Ground-based Midcourse Defense (GMD) segment—have all suffered from significant technical difficulties and testing shortfalls.

### Patriot PAC-3

The most mature missile defense system, the PAC-3 (Patriot Advanced Capacity-3), designed to intercept short- and medium-range ballistic missiles, has been put forward as a model of missile defense deployment by administration officials. Having finished its developmental testing (in cooperation with earlier generation PAC-2s) with an intercept record of 85%, it went on to have difficulties with the more advanced operational testing, scoring only a 40% intercept rate (again, in cooperation with PAC-2s). Despite this mediocre track record, the impending war against Iraq convinced US officials to move quickly to deploy Patriot batteries in the region.

While it is still too early to tell definitively, the Defense Department claims that Patriots made nine intercepts during the 2003 Iraq war, four with the newest PAC-3s. However, since all indications are that Iraq fired no Scud missiles, these intercepts were against slower and easier to hit targets. Moreover, Patriot systems are under investigation for destroying two Allied aircraft and targeting a third. Clearly, for the missile defense system furthest along in development, the Patriot systems are far

from perfect. The Army has spent more than \$3 billion since the end of the first Gulf War to upgrade the Patriot system, and the PAC-3s cost about \$2.5 million apiece. The Pentagon plans to buy 100 more PAC-3s by the end of 2003.

### Ground-based Midcourse Defense

The operationalization of the Pacific ground-based midcourse "test-bed" currently under construction is envisioned as the first step toward building a true national missile defense. According to a Defense Department press release, the goal is to place "20 ground-based interceptors capable of intercepting and destroying intercontinental ballistic missiles during the midcourse phase of flight located at Ft. Greely, Alaska (16 interceptors) and Vandenberg Air Force Base, Calif. (4 interceptors)" including "a new sea-based X-band radar."

There are several technical problems with this plan. First, the 20 interceptors do not exist. The Defense Department has been conducting developmental testing for this system using old Minuteman missiles as surrogate rockets, while they attempt to build a new rocket, which must be faster and lighter than the Minutemen. Problems with the construction of these rockets have forced the Defense Department to bring on a second contractor to "compete" with the first rocket contractor. The first shoot-down integrating a new booster is not planned until this fall. Thus, there is no way to determine yet if the rockets work. The competition for a new booster has alone cost approximately \$450 million.

Second, the interceptor (the part that sits on the rocket and actually intercepts the oncoming missile) has reportedly been having some problems of its own. General Ronald Kadish, director of the Pentagon's Missile Defense Agency, said earlier this year that the latest intercept test last December failed due to a broken chip on a circuit board in the interceptor. It is not yet known whether this problem has been fixed.

Third, the sea-based X-band radar—an essential piece of the system—does not currently exist and is not expected to be integrated into the "test-bed" until 2005 at the earliest. The X-band radar is

necessary to identify, discriminate, and track an incoming missile as it comes over the horizon and nears the interceptor. Without this component, the system will rely on older-generation radars with different capacities. Even when deployed, critics, including Senator Ted Stevens, chair of the Senate Appropriations Committee, have questioned the utility of positioning a 120-foot tall radar platform in open waters, where it will be vulnerable to ocean swells.

Finally, another key component, a new satellite system designed for early detection of an enemy missile launch, will not be in place for many years. The first test satellite is currently planned for 2006, with a second following in 2007. A full constellation of perhaps a dozen satellites will not be in place until 2010 or later. This program has undergone several setbacks, but is seen as crucial, and no substitute exists. Without this component, any system will rely on older satellites with limited capabilities, which in this case have already begun to outlive their expected lifespan.

Given these shortcomings, it is not surprising that the first intercept test is not planned for this "test-bed" until at least 2005. As a result, it is difficult to consider any deployment announcement little more than political posturing.

### Sea-based Aegis Cruisers

The third system set to be deployed in the 2004-2005 timeframe is the short- to medium-range, sea-based Aegis cruiser platform, utilizing SM-3 (Standard Missile-3) missiles for interceptors. This is one of the newest missile defense systems, and has only recently begun any testing. While the initial tests have been successful, they have been carefully orchestrated and simplified. This is justified for a new, developmental system, but success in these tests does not indicate a readiness for deployment. The latest test last fall was the first of six planned for the Aegis system "test-bed" deployment, with the next test expected this spring or summer. The Aegis platform is early in its developmental testing stage, with many developmental and operational tests ahead.

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## Report from the UN Disarmament Commission

Dorrie Weiss

The UN Disarmament Commission is open to all UN member states to examine a few issues in depth in sessions spanning three years. The 2003 session, which met from March 31 to April 17, addressed two items: "ways and means to achieve nuclear disarmament" and "practical confidence-building measures in the field of conventional arms."

Taking place against the background of the Iraq war, a conflict that most UN member states see as a violation of international law, comments on the war and on the Middle East came into the debate making nuclear disarmament issues ominously relevant.

Global military expenditures are rising, and will probably exceed \$1 trillion this year according to Jayantha Dhanapala, the retiring Undersecretary General for Disarmament Affairs. He noted that the difficulty of achieving nuclear disarmament is symbolized by the fact that the issue has been on the UN agenda for 57 years.

At the same time, there still are tens of thousands of nuclear weapons, the DPRK has announced its withdrawal from the NPT, and the Comprehensive Test Ban Treaty has not been ratified by 13 of the 44 states with nuclear capacities that must ratify for it to come into force. Also, the Conference on

Disarmament in Geneva has been unable to agree on a substantive agenda.

The current US administration has abandoned the longstanding US commitment to deterrence and has opted for a doctrine of preemption, in its oxymoronic preventive war policy. It has also abandoned the no-first-use policy and the pledge not to use nuclear weapons against non-nuclear weapon states. Worldwide, new arsenals are being equipped with hybrid weapons that blur the distinction between conventional arms and weapons of mass destruction. Weapons are shattering the integrity of outer space, and a treaty to prevent this was proposed in the debate.

Delegations also pointed to some bright spots in the course of the UNDC debate. A coalition of countries from the former Soviet Union, plus China, have founded the Shanghai Cooperation Organization to address a broad range of mutual interests. Cuba has acceded to the NPT and to the Treaty of Tlatelolco, which delineates a nuclear-weapon-free zone in Latin America and the Caribbean. Strengthening existing nuclear-weapon-free zones and creating new ones was supported widely, specifically for Central Asia and for the Middle East.

Ideas proposed to move forward included a treaty banning fissile material, and a register to monitor fissile

stocks. Many delegates stated that the total elimination of nuclear weapons was the goal, that elimination had to be irreversible and verifiable. There was not much point, they noted, in separating delivery systems from payloads if they could be quickly reassembled.

The Holy See, advocating multilateralism, said the force of law should be honored before the law of force. Belarus urged giving legally binding guarantees to non-nuclear weapon states against the threat or use of nuclear weapons, while both Mongolia and Syria noted that conventional arms were being developed with great destructive power and should be added to the seven categories of weapons in the Arms Register. The Russian Federation advocated drafting a global convention to combat nuclear terrorism, and the representative from the Ukraine noted that strategic stability must include economic, social, humanitarian and environmental factors.

The right to possess weapons for self-defense is consistent with disarmament that reduces threats and builds confidence. But most important is to eliminate the root causes of distrust and address issues of cooperative security.

Dorrie Weiss is ECAAR's UN Representative and a member of the ECAAR Board of Directors.

### Missile Defense *(continued from page 8)*

At least two important lessons should be drawn from these incidents. One is that the controversy over missile defense is not over, the debate continues, and there remain opportunities to influence the future course of the program.

Advocates of an accelerated missile defense program, who choose to ignore questions about costs and effectiveness, have the advantage of an administration that has made missile defense a central part of its defense planning. Nevertheless, there are a number of officials in the Pentagon and in Congress who are critical of the program, who believe it should remain a research and development program until its effectiveness can be demonstrated in operational tests.

The second lesson is that time, in one sense, is on the side of the critics because there is so much of it. The ECAAR report shows that while there may be efforts to deploy relatively small parts of the program, it will be many years before anything like full deployment occurs.

According to what can be learned about present schedules, deployment of most systems would not be completed until 2015. If those schedules are to be met missile defense expenditures must be greatly expanded in the next few years. Spending has increased under Bush, but it is not close to what will be required when systems go into full production.

Billions of dollars are being wasted in the premature acceleration and rush to deploy some of the existing half-baked systems. But those who argue for a more rational approach that takes account of the technological limitations of missile defense and considers alternative approaches to the problem of proliferations of weapons of mass destruction, should not be unduly discouraged. There is time and an urgent necessity to continue working on the problem. There is much to do.

Richard F. Kaufman is a Vice Chair of ECAAR and the main author of the 2003 study of *The Full Costs of Ballistic Missile Defense* that was undertaken by ECAAR and the Center for Arms Control and Non-Proliferation.

## Who Speaks for Bio-defense vs. Offensive Preventive War

Clark C. Abt

At the end of an April 14, 2003 PBS broadcast, "Avoiding Armageddon: Silent Killers: Poison and Plagues," presenting the threat of biological weapons, two international security authorities were asked what should be done about the threat of proliferating bio-weapons. Richard Perle, former Assistant Secretary of Defense, and Jessica Tuchman Mathews, President of the Carnegie Endowment for International Peace, gave mutually antagonistic answers that offer almost equally grim prospects of never-ending preventive wars and ineffectual international negotiations.

Each advocated the long-held views of conservatives favoring preventive war and liberals favoring international arms control, but neither offered the more promising third alternative of preventive bio-defense.

Preventive defense against biological weapons can work better and with less risk and cost than the tried and untrue alternatives offered. Why was preventive bio-defense not mentioned? Could it be that lawyer and pentagon maven Perle did not have the biological sciences knowledge to know of a more effective defense than threatening preventive war against any militarily

inferior bio-weapons proliferator such as Syria or Iraq?

But surely microbiology Ph.D. Jessica Mathews knows of the potential effectiveness of bio-defense consisting of a public health system augmented by early warning from environmental surveillance, plentiful supplies of vaccines and antibiotics, and prophylactic treatment on warning of people exposed to a bio-weapons attack? Why did she not offer that, instead of arguing the tired old (but still true though still insufficient) mantra of international cooperation on biological arms controls?

This truncated debate between two new warm warriors took me back forty years to the Kennedy Administration, when President Kennedy, confronted with what was then the supreme threat of nuclear weapons, insisted on a wider choice than all-out nuclear war or sacrifice of freedom and security.

He did not have the luxury of decisive military superiority that current promoters of war believe they have for violently disarming WMD proliferators, nor could he rely on a compliant UN Security Council. Instead he did the truly conservative and sensible thing, building up US defenses while continuing vigorous international diplomatic

and arms control initiatives. That is still the best option to counter the new strategic threat of bio-weapons.

We do not know why no one in the PBS "Avoiding Armageddon" program spoke up for the most peaceful and dual-use productive preventive defense against biological warfare, a strengthened public health system augmented by bio-detectors for early warning, plentiful supplies of vaccines and antibiotics for prompt prophylactic treatment of those exposed, and professional and public education providing useful responses to a bio-weapons attack.

This is being developed by scientists and policy analysts in the Federal departments of Health and Human Services' CDC and NIAID, Energy's national laboratories, Defense's DTRA, DARPA and USAMRIID, and Homeland Security's Transportation Security Administration. Hopefully the next PBS broadcast on this topic will discuss these projects and provide the public with reasons for hope, rather than despair.

Clark C. Abt, Chairman of the international policy research and analysis firm Abt Associates Inc., recently completed a study of *Economic Impacts of Biological and Nuclear Terrorist Attacks on Seaport-based Transport and Preventive Defenses*.

### Deploying a Campaign Promise (continued from page 9)

With the current configuration, the Aegis platform can only be used against short-medium range targets. For a long-range capability, a new, faster missile—and likely a new launching platform—will be needed.

For the development and fielding of these systems, the Missile Defense Agency is requesting some \$8 billion for FY2004. When additional pieces are added in (deployed Patriot systems and new satellite development), the entire missile defense budget totals nearly \$10 billion for next year, with no sign of lower costs in coming years. In fact, in a new report to Congress, the Pentagon has announced that missile defense costs through 2009 will be \$19.5 billion more than the \$47.2 billion previously projected. Even with \$3.8 billion in

reduced costs, the new figure comes to \$62.9 billion. Calculations of past missile defense spending estimates of approximately \$100 billion have already been spent since the 1980s.

President Bush has promised a missile defense system capable of defending the US, its deployed troops, and our allies from ballistic missiles by the next presidential election. What we are getting is a Patriot system that shoots down friendly aircraft, a "test-bed" that won't (and can't, since it doesn't exist) be tested until after it's deployed, and a sea-based short-medium range Aegis system in the earliest part of its testing phase.

Meanwhile, the missile defense budget, currently at nearly \$10 billion a year, continues to increase, while the Missile Defense Agency's external

accountability becomes less and less. The Defense Department got nearly a free pass at the most recent Congressional hearing on missile defense. Just one Democrat Senator attended, and the only hardball questions came from Senator Ted Stevens, a staunch missile defense supporter. Now that the administration has declared the war with Iraq over, Congress and the attentive public should turn its attention to issues concerning missile defense.

Matt Martin is assistant director of the Center for Arms Control and Non-Proliferation's Missile Defense Project. The Center has formed a Committee for Responsible Defense to advocate deployment of missile defenses only when they are shown to work under real conditions and only if they meet a real threat.

## North Korea, the United States and the NPT

John Burroughs

The Nuclear Nonproliferation Treaty (NPT) is much in the news due to North Korea's January 10, 2003 announcement of withdrawal. What has received no attention is that the United States is also undermining the NPT by ignoring recent political commitments to implement the treaty's disarmament obligation.

North Korea's violations of the NPT, in the early 1990s, and again now, consist at least in operating programs for production of plutonium and perhaps uranium that are not monitored by the International Atomic Energy Agency (IAEA) to prevent diversion of the materials to weapons. Accordingly, in February, the IAEA reported to the Security Council that North Korea is in breach of the NPT. It is not known whether North Korea has produced any nuclear explosive devices with unaccounted-for plutonium from its earlier program, which of course would violate the NPT's basic non-acquisition obligation.

According to North Korea, its announcement of withdrawal from the NPT was effective immediately. However, under the treaty's terms a withdrawal becomes effective only on three months notice. Moreover, and fundamentally, while North Korea may be able to withdraw from the treaty, it cannot withdraw from the underlying obligation not to acquire nuclear weapons.

First, NPT general obligations are now sufficiently settled, accepted, and long-lasting to be customary international law, binding on all states whether or not they are parties to the treaty. The NPT has been in force since 1970, and its membership is nearly universal, with only three states outside the regime, all, however, nuclear-armed, India, Pakistan, and Israel.

Second, the NPT is recognized, along with the UN Charter, as a cornerstone of global order. In its resolution on the May 1998 Indian and Pakistani nuclear tests, the Security Council declared that proliferation of weapons of mass destruction is a threat to peace and security. Thus under Chapter VII of the UN Charter the Security Council is required to respond to any state's efforts to acquire nuclear weapons, at least by recommending how to reverse such efforts.

Third, based in part on the incompatibility of threat or use of nuclear weapons

with humanitarian law forbidding the infliction of indiscriminate harm and unnecessary suffering, the International Court of Justice, interpreting NPT Article VI, concluded unanimously in its 1996 opinion that states are obligated to bring to a conclusion negotiations on nuclear disarmament. The clear implication is that the obligation of non-use of nuclear arms is universal in scope; that states are not to acquire nuclear weapons; and that possessor states are obligated to eliminate them with all due speed.

None of this is to say that the Security Council should respond to a North Korea nuclear weapons program by authorizing use of force. Security Council practice indicates that use of force is a permissible response only to actual or imminent attacks, large-scale violence, or humanitarian emergency. There is no legal basis for United States military action. A political approach using censure, dialogue, inducements, and, perhaps, limited sanctions is the right course of action.

### The NPT and the United States

To balance obligations, Article VI of the NPT requires the nuclear powers to "pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament." In 1978 and again in 1995, the United States and other nuclear powers also formally declared policies of non-use of nuclear arms against non-nuclear NPT states.

In the post-Cold War era, non-nuclear countries have demanded progress on the promised disarmament. In 1995, the year that the NPT was due to expire, the United States and other nuclear states pressed for the treaty to be extended indefinitely. Other states agreed in return for pledges to complete negotiations on a treaty banning all nuclear test explosions by 1996, to begin negotiations on an agreement banning production of plutonium and highly enriched uranium for use in weapons, and to pursue "systematic and progressive efforts to reduce nuclear weapons globally, with the ultimate goal of eliminating those weapons."

Additional commitments made in 2000 include "an unequivocal undertaking to accomplish the total elimination of their nuclear arsenals," preserving the ABM Treaty, applying the principle of irreversibility

to nuclear weapons reductions, further developing verification capacities, reducing operational readiness of nuclear weapons, and a diminishing role for nuclear weapons in security policies.

Measured against the standards set in 1995 and 2000, the nuclear powers, especially the United States, are not complying with the disarmament obligation. The US Senate declined to approve ratification of the Comprehensive Nuclear Test Ban Treaty in 1999. Negotiations on a fissile materials treaty are stalled. The United States withdrew from the ABM Treaty in June 2002. Perhaps most disturbingly, the Defense Department's Nuclear Posture Review submitted to Congress at the end of 2001 signals the end, or at least the suspension, of verified and irreversible arms control.

Consistent with the Nuclear Posture Review, the short and starkly simple Moscow Treaty of May 2002 does not require the verified destruction of any delivery systems or warheads. In addition to treaty-permitted 1,700-2,200 deployed strategic warheads in 2012, Russia and the United States may retain many thousands of warheads in reserve. That includes large numbers — probably more than 2,000 — that the United States plans to hold as a "responsive force" capable of redeployment within weeks or months. A more blatant rejection of the NPT principle of irreversible arms control could hardly be imagined.

Nor is there any indication in the Nuclear Posture Review or elsewhere that the Bush administration will seek to reduce the readiness level of deployed strategic forces, for example by separating warheads from delivery systems. Today, both the United States and Russia each have about 2,000 warheads on high alert, ready to launch within minutes.

The Nuclear Posture Review also ignores the commitment to reduce the military role of nuclear weapons and the longstanding assurances of their non-use against non-nuclear countries.

Instead it reveals new trends towards making nuclear arms more usable, notably in response to non-nuclear attacks or threats involving biological or chemical weapons or "surprising military developments." Among the "immediate contin-

*(continued at the bottom of page 13)*

## How the US is Failing the Security Treaty System

Nicole Deller

The list of security treaties the United States has rejected in recent years is well known: the Comprehensive Test Ban Treaty (CTBT), which the Senate failed to ratify; the Anti-Ballistic Missile Treaty; the Mine Ban Treaty; the Rome Statute of the International Criminal Court (ICC); the Kyoto Protocol; and the proposed protocol to the Biological Weapons Convention (BWC).

In the policies toward these treaties and in the polis toward treaties that it professes to support, US policymakers appear to have rejected the possibility that international affairs may be governed by global norms applicable to all players. Instead, due to its superpower status, the United States demands unique treatment under treaties and other forms of international law.

For example, the United States has called for strict compliance by all states with their international legal obligations not to acquire weapons of mass destruction (WMD). For its part, however, the United States has resisted submitting its facilities and programs to the scrutiny of several WMD-related treaties. The United States failed to ratify the CTBT, refused to agree to a binding protocol that would have added a transparency regime to the BWC, and restricted inspections conducted pursuant to the Chemical Weapons Convention. The double-standards in enforcing the Nuclear Nonproliferation Treaty are discussed in the facing article.

Regarding the rejection of the Statute of the ICC and the Mine Ban Treaty, it

was only after the United States had pushed for provisions that would have disproportionately favored its interests and lost that it opposed these treaties.

Exceptionalist treatment is demanded because the United States has more global responsibilities than other states. Deputy Secretary of Defense Paul Wolfowitz said: "There are some pretty bad agreements that we went along with in the decade of the '90s where a whole lot of countries who don't have our kinds of responsibilities in the world were happy to sign treaties that gave up, for example, their rights to test nuclear weapons."

John Bolton, Under Secretary of State for Arms Control and International Security, has argued that the United States is not legally obligated to abide by its treaty commitments. Paradoxically, he has also called for strengthening WMD-related treaties and, with respect to the administration's position on discussions with North Korea, he was quoted as saying that it is "hard to see how we can have conversations with a government that has blatantly violated its agreements." His view of treaties may be summed up (in his words) as follows: "The US shall meet its commitments when it is in its interests to do so and when others are meeting their obligations as well." This ideology rejects the notion that the United States has a duty to comply with global norms.

The treaties that embody these global norms are criticized as unwelcome restraints. They are unnecessary because

the United States is an honorable country that does not need external rules to behave as a responsible member of the international community. Restraints should be reserved for those states with a record of noncompliance.

Yet, if the United States intends to enforce international legal obligations on other states, a strengthened treaty system is required. The United States could best strengthen the system by submitting itself to the same standards and endorsing rigorous monitoring to ensure greater compliance by all parties. *If* the United States believes treaties are unnecessary for it to behave responsibly, other countries *may* view themselves as similarly honorable and therefore also exempt from these constraints.

At heart, this philosophy rests on the belief that, even if the United States does not play by the same rules, it will be able to demand compliance of other states through its overpowering military force. Military solutions, however, will not be available to meet all threats. Ending the financing of terrorism, addressing climate change, securing nuclear materials are three pressing examples. Strengthened international legal regimes are needed to address these and other growing security threats.

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gencies" it identifies for possible nuclear use is "a North Korean attack on South Korea" - not necessarily a nuclear attack.

Indeed, the reference to use of nuclear weapons against North Korea was one of the provocative statements spurring North Korean nuclearization. Others include naming North Korea a member of the "axis of evil;" strategy documents embracing "preemptive" military actions against states' acquiring nuclear, chemical, biological, and radiological weapons; and depicting a potential North Korean missile deployment as a major basis for the ABM Treaty withdrawal.

### Resolving the Crisis

The right and lawful course for North Korea is to stay in the NPT and to abandon any aspirations for a nuclear arsenal. The United States should give a formal assurance it will not use nuclear weapons against North Korea, as in the commitment already given to all non-nuclear weapon NPT states. Provision of such an assurance was promise in the 1994 US-DPRK agreement. The United States should also end the state of near war that has existed between the two countries for decades and normalize relations, including economic relations, as North Korea asks.

More broadly, if North Korea's hopefully temporary defiance of the NPT is to remain an aberration not imitated by other countries, the United States will have to learn that a viable nonproliferation regime depends crucially on compliance with the obligation to disarm nuclear weapons as well as the obligation not acquire them.

John Burroughs is executive director of Lawyers' Committee on Nuclear Policy and the principal author of the chapter on the NPT in *Rule of Power or Rule of Law? An Assessment of U.S. Policies and Actions Regarding Security-Related Treaties* (New York: Apex Press, 2003).

## How the US Military Budget is a Local Issue

Greg Speeter

In the four months leading up to the invasion of Iraq, the National Priorities Project worked with the Washington-based Institute for Policy Studies on a program called *Cities for Peace*. Its purpose was to give local officials and the residents of specific cities an opportunity to discuss the implications of war in Iraq and to consider passing resolutions opposing it. Elected officials from over 160 cities and counties, including some of our nation's largest, successfully passed resolutions. Facing the most severe fiscal crises in 50 years, one of the most convincing arguments local organizers used in passing the resolutions was estimates we provided showing the local taxpayer cost of such a war to communities.

While the local costs are indeed startling (for example, Chicago, \$775 million, Albuquerque, \$92 million), it is important to realize this is only step one in the Bush administration's aggressive new preemptive war strategy. The budgets needed to carry out this policy are so enormous and the weaponry so expensive that the Pentagon will have to take money from already under-funded social programs and renege on long-standing federal commitments to address such domestic concerns as child poverty, deteriorating schools and access to adequate health care. As happened during the Reagan years, federal commitments to social and economic needs could again be sacrificed to high military spending.

### A City in Crisis

One of the cities to pass the resolution is New Haven, Connecticut. Like many cities, New Haven is in crisis. During the last 3 decades it has lost 40% of its well-paying manufacturing jobs, primarily to service jobs that consistently pay 20-30% less. At 12.7/1000, the infant mortality rate is comparable to that of Bulgaria or Costa Rica. The child poverty rate has been between 33% and 35% for over 20 years. Having to address social and educational needs, a financially-strapped school system suffers from a high student to teacher ratio and underpaid teachers. The city finds itself in a vicious cycle: parents need to work several jobs to make ends meet, but don't have the time to

support their children's education. Schools produce another generation of under-prepared, under-skilled workers.

The current state fiscal crisis exacerbates the problem. In balancing its budget this past November, the state of Connecticut cut back child health insurance, social services and access to higher education. It so severely cut aid to cities that New Haven had to eliminate 126 city employees. By the time it released its own budget in March, it was forced to cut 110 *more* positions in the school department alone. According to the mayor's office, the cuts in teachers and paraprofessionals "make it extremely difficult for the kids who are falling behind to catch up to everyone else."

***Communities across the country are facing similar crises. For example:***

- ***30 of the nation's largest cities, and hundreds of counties, have child poverty rates of 30% or more. The national child poverty rate of 19% ranks considerably higher than most industrialized countries;***
- ***33% of our schools, almost equally urban, suburban and rural, are in need of significant repair, at a cost of \$127 billion;***
- ***39% of renters in the nation can not afford fair market rent, resulting in dramatic increase in requests for emergency food and shelter assistance;***
- ***41 million people, 9 million of them children, lack health insurance;***
- ***7 million people work at minimum wage jobs that pay a third of what is considered a living wage. Many families are forced to work 2-3 jobs in order to balance their household budgets.***

While these problems have been made worse by current economic conditions, they are, by and large, structural, and reflect a much smaller federal commitment than other industrialized countries. In fact, when compared with these countries, the US ranks 16th in efforts to lift children out of poverty, 22<sup>nd</sup> in infant mortality and is the only industrialized country not to offer universal health insurance.

In the late 1980s and early 1990s, advocates for addressing these concerns hoped a peace dividend from reduced federal spending on the military would help solve these problems. After all, the \$400 billion a year Soviet military budget of the early 1980s had declined by over 80% by the mid 1990s.

During the 1990s the Pentagon budget did recede from the massive Reagan military buildup to slightly below average Cold War levels. However there was no successful major government effort to substantially address any of the educational or health-care issues discussed above, and little was added to US federal social spending. Much of the money saved from Pentagon cuts went to bring the federal budget out of the deficit that had been caused largely by Reagan administration tax breaks.

### More Cuts on the Way

Forget about No Child Left Behind and other social concerns. The current and proposed Bush administration policies will only make conditions in local communities dramatically worse. It proposes military budgets that rise to \$480 billion by 2008, excluding the war, peace-keeping, and rebuilding Iraq.

Included is a small part of the money for a missile defense system that ECAAR estimates could actually cost up to \$800 billion to \$1.2 trillion. It proposes another round of tax cuts, especially for the very wealthy that will devour close to \$2 trillion in revenues over the next 10 years.

These combined policies have already led the House of Representatives to propose over \$500 billion in cuts in social spending in the next 10 years. While not even this conservative administration is likely to go that far, it is clear that we are moving rapidly in this dangerous direction.

Even fewer people than now will have access to health care. Our students, especially from poor communities, will fall further behind. Affordable housing will become more scarce. More people will suffer from hunger. Veterans will struggle even more than they do now to obtain adequate benefits to deal with service-related medical problems.



### The Pentagon Budget in Perspective

Before sacrificing our communities to a skyrocketing Pentagon budget, it is important to put military spending in perspective.

*At \$399 billion, the proposed FY2004 Pentagon budget:*

- *Is 2 ½ times expenditures on HUD, the Department of Education, EPA, food and nutrition, and job training combined;*
- *Is as much as the next 21 countries combined;*
- *Is 66 times what Iraq, Iran and North Korea combined spend and almost 3 times these countries and China (\$47 billion) and Russia (\$65 billion) combined;*
- *Is 14 times the Homeland security budget;*
- *Includes at least \$23 billion in Cold War-era weapons, \$9.1 billion in missile defense, and \$16.9 billion in nuclear weapons;*
- *Excludes the costs of war in Iraq.*

#### Local Impacts

The taxpayer cost to local communities is startling. For instance, this year's Pentagon budget costs New Haven taxpayers \$144 million, comparable to 5 months of the city's operating budget. The \$80 billion *down payment* on the Iraq war for the city is \$28.8 million dollars, enough to hire 100 new teachers, provide Head Start for 2,000 children and provide health insurance for 3,000 children. The \$3.6 million cost to the city for missile defense this year could build 36 affordable housing units.

#### The Enormous Cost of Empire

As significant as the amount we want to spend on the Pentagon is the direction we are headed. The administration's new policy of preemption, which has quickly manifested itself into a unilateral war in Iraq, represents a radical departure from successful policies of deterrence and creating multilateral institutions.

This ignores international treaties, if doing so best suits the country in the short run. Claiming that "the best defense is a good offense," it instead calls for an aggressive foreign policy incorporating preemptive attacks against *perceived* enemies. Instead of creating weapons to address specific threats posed by clearly defined enemies, it proposes buying weapons capable of fighting any kind of war with any imaginable adversary, any place on earth or in space, at any point in time—from now to the far distant future.

The plan calls for permanent US military domination of every region on the globe. As Bush's September National Security document reads, "The United States will require bases and stations within and beyond Western Europe and Northeast Asia, as well as temporary access arrangements for the long distance deployment of US troops."

In this game plan, regime change in Iraq is only the first step in a wholesale reordering of the power structure in the region and the entire world. As Undersecretary of State John Bolton told Israelis in February, after defeating Iraq, the US would "deal with Iran, Syria and North Korea."

#### A New Foreign Policy

Our cities cannot afford such attempts at military superiority and unilateral war without end. The richest, most powerful nation in the world ought to be able to develop federal policies that allow us to provide basic security at home while taking a leadership role in addressing international terrorism.

We deserve social policies that other countries have, including universal health insurance, quality schools for all, a real national commitment to end poverty. We could lead the world in fighting terrorism and poverty and ensure, as we did when we helped create the UN after World War II, that it has world-class international structures to address world crises.

The current foreign and military policy does neither. It devours resources sorely needed to address concerns at home, while angering and alienating the rest of the world.

#### Bringing the Cost Home

*Cities for Peace* has used local impact data to bring the cost of the war to a level ordinary people can understand. Local elected officials and housing, anti-poverty, environmental and other activists could build from this experience. They could expose the large cost of militarism and the United States' unilateralist policy to our communities. They could use the data to contrast local needs with the relatively small amount the federal government spends locally to address needs. Localizing this information is great for building local coalitions, attracting media, and holding federal officials accountable to local needs. After all, all politics, even federal politics, are local.

Greg Speeter is executive director of *The National Priorities Project*, which provides information on the impacts, especially the local impacts, of federal tax and spending policies. Its programs include reports and fact sheets, a website ([www.nationalpriorities.org](http://www.nationalpriorities.org)), new interactive localized database, and collaborations with and outreach to national campaigns and local organizations.

*Sources*

National Priorities Project:

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Connecticut Center for a New Economy:

[www.ctneweconomy.org](http://www.ctneweconomy.org)

Connecticut Economic Resource Center:

[www.cerc.com](http://www.cerc.com)

## ECAAR-Germany Founded

ECAAR-Germany was founded on March 6, 2003 at a meeting hosted by the Bonn International Center for Conversion. (BICC). The meeting discussed the ECAAR-US statement of purpose and decided to prepare a German one-page statement along the same lines, but to include references to the European Union, to German arms exports and development of less developed countries.

Future plans considered included a one-day workshop of ECAAR-Germany itself and cooperation with the European Association for Evolutionary Political Economy. The meeting also planned to submit proposals for panel sessions on ECAAR themes to the annual meetings of the German economic association, the Verein für Socialpolitik.

The March meeting selected two officers: Professor Wolfram Elsner of the University of Bremen as chair and Dr. Michael Brzoska of the Bonn International Conversion Center as executive manager.



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The 2003 Review includes articles by Joseph E. Stiglitz, Paul Collier, E. Wayne Nafziger, Neil Cooper and others.

**Send in your news for the next:**

*ECAAR NewsNetwork* to [lucywebster@ecaar.org](mailto:lucywebster@ecaar.org)  
 SEE SAMPLE ITEMS BELOW:

**Jurgen Brauer and J. Paul Dunne** received a contract from Routledge to produce an edited book on theory, policy, and cases on the economics of arms trade offsets. This is one outcome of the ECAAR co-sponsored arms trade offset conference held in Cape Town, in September 2002. Contributors include Ann Markusen (U Minnesota; ECAAR), Travis Taylor (Alfred U, NY, USA), Lloyd J. Dumas (UT Dallas, ECAAR), Ron Matthews (Cranfield U, UK), Jocelyn Mawdsley and Michael Brzoska (BICC; ECAAR-Germany), Keith Hartley (U of York, UK), Björn Hagelin, Elisabeth Sköns, Sam Perlo Freeman (all at SIPRI, Sweden), Wally Struys (Royal Military Academy, Belgium), Stefan Markowski and Peter Hall (Australian Defence Academy), Tom Scheetz (Buenos Aires, Argentina), Angathevar Baskaran (Middlesex U, London), Michael Chinworth, Richard Bitzinger (defense consultants, Washington, DC), J. Paul Dunne (U of West of England; ECAAR-UK), and Richard Haines (U of Port Elizabeth and ECAAR-South Africa).

**ECAAR-US Board member Jurgen Brauer** addressed the annual review conference for the forthcoming Small Arms Survey 2003 (Oxford U Press, 2003). He spoke on small arms and human development at the event hosted by the Graduate Institute for International Studies, Geneva ([www.smallarmssurvey.org](http://www.smallarmssurvey.org)). The *Small Arms Survey 2001*, the first of the series, estimated an annual small arms-related death toll of upwards of 500,000 people. Each year the yearbook estimates small arms production and stockpiles and traces small arms transfers. The theme of the *Survey 2002* related to the human cost, and the theme of the *Survey 2003* is on the deleterious impact of small arms on human and economic development.

**Joel van der Beek reports that ECAAR NL/BE** of the Netherlands and Belgium has launched its 2003 Isaac Roet Prize essay competition. The topic is "The distribution of wealth and income: a question of war and peace?" Essays must be under 10,000 words and be submitted by November 1, 2003 to [Joelbeek@hetnet.nl](mailto:Joelbeek@hetnet.nl), or go to the [www.ecaar.nl](http://www.ecaar.nl) web site or to [www.fee.uva.nl/roetprize](http://www.fee.uva.nl/roetprize). Prize money of €5,000 will be given to the winner or shared by more than one competitor.

**ECAAR-UK will host its Seventh Annual Conference on Economics and Security** at the University of Bristol, June 26-28, 2003. Conference topics include: European Security, Globalisation and the restructuring of the MIC, Economics of conflict and post-conflict reconstruction. For fuller information contact [M.Lane@mdx.ac.uk](mailto:M.Lane@mdx.ac.uk).

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