

RCSS Policy Studies 11

Defence Expenditure in South Asia: Bangladesh and Sri Lanka

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PREFACE

Defence expenditure has been a major issue and an ongoing concern in the developing world and in particular in South Asia. There have been several debates. The one between defence and development is perhaps a more sterile one. Notwithstanding various views around the world, nobody can dispute that money spent on arms, in a developing economy, must be at the expense of more pressing needs of social and infrastructure development. Yet, defence is a prime responsibility of the state and maintaining an autonomous capability to defend a nation's sovereignty and enhance national interests are one of the principal responsibilities of governments. The question remains, however, how much is enough?

Nobody can effectively answer this. But, we at the RCSS think this is an important question to pose and address collectively in the region. My predecessor, Dr Iftekharuzzaman had the foresight to do this and set up this as one of our earliest collaborative studies in South Asia. The best strategic analysts in the region were requested to participate and we are grateful for their prompt response. I have great pleasure to present to you the result of their analysis in the second of three consecutive RCSS Policy Papers.

The two papers in the RCSS Policy Paper No 11 are from Bangladesh and Sri Lanka, countries from where an analysis on this vital topic is not often found. In two slightly different ways the issue has been comprehensively addressed. We have great pleasure in placing their views for your consideration.

Dipankar Banerjee
Executive Director March 2000

Defence and Development in Bangladesh: the Need for Reordering of Priorities

Abrar R Chowdhury

Social power, not technological means of destruction,
is the strongest guarantor of human freedom
Jean Sharp

Major and rapid changes have taken place in many regions of the world since the end of the cold war. Changes in which negotiations rather than use of arms became the principal means of resolving disputes between adversaries. This, in turn, has led to the abatement of arms races and lowering of expenditure in military weaponry. The South Asian region has remained impervious to such change, as inter-state rivalries continue, entailing increased expenditure on defence by states. Little progress has been made by some states to settle their unresolved bilateral disputes. All these have resulted in the persistence of an atmosphere of distrust. In addition, internal security considerations have also played a very important role in the continued efforts towards beefing up of armed forces and acquiring military hardware. Consequently valuable resources have been channeled into the defence sector at the cost of economic and social development sectors.

Bangladesh has 117,500 persons in uniform with her defence budget estimated to be US\$503m in 1996 (IISS, 1996/97). In 1990 Bangladesh has spent \$118m or 0.6% of its GDP on the health sector, compared to \$300m (1.5% of GDP) on defence. In 1991 per capita allocation for defence accounted for \$3, for education \$4 and for health a meagre \$1. In 1990, with a per capita GNP of \$184, public expenditure on a soldier was \$2193 as against \$26 on a student. The skewed nature of development priorities is reflected in the fact that for the total 106m people in 1990 there were only 16,900 physicians, while 105,000 men were in uniform. It can be argued that in the absence of a clearly laid out defence policy, the scarce resources channeled into the sector have not necessarily augmented national defence, enhancing Bangladesh's security. In that context, a diversion of funds from such source would contribute immensely to human resources development efforts, which is the fundamental prerequisite for economic development, and eventually the state security of Bangladesh.¹

The narrow conception of national security based on arms needs to be rejected and a broader definition of the concept, that attainment of national security is intrinsically tied with human security favoured.² As Mahbub ul Huq points out, "national security cannot be achieved in a situation where people starve but arms accumulate; where social expenditure falls while military expenditure rises" (UNDP, 1997: 64).³

It is necessary to focus on the nature and quantity of Bangladesh's defence spending and its impact on other sectors, particularly the social sector commencing with an analysis of the level of defence spending and also discuss external and internal imperatives for augmenting the defence establishment as justified by the defence planners. Then an attempt needs to be made to relate the level of defence spending, in terms of opportunity costs, against the backdrop of the

ever-growing demands from competing sectors, especially the social and human development sectors. The third section will focus on the role and effectiveness of a conventional army in Bangladesh, particularly in the face of its geopolitical reality. Finally, the paper will attempt to suggest some alternatives to Bangladesh's current defence structure and strategies.

Bangladesh's Defence Spending

Except for the initial four years after independence the military in Bangladesh has continued to receive increased allocation in national spending. This has been due to the fact that between 1975 and 1991 it was the military, which, for mostly, ruled the country. To keep the army content, the post-91 civilian regimes maintained the flow of funds. Critics have pointed out that the defence establishment has become 'virtually unaccountable' and has appropriated a disproportionate share of resources for its perpetuation and enrichment.⁴ Although the Defence Ministry is technically under the control of civilian bureaucrats, the military exerts substantial influence over its operations (Makeig, 1989:218). National security considerations have kept the military above scrutiny. Issues of defence planning, defence strategy and the defence budget have never been subjected to any public debate in the media or in academic circles. There has not been any worthwhile discussion on these issues in the national parliament. In this context, one can explain the level of measure in the size of the Bangladeshi military, its procurement programme, and the concomitant rise in the country's defence expenditure.

There has been a steady increase in the size of the armed forces since independence in 1971. In 1973 the strength of the Bangladesh military was below 20,000. By 1975 the services absorbed two groups, defence personnel returning from Pakistan and the former members of the disbanded Jatyo Rakkhi Bahini (National Guards). There was a modest increase from 71,000 to 77,000 troops between the 1977-78 and the 1981-82 period. This was followed by a major expansion in the mid-1980s under General Ershad, who at the time was attempting to 'civilianize' his rule. By 1990-91 the Bangladesh military had a strength of 103,000. The process of burgeoning the size of the armed forces continued under the premiership of Khaleda Zia. By 1995-96 the Bangladesh military was 117,500 strong. The size of the Bangladesh armed forces increased steadily throughout the decade at an annual rate of 3 percent. However, the increase in the military budget far outstripped the increase in the actual size of military. IISS sources inform that the defence expenditure registered an increase ten-fold, from \$51.5m in 1976-77 to an estimated \$503 in 1996. In contrast, the physical size of the military increased from 71,000 to 117,500 personnel (IISS, 1996-97).

With respect to the import of arms, figures indicate that, Bangladesh, on an average, spent \$21.5m annually on arms imports in the years between 1973 and 1982 and more than double that amount, \$50m, in the years between 1983 and 1993. The expenditure on arms reached a staggering \$110m in 1989, when it accounted for 3 percent of total imports into the country. In April 1998, concerned agency of the Ministry of Defence of Bangladesh had finalised a deal on a French frigate reportedly worth US\$100m. Reports⁵ suggest that purchase of several (presumably 1 squadron) Mig 29 (each plane costing between US\$20-22m), one C-130 aircraft and some helicopters are in the shopping menu of the Ministry.⁶

Imperatives for Defence Expenditure External Security Environment

The military in Bangladesh, like militaries in any other country, sees its role in terms of defending the country against foreign threats and ensuring national sovereignty and integrity. The geopolitical reality of Bangladesh, with India surrounding three sides of the country, contribute to the general perception that India constitutes the principal source of external threat to the country. The tendency of the policy makers of India to regard South Asia as an integral security unit reinforces such perception. Non-resolution of some of the outstanding problems, including those of river water, maritime and land boundary disputes between the two countries, has given rise to mutual distrust.⁶ In addition, alleged illegal immigration from Bangladesh into India, and charges that one country is aiding tribal insurgents of the other, have further embittered the relationship between the two.

Bangladesh's relations with her other immediate neighbour, Myanmar, have been severely strained by the periodic influx of minority Rohingya Muslims from the adjoining Rakhine state. The two rounds of refugee inflows in 1978 and 1991, each time involving about a quarter of a million of refugees, and the continued build-up and consolidation of Myanmar army positions along the eastern border of Bangladesh have heightened tensions. The occasional intension of the land border by the Myanmar army and border security forces, in chasing the ethnic insurgents, is a major irritant in the relationship between the two countries.

Internal Security Issues

Soon after independence the Awami League regime mobilised the armed forces in quelling the political opposition. The army was directed against the splinter left groups in northern and southern districts of Bangladesh. These groups believed that the war of national liberation was yet to be completed and regarded the Awami League government as subservient to Indian 'expansionist interests'. The principal target of the JRB was the opposition political parties, particularly, the left and the Jatiyo Samajtantrik Dal (National Socialist Party), an organization formed by the Awami League dissidents.

Perhaps the most important engagement of the Bangladesh security forces has been in the Chittagong Hill Tracts, in the south eastern part of the country. The tribal peoples of the region, particularly the Chakmas, have been adversely affected by a number of initiatives over the decades. Building of the Kaptai Dam, inundating their prime land and places of worship, without adequate compensatory measures in the 1960s,; denial of the tribal people's special status while framing the Bangladesh constitution in 1972, resort to a military solution for a political problem in the 1970s and 1980s and the policy of settling people from the plains in the hill districts, have all contributed to a sense of alienation in the tribal people's minds, with thousands seeking asylum in the Indian state of Tripura and a section of them resorting to arms struggle under the banner of the Shanti Bahini. The agreement recently signed between the Awami League government and the political wing of the Shanti Bahini, the Chittagong Hill Tracts People's Solidarity Society, with the aim of bringing an end to the cycle of violence in the region, has faced major obstacles from the mainstream major opposition parties, on the one hand, and from a section of Chakma groups, on the other.

The failure of successive governments in Dhaka to integrate the tribal populace with the mainstream nation building efforts and their resort to a military solution have led to the creation

of a massive counter-insurgency machinery by the military and paramilitary forces in the Chittagong Hill Tracts. All these have made major demands on the national exchequer.

From time to time, the Bangladesh armed forces have been called upon to provide assistance to civilian administration. The most common form of use of the military has been to 'manage' crises in times of political upheaval. Essentially it involves the maintenance of law and order. The police and the Bangladesh Rifles are mobilised first to confront such situations and the military is used as a last resort. Occasionally, the military is used to run essential services such as managing ports, airports and power-plant facilities, during work stoppages and strikes by concerned workers. In 1987 the Ershad regime mobilised the military to perform such tasks in the face of a wave of strikes by the opposition political parties.

Peacekeeping and Humanitarian Roles

Bangladesh military has been one of the most active participants in United Nations peace keeping operations. So far the Bangladesh army has been engaged in operations in Bosnia, Liberia, Mozambique, Rwanda, Somalia.

Another role of the military has been to facilitate disaster relief. Over the years during times of natural calamity the military has been involved in rescue operations, food, medicine and other forms of relief distribution efforts.

It is against the backdrop of this external and internal security environment that defence strategists argue for building a modern, well equipped and well trained military. Under such a formulation, higher pay and other benefits, expansion of opportunities for training, and continued upgrading of weaponry and equipment, through purchases, are presented to be legitimate requirements in national interest. However, the role of the military has not been limited to defending the country against foreign threats and ensuring national sovereignty and integrity. In effect, the Bangladesh military had far exceeded its constitutional bounds and encroached upon the political processes of the country on several occasions, thwarting their autonomous evolution.

Military Intervention in the Political Process

The military in Bangladesh has played a very important role in shaping the political processes of the country. The armed forces have dominated Bangladesh politics for a good part of its twenty five years of history. In the initial years of Bangladesh's independence the military was small in size. It comprised officers of the erstwhile Pakistan Army who joined the Liberation War and a section of the civilians commissioned during the war. The period-1971-August 75- was marked by absolute civilian control over the military. The Awami League government of the time pursued a policy of developing and strengthening a new paramilitary institution, the Jatiya Rakkhi Bahini (JRB), comprising recruits loyal to the party. The trimming of funds, the disbanding of the East Bengal Regiment and the favouring of officers who were involved in the Liberation War in terms of pay and promotion, had already created dissatisfaction among a group of the repatriat officers. In such a situation, the creation of the JRB, and the channelling of funds to strengthen it, was not well received in the military circles. It is in this context that a section of the mid-rank officers staged a coup and assassinated President Shaikh Mujibur Rahman on August 15, 1975.

The period following the fall of Mujibur regime was marked by a total domination of the political process by the Bangladesh military under Generals Ziaur Rahman and Hussain Ershad. Their rules were marked by periods of direct martial law, where absolute power was arrogated by the military strongmen. Under such dispensations constitutional provisions were kept in abeyance, constitutional amendments were made by military fiat; all forms of political activities were suspended; civil administration was made subservient to the military, and there was direct military interference in all matters of the state, including judicial administration and the system. In short, state institutions were made appendages of the military, and there was no room for civil society to function. With the consolidation of these regimes there is a transition to quasi-military rule, where overt military presence is minimised as military leaders attempt to 'civilianize' their rules through holding referenda and elections. During this phase the rulers continued to rely on the military, as civil administration began to function with relative autonomy with civil society being accorded space, albeit a limited one.

Extended periods of military rule in Bangladesh have contributed to the erosion of confidence in the civilian regimes to assert their authority vis a vis the military. This helps explain the exaltation of the military and the patterns of responding to its demands for increased budgetary allocations by the post-military-dictatorship civilian regimes of Khalida Zia and Shaikh Hasina. National defence strategy, national security and issues such as resource allocation to the military, its pay and benefits and promotions continue to remain almost the sole preserve of the military. Reassessing of national priorities in the backdrop of social development and opportunity costs has, therefore, become necessary.

Social Development and Opportunity Costs

Bangladesh has a complex and endemic poverty problem. In 1991-92 47.8% of the rural population and 46.7% of the urban population were poor. Urban poverty is spiralling upwards at a very rapid rate - a 1995 study by the Planning Commission found 60.86% of urban population to be poor (GOB,1996). For Bangladesh, poverty alleviation is therefore, an overriding development objective. The principal thrust of the strategy to achieve this objective will have to be the development of human resources and the environment.

The linkage between poverty, environment and economic trends in Bangladesh has a number of critical dimensions. The long term economic growth rate in Bangladesh is around four percent. With a population growth rate of approximately two percent this growth rate is hardly sufficient to make a dent in alleviating poverty conditions. The processes of a slow growth and a rising population mingle in the backdrop of a very fragile environmental condition to spawn poverty.

The magnitude of the poverty problem is such that it cannot be addressed by marginal adjustments of economic policies. Poverty alleviation in Bangladesh demands the adoption of a growth-oriented strategy. This implies that there will have to be schemes to create higher economic growth rates. And the sources of such growth will stem from those areas of the economy where the poor operate. Finally, the poor shall have to be transformed to be able to actively and rewardingly participate in the process of growth. Each of these three tiers - economic process, human resource development and environment - will determine Bangladesh's success or failure in reducing the poverty levels.

Therefore, helping the poor become agents of growth has to be the key element for any development strategy for Bangladesh. The profile of a poor person in Bangladesh is that one is young, illiterate, in poor health and unaware of one's entitlement. As an economic agent a Bangladeshi does not possess any skill beyond what has been traditionally passed on from generation to generation. These skills, valuable as elements of cultural heritage, may not have much use in helping one to exchange one's labour - whatever labour poor health will permit one to expend so as to obtain the necessities of life at the market place. Thanks to globalisation, the markets which one has to reach are no longer the village bazaar, they are far away possibly even beyond the borders of the country.

It is in this context that the issues of human resource development and social empowerment become indispensable. It is true that significant achievements have been made over the last few decades in some sub-sectors of human development in Bangladesh, and in a few cases, it has fared better than its neighbours. These include literacy among girls, child immunization and safe drinking water supply. However, a cursory glance at the basic indicators adequately establishes the fact that a lot still needs to be done in the human development sector in Bangladesh.

Table 1: Health and Nutritional Profile of Bangladeshis

Health	Bangladesh	South Asia
Life Expectancy at birth (1994) years	55	59
Annual number of Under 5 deaths thousands(1994)	483	4700
Percentage of population with access to safe drinking water, 1990-95	97	80
Percentage of population with access to adequate sanitation, 1990-95	34	30
Percentage of people with access to health services, 1985-95	45	77
Nutrition		
Percentage of infants with low birth weight (<2,500 gms), 1990	50	33
Percentage of under 5 suffering from moderate and severe, 1980-94	67	64
underweight	17	13
wasting	63	62
stunting		

Source: UNICEF, 1996

Figures collected by the UNICEF suggest that 86 percent of both the male and female population of the country live below the absolute poverty line. This is very high compared with the South Asian average of 33 percent for male and 39 percent for female. Poverty contributes in turn to poor performance in health and education. The life expectancy at birth for a Bangladeshi in 1994

was 55 years, as against the South Asian average of 59. Owing to the government's NGOs', UNICEF's and the donor community's collective initiative Bangladesh has been able to provide 97 percent of its people with access to safe drinking water. The country's performance in this regard has been the best in South Asia. With respect to adequate sanitation facilities the figure is somewhat less impressive as 66 percent of Bangladesh do not have access to such facilities. Bangladesh's relatively better performance in water and sanitation facilities compared to its neighbours get eclipsed when one reviews the provision of health services. Only 45 percent of Bangladeshis have access to health care services, compared to a South Asian average of 77 percent. On the issue of nutrition, Bangladesh, and South Asia in general, need to embark on major programmes to improve the standards of nutrition of the population.

Table 2: Education Profiles of Bangladeshis

Education	Bangladesh	South Asia
Total Adult Literacy Rate,1990	35	46
Primary School Enrollment, 1986-93		
- male	74	NA
- female	64	NA
Secondary School Enrollment		
- male	25	52
- female	12	32
Percentage of Primary School Children Reaching Grade 5	47	59

Source: UNICEF, 1996

Although major progress has been made with respect to improvement of enrollment of girls in primary schools, at the secondary level the performance is still very poor. Only 25 percent of males and 12 percent of females of the relevant age group are enrolled in secondary schools in Bangladesh. This is much less than South Asian average of 52 percent for males and 32 percent for females. The adult illiteracy rate is as high as 65 percent in Bangladesh. In all counts Bangladesh needs to catch up with the South Asian average.

Table 3: Situation of Women in Bangladesh

Women	Bangladesh	South Asia
Adult literacy of females as percentage of	49	54

males, 1994

Enrollment Rates: Females as Percentage
of Males, 1986-93

Primary	86	78
Secondary	48	61
Maternal mortality rate*, 1980-92	600	482
Percentage of births attended by trained health personnel, 1983-94	10	30

* Due to pregnancy related complications per 100,000 live births.

Source: UNICEF, 1996

Women are particularly hard-hit when confronted by situations of poverty and scarcity of resources. The figures above indicate that compared to men, women have lagged behind in adult literacy, and school enrollment rates. With respect to the maternal mortality rate and the percentage of births attended by trained health personnel, Bangladesh trails well behind the South Asian average. When development indicators are used to measure the capacity of the country, Bangladesh ranks 143 among 174 countries (UNDP,1996). The low level of development is accentuated by disparities between the poor and rich, rural and urban and female and male. There is a pressing need for government intervention in human development initiatives. But unfortunately, the importance of these sectors has not been given due recognition and are regarded as mere social services. As a result, these sectors, are not treated as development priority sectors and periodically bear the brunt of budget cuts in the event of resource shortages. A strong case exists, therefore, for government intervention for ensuring human development because a high incidence of poverty prevents the majority of households from meeting their human development needs (Jahan, 1994:185).

Two essential prerequisites for human development are availability of funds, and commitment of the government. In spite of resource constraints room remains for restructuring the current expenditure pattern in favour of human development initiatives. The reduction of allocation in non-development expenditures, which reached 70.8 percent in 1990, is one way of releasing funds for human development. In this context reducing the mostly military budget; which accounted for 16 percent of total public expenditure, without compromising essential strategic interests, may be one of the first steps.⁵

Another step is the reduction in food subsidies. Following donor pressures Bangladesh has made a drastic reduction in public sector food subsidies. However, food subsidy programmes have continued to flow toward what is considered to be essential priority group, members of armed forces, the police and government employees. In order to assuage powerful interest groups, the level of subsidy has now been increased to 23 percent from 10 percent in 1974. Among other policy measures, the reduction of the military budget and withdrawal of the subsidy to special interest groups will generate a significant amount of funds to channel toward human resource development. The cardinal issue is whether policy makers comprehend the need and appreciate

the importance and potentials of using more fruitfully funds released from such an unplanned and unproductive sector.

Rethinking Bangladesh's Defence Strategy

Obviously any move to trim defence expenditure is likely to be resisted on the premise that it would undermine national security and affect the vital interests of the country. The counter-position to such arguments could very well be the question of whether existing defence strategy based only on conventional force, involving annual increases in the size of armed forces and the upgrading of weapons systems, guarantee Bangladesh's security? This paper argues that it does not.

The geopolitical reality of Bangladesh, limits Bangladesh's capacity to depend only on conventional strategy. India has the fourth largest military in the world and an ever-growing arsenal of sophisticated weapons system. Its defence industry is one of the most advanced in the developing world. Its population and economy is much larger than those of six other countries of South Asia combined. Bangladesh's other neighbour, Myanmar, with whom Bangladesh shares a border in the east, is also a big country, rich in natural resources. Over the years, there has been a tremendous growth in the size of the Myanmar military.

Under such an adverse power balance Bangladesh army can only provide limited deterrence by trying to hold off an enemy advance for a limited period. The country's capacity to mount a conventional defence is circumscribed by its terrain, crisscrossed over by a number of rivers and tributaries. Military strategists reckon that such a terrain would allow guerrillas to hold out almost indefinitely. This makes Bangladesh a "defender's paradise".⁵ Indeed, during Bangladesh's war of independence guerrilla tactics reaped major dividends against Pakistani occupation forces. Soon after independence a section of military commanders who participated in the liberation war favoured the idea of building a 'people's army' in line with a guerrilla war doctrine. The issue did not receive any consideration from the senior commanders. The Bangladesh army continued to be built upon a defence strategy of deterrence by conventionally equipped regular forces (Makeig, 1989:223)

Thus far no serious attempt has been made to identify Bangladesh's defence needs and to develop an appropriate defence strategy to suit such needs.⁶ Instead of internalising and building on the rich experience of the civilian based defence system of the war of liberation, the Bangladesh armed forces were crafted on the colonial and Pakistani heritage. It was developed on a narrowly defined concept of security based on firepower. Such a formulation emphasizes the development of a regular force and rejects active civilian participation. The latter is regarded as a passive recipient of protection that the military would provide. It also presupposes that the community has an obligation to cater to the disproportionate corporate needs of the military. A major limitation of such a formulation is that it contributes to the increase of the military's power to an extent that it resorts to extra-constitutional means whenever it perceives its interests may be undermined. Needless to say, such extra-constitutional means are justified in terms of national security.

Civilian Based Defence⁷

Civilian Based Defence (CBD) rests on the theoretical premise that "political power, whether of

domestic or foreign origin, is derived from sources within each society, namely by the people. By denying or serving these sources of power, populations can control rulers and defeat foreign aggression” (Sharp, 1990:7). CBD relies on the power of the society itself to deter, and defend against, internal usurpations and foreign invasions. Defence in this context means protection, preservation and the warding off of danger.

The narrow conception of deterrence and security studies focus almost exclusively on military force. Nonviolent alternatives typically are viewed as a means to be used by those who have little or no military armaments. It is a common understanding that military force is the ultimate, most powerful sanction that can be used to coerce. But the direct use of force has extremely limited utility. It can injure, displace or kill opponents, but it cannot get an adversary to do something. CBD proponents reject war and organised violence as the necessary means for social groups, including nation-states to regulate their conflict and provide their own security. They argue that organised violence is not the only way to defend social values, institutions and even territorial integrity (Vogele, 1991:25). An effective CBD system can frustrate the principal goals of an occupying force to exercise control over territory, population and resources, either directly or by setting up of puppet regimes.

Conventional military based strategy is geared towards preventing aggressor from attaining his objectives by repulsing his military forces with firepower. Here coercive force is deemed to be the principal instrument of defence. The CBD strategy on the contrary, focuses on denying the aggressors attaining objectives and makes impossible the consolidation of their rule, whether in the form of an imposed foreign administration, a puppet regime, or a government of usurpers. This is to be attained by concerted nonviolent resistance, non-cooperation and efforts to weaken the effectiveness of the military forces by organising the fore mentioned shortages around various institutions of civil society - professional organizations, civilian neighborhoods, churches, labour unions, factory groups and public employees.

Under such a strategic formulation weapons are construed to be the tools or means, not necessarily material that may be used in military and non-violent conflicts. Nonviolent weapons are used to wage widespread noncooperation movements and to offer massive public defiance. Noncooperation and defiance are also combined with other forms of action intended to subvert the loyalty of the attackers’ troops and functionaries, to convince them of the unreliability in carrying out orders and repression, and ultimately even to induce to mutiny.

CBD emphasises harnessing and skillful application of the power potential inherent in societies to destroy oppression and tyranny and to deter and defeat aggression so effectively that military weaponry will no longer be effective and could be dispensed with. There exists examples in history where ‘armed’, with other weapons - psychological, social, economic and political”, people “were able to strike at the very sources of the usurpers’ and aggressors’ power”. Withdrawal of popular and institutional cooperation with aggressors and dictators diminishes and may sever, the availability of the sources of power on which all rulers depend. Without availability of those sources, the rulers power weakens and finally dissolves (Sharp, 1990:20)

Several contemporary European governments have taken the potential of civilian resistance sufficiently seriously to incorporate it into part of their defence plans (Sweden and Norway) or at

least given to it a serious study (Netherlands). The CBD strategy has recently been incorporated in the development of a national defence policies for Lithuania and Latvia as well.

There are major advantages of CBD strategy. Firstly, its reliance on means other than military armaments does not contribute to the feeling of insecurity of other states, which is normally not the case in conventional defence that often trigger off arms race. Secondly, the opponent's important consideration would not only be establishment of physical control over occupied territories but also gaining the cooperation of its people, which would be a far difficult proposition given the strategic preparation of the target country. Thirdly, The diminished role of an institution monopolising the coercive power of the state reduces the scope for undermining the legitimate government through military take-over. Fourthly, it releases funds for expenditure in social sectors which helps national efforts for human resource development and poverty alleviation and strengthens national security ;

Instead of pursuing a secretive defence strategy the new post military defence strategy would be developed by careful and rigorous analysis through public debate, scrutiny and inputs from defence analysts, security specialists, government officials, military officers, strategists of non-violent struggle, scholars and members of civil society organised in various voluntary organizations, who would play an indispensable role in the CBD.

Conclusion

This paper focuses on the nature of Bangladesh's defence spending and its adverse implications for a development of the social sector which is essential. It establishes that though in per capita or GNP terms Bangladesh's defence spending appears to be within reasonable limits, it has major opportunity costs given the pervasiveness of poverty and the poor level of human resource development of the country. A major thrust of the paper has been to assess the external and internal security environment of the country. The paper questions the relevance of existing defence strategy based only on conventional force, given the geopolitical reality and comparative military configuration in the region. It proposes a civilian based defence strategy for Bangladesh. The post-military defence strategy would also be in conformity with the social and economic needs of the country. The broader conception of security involves human development and social empowerment of the poor. Anchored in the rich experience of the war of national liberation the alternative defence strategy would primarily focus on active civilian participation in national defence. Such a formulation would, at least to an extent, deter extra-constitutional take-over, as there would no longer be one special interest group possessing a monopoly over coercive power.

Table 4: Population, Armed Forces and Defense Expenditure in Bangladesh of Selected Years

Year	Population (in million)	Armed Forces (in thousand)	Estimated GDP (US\$)	Defence Expenditure (US\$)
1977-78	80.5	71	5.3 b	51.5 m (1976-77)
1978-79	82.4	73.5	6.9 b (1977)	151 m (1977-78)
1980-81	87	72	9.5 b (1979)	115.4 m (1979)
1981-82	92.9	77	9.5 b (1979)	158 m (1980)

1984-85	96.5	81.3	11.9 b (1982-83)	184 m* (1983-84)
1990-91	113.3	103	19.87 b (1989)	348 m (1990)
1994-95	124.8	115.5	24.5 b (1993)	402.5 m*
1995-96	121.1	115.5	25.75 b (1994)	483 m* (1995)

*estimated data.

Table 5: Military Expenditure, GNP and Central Government Expenditure of Bangladesh of Selected Years

Year	Military Expend (ME) m\$ Constant	GNP m\$ Constant	Central Govt Expend (CGE) m\$ Constant	ME GNP%	ME CGE%	GNP Per Capita \$ Constant
1973	29	6801	1030	0.4	2.9	90
1978	217	9619	1673	2.3	13.0	112
1983	345	16230	1967	2.1	17.5	169
1988	332	19810	N/A	1.7	N/A	182
1993	355	24410	N/A	1.5	N/A	200

(8.4m1992)

*For data 1973 to 1978, 1982 has been taken as constant year and for data 1983 and 1993, 1993 has been taken for the Constant Year.

Source: **World Military Expenditure and Arms Transfer**, 1984-85 and 1993-94, US Arms Control and Disarmament Agency, Washington DC.

Table 6: Bangladesh's Arms Import in Comparison to Total Imports of Selected Years

Year	Arms Import Current m\$	Total Imports Current m\$	Arms Imports Total Imports m\$
1973	40	986	4
1975	10	1321	0.7
1977	30	1163	2.5
1979	0	1908	0.0
1981	40	2699	1.4
1983	60	2165	2.7
1985	60	2772	2.2
1987	50	2680	1.9

1989	110	3548	3.0
1991	50	3401	1.5
1993	10	3987	0.3

Source: **World Military Expenditure and Arms Transfer**, 1984-85 and 1993-94, US Arms Control and Disarmament Agency, Washington DC.

Endnotes

1 Unless otherwise indicated all figures in the paragraph are from Sivard, 1996.

2 There is a plethora of literature on the issue. However, for a cogent discussion on it see Iftekhazzaman, 1977:7-11.

3 Huq further states that “(s)ecurity is increasingly interpreted as: security of the people, not just of territory, security of individuals, not just of nations; security through development, not through arms; security of all people everywhere - in their homes, on their jobs, in their streets, in their communities and in their environment. ... Today, the concept of security is linked with the enrichment of human lives” (UNDP, 1997: 84).

4 A.M.A. Muhith, former finance minister, quoted in Makieg, 1989:224.

5 See Malik, S ‘Can we peep into the shopping bag?’, the Daily Star, January 20, 1998 referring to Bangladesh Television news telecast of 10 January and Daily Sangbad of 11 January 1998.

6 It may not be out of context to posit this colossal expenditure against the Human Development Report for South Asia (1997) estimates that it costs \$1 to immunize a child, \$30 to maintain a child in primary education and approximately \$5 to supply safe drinking water to one person over the course of a year.

7 The government is confident that the agreement reached with India in late 1997 and with the PCJSS in addressing the hill tracts problem will result in removing two major irritants in Bangladesh-India relations (Personal interview with Suranjeet Sen Gupta, M.P., parliamentary advisor to the Prime Minister, Dhaka, 20 April 1998). This optimism is not shared by the major opposition political parties.

8 It may be noted that there is not much of a transparency in the budgetary data on defence. Huq’s statement with regard to India and Pakistan, also holds for Bangladesh. He states that “many details regarding purchases of equipment and the prices paid for such equipment are missing, making it almost impossible to attempt a rigorous analysis” (1997:84). Expenses incurred on paramilitary forces, intelligence agencies, cadet colleges, road construction for military purpose and the like, are often placed under heads, other than defence.

9 Lt. Gen (Retd) Mahbubur Rahman, immediate past Chief of Army Staff, Bangladesh (Personal interview, Dhaka 18 April 1998).

10 Except for a few articles (Hossain 1986, Waheduzzaman 1992, Kabir-Talukder 1994, Ahmed 1997) no substantive work is available on the issue. The absence of such key policy instrument impedes short and long term planning. Without it phase by phase procurement programme cannot be pursued. (Personal interview with some senior serving officers who preferred not to be cited, Dhaka, March and April 1998).

11 This section liberally draws on Sharp, 1990 and Seminar Synopses on Nonviolent Sanctions, Program of Nonviolent Sanctions in Conflict and Defense of Center for International Affairs, Harvard University.

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Defence Expenditure in Sri Lanka: Prospects for Reduction

Frank de Silva

The Problem of Defence Expenditure

Defence expenditure presents a problem in the contemporary scene of Sri Lankan national security. The problem is at once one of phenomenal levels of expenditure for military purpose in the national economy. The problem was also one of recent experience, since about 1983 when a galloping rate of defence expenditure was seen. The change from moderate levels of military expenditure prior to 1983 and the trend thereafter was stark. The rate of increase has persisted since then and has reached critical proportions which the economy would no longer be able to afford.

The problem of high levels of defence expenditure is a mirror reflection of the problem of national security. In surveying macro-economic policies of Sri Lanka, Atukorale and Jayasuriya (1994), observed that conditions at the time of independence appeared benign and the transfer of power was smooth and peaceful. Despite wartime stresses the economy had not suffered serious dislocation and had provided a standard of living in 1948 that was well above that of neighbouring countries. However the peacefulness and order of the political and social scene in 1948, they observed, was deceptive as they masked underlying divisions among social classes and ethnic groups. Politically society was polarized between a conservative nationalist right and a Marxist oriented left which witnessed much industrial strife and social disruption. Ethnic antagonisms were present though ethnic tensions were relegated to the background by political polarization. All the main political parties were not racial-based and included members of minority ethnic groups in their leaderships.

These conditions remained latent within a context of a relative lack of any geopolitical pressures at about the time of independence in 1948, and for long thereafter. Post-independence governments in Sri Lanka pursued their economic policies and a drive for development independent of the struggle for national survival and nation building. There was absent a compulsive thrust in these policies to interact with the societies. Instead as a conscious response to political circumstances an extensive welfare system was developed during this period. Health, education and food subsidies were the major concerns in the drive for development. These measures were followed mainly in relevance to social conflict which possibly was avoided as a result.

Such strategy for security could sustain itself as long as the economy could support. But deteriorating economic conditions that followed, despite their temporary basis, had their effect on the internal security situation. Cuts in subsidies in food and services provoked explosive political reaction. The insurgency of 1971 and the first signs of militancy over the ethnic issue were symptomatic of the lack of alignment in the drive for development with the drive for national security and nation building. Defence expenditures began to rise directly as a result. At the same time significant reductions were made in subsidies and other welfare services, though the remaining subsidies were still very substantial. These hard measures could be justified to the

electorate as the cost of dealing with the insurgency and the rising defence expenditures incurred, though the main reasons were due to other factors.

The post-1977 period saw a dramatic change in the economic policies in Sri Lanka. This period also witnessed the escalation of ethnic hostilities and communal violence, and with it a new phase in the Tamil community's growing separatist movement. The 1971 uprising had signaled that the long period of peace and stability in Sri Lanka might be ending when simmering ethnic tension eventually escalated into large scale violence in 1983. This offered a new chapter in the history of the island and for national security and defence expenditures. A marked decline in growth after about 1983 reflected the damaging impact of ethnic conflict on growth (Atukorale and Jayasuriya 1994:28)

The political crisis of the late 1980's dealt a severe blow to the prospects of Sri Lanka's economic growth. The cost of defence expenditure alone had risen from less than one per cent of GDP to nearly six per cent (ibid 106). The World Bank 1991 estimates put the extent of this damage closer to two thirds of the GDP. It was, therefore, natural to raise the question whether the policies pursued in the post 1977 period contributed to the aggravation of social and ethnic conflicts, particularly through their distributional effects.

The fact remained, however, that on account of these conflicts defence expenditure in relation to the economy and its growth were assuming critical proportions. A point may well be reached when the national economy can no longer sustain any further growth of military expenditure rates. Economic determinants could then have a significant effect. For the Sri Lankan situation that point may well have been reached. In providing for a defence expenditure of nearly Rs.50 billion for 1997, the Deputy Minister of Finance has remarked that a point has been reached where the economy cannot afford this any longer.

The problem of defence expenditure in developing countries reflects a tendency to maintain military expenditure at increasingly high levels. The increasing levels also reflect the extent to which military priorities continue to dominate political decision. Many developing countries are characterized and afflicted by internal conflict even as the political direction by civilian authority is weak. This would mean an ineffectiveness in the manner in which internal strife is dealt with by the political authority in the state. A lack of a cohesive purpose, nor a comprehensive strategy which includes its many dimensions of the problem and thus presents a political end, would result in some other force to occupy the intervening space. It is then that military force assumes a significance as it stands out as a more cohesive and organized body than any parallel authority. The military is then the main determining factor and the dominant force. Variations of this situation are many but the broad picture yet stands out clearly in many developing countries. Military decision will thus dominate the process and constitute the main determining factor. Military priorities will likewise determine in the main the course of events, the security strategy and perhaps the total response to the internal crisis. The dynamics that operate in such a situation are clearly important to an understanding of the total political process relevant to the crisis. In the absence of clear political direction security decisions will be dominated by the military and its concerns. The course of events, the manner of response for the unraveling crisis and the budgeting for such response would be in the main, militarily determined. This situation is even facilitated by a dominance of military personnel in the relevant institutions and within the

decision making process. Such developments have been characteristic of many developing countries, as even germane to such emerging situations.

These features are equally evident in Sri Lanka. Since the development of the crisis, a considerable dependence on military personnel and officers of such disposition was evident. The defence establishment which is led by the Ministry of Defence came to be headed by retired military personnel even as an axiomatic requirement. The decision making process too at other levels were then dominated by the military determinations. As the crisis assumed greater and graver proportions and as the conflict grew in intensity military dominance and priorities in the total focus became institutionalized. There was for some time a common acceptance of this feature as inevitable under the circumstances. Later however was adopted a conscious departure from this position, or at least as an effort to redirect the process, in the appointment of a civilian officer to head the defence establishment. This only gave expression to hitherto muted concerns that military determinations were predominant where political direction was inadequate. Till then the military priorities were the main determining factor.

The thrust of the anti terrorist effect would then largely be a matter of military determination. The expenditure required for the purpose, the procurement of arms and other resources and in fact the response to the separatist threat, would in the main be the product of military determination. The manner of this determination would proceed as in an inexorable process, self-sustaining, self-impelled and even self-fulfilling. In the resulting position the military dominance over the total process becomes greater and greater as the intensity of the crisis increases, with one reinforcing the other. A security dilemma ensues, one in which a ready financing and resources gives the conflict an increasingly costly and dangerous dimension. A similar situation obtains on the side of the separatists too. A traditional rivalry is then invested with new ambitions which in turn stimulates the appetites for ever greater expenditures and weaponry. When this occurs the knot of the security dilemma is but tightened further, making the situation less tractable to political resolution and negotiation. Determining security requirements in military terms not only distorts national priorities, it also has the effect of an inclination to rely on military means of coercion for the handling of conflicts.

This process hardly permits changes of its own momentum and shift of its directional force. It is not constrained by time schedules as other similar determinants. Only occasional would then be any compulsive shifts in the trend. Political direction would impose itself in such instances to stem the efflux and urge its direction. As much as such external impulses are occasional, they are also temporarily impelled, even ephemeral in their long term effect. Soon after, however, the thrust and drive lapses and the subsisting rhythm resumes. Budgetary determination would reflect this pattern of military impulsions and keep its progress on an even keel. Annual budgetary allocations and even mid year supplementary provisions are but a function of such military determination. No critical shifts of expenditure pattern or the upward sloping curves of defence outlays are likely to take place for some time. For the first time during the period of the recent ethnic conflict has it been envisaged that military expenditure would be significantly reduced by 1998.

Scope of Study

This study then focuses on military spending in Sri Lanka which is at once a phenomenon in the

current social and political scene, and is perceived as a problem in that context. The aggregate levels of military spending over the last decade have assumed problematic proportions both in absolute terms and in respect of relative values. It is a phenomenon that has attracted attention only recently in Sri Lanka's independent history. A study therefore of military expenditure in Sri Lanka is then of topical interest as a phenomena of recent experience, as a problem in its impact on other sections of the economy, and in its influence on a more comprehensive concept of national security.

As with public expenditures, military expenditures too are subject to a similar budgetary formulation and allocation process that is generally applicable. Any problematic nature of the aggregate levels of defence spending must be seen then as it is processed through the same procedure. An adverse effect from any overbalanced allocation would necessarily be dealt with in the general processing taking into account their contending impact on other sectors of the economy and their budgetary allocation. Initially therefore, this study focuses on the manner in which defence expenditures are determined, whether the basis for its determination is in line with the determination in respect of other governmental expenditure. It is natural to expect that common procedures obtained during a period before defence expenditure took on problematic proportions, probably before 1983. Where however, since then, defence spending escalated even exponentially it would be pertinent to examine the manner in which the normal budgetary formulation process coped with the stresses and strains from military priorities on the allocation of scarce resources. Undoubtedly variations from the standard procedure were evident. But these were ad hoc in being hastily contrived in response to the exigencies of the developing situation as they unfolded.

These additional budgetary formulation procedures were intended to check the growing military expenditure and to impose a measure of economy in its disbursement. The result however has been otherwise, with expenditure level increases proceeding apace and unrestrained. The upward sloping expenditure graphs only showed that the growing trend was relentless. The effectiveness of the measures adopted for stricter budgetary control of defence expenditures was then open to question. The nature of these measures, the manner in which they were expected to effect any checks or restraints, and their efficacy, need close review. These aspects are but integral to the total process of budgetary control, as itself the critical concern of a public expenditure.

The study must then extend to a closer examination of the budgetary process for its role in the face of the escalating defence expenditures. Whereas effective controls have been exercised through such procedure, it would be pertinent to identify the factors behind the growth of military allocation. These factors would be of a negative nature, that which permitted the growth of these trends, and those of a positive effect which would have constituted the active driving force behind the escalating expenditures. Control mechanisms are instituted at various levels before ultimate decision; they range from controls within the particular military agency or department, at the Ministry of Defence, and then at the level of the Treasury. The final approval is by the Parliament which would attract public control over these expenditures. Escalating military expenditures over the years would reflect on the adequacy of these instituted mechanisms for control, leading on to the search for the more active influences on expenditure determination. The positive factors behind the growth of military expenditure must then be sought within the defence establishment and its compulsive influences.

It is then evident that the public finance aspect of defence expenditure is in default in this process. A closely structured budgetary formulation process which takes into the reckoning the public concerns and priorities in the allocations, the macro-economic framework within which such expenditures can be incurred, the strategic determinations of the quantum of expenditures, and a review and evaluation of expenditure incurred are aspects that are not sufficiently incorporated into the process. Not even a semblance of a cost-benefit analysis is suggested. It is then these aspects that require to be studied as possibly a contributing cause for the unrestrained escalation of defence expenditure.

These are important considerations in national budgeting. However the public finance aspect of defence budgeting has not only a national or domestic dimension, but an equally important extra-territorial dimension in the total concept of national security. These have important consequences for national budgeting. This study must then extend its scope to the manner in which extra-national realities impact on national security. It would even include international trade and its effect on national security. An alignment with the principles or for that matter an absence of a due consideration of these issues would have direct consequences for the strategic determination of optimal national security and its required budgetary formulation.

It has been stated that problems of national security in countries of South Asia arise not so much now from inter-state rivalries as from conflicts within the country. Thus considerations of political legitimacy of the state, the capacity to contain within it its internal strife and conflict through interaction with the societies, and an ability to deal with ethnic and other tensions and avoid polarization of dissident forces are relevant. Internal disorder would serve to attract external influences. These have a concomitant effect on national security and its related expenditures.

An incorporation of these several related aspects would ensure that the process is more structured through a rigorous specification of the requirements. It would then be possible to say that expenditure determinations are strategically driven. This, however, requires an appropriate institutional mechanism which would bring to bear all the relevant aspects on the ultimate decisions. This would invariably ensure that financial commitments are in specific relation to the objectives identified and are not incurred in an ad hoc manner, year to year, with no clear strategy in view. There is then little possibility or otherwise that any economies can be exercised on the growing levels of spending.

There has been no focused study in the Sri Lankan case of the impact on the national security situation of a proliferation of light arms and weapons. Such studies have been in respect of Pakistan and India. It would be useful to anticipate those effects in the Sri Lankan situation too, the extent to which such influences have already impacted on the local situation and also possible developments that it would entail. In the South Asian region the proliferation of light arms and weapons has served to build up internal tension into hostile situations. Incipient problems are thereafter exacerbated by the continued supply of arms and funds, fueling the hostilities. Conflicts that may have been politically resolved are now irreconcilable because of the ready supply of arms and funds. The cumulative effect of all these factors on the national security and the national economy is considerable in other contexts, and a similar relevance to Sri Lanka is only to be anticipated.

This study is focused on a specific issue, on defence expenditure in Sri Lanka and prospects for their reduction. It is apparent, however, that the problem of defence expenditure has wider ramifications which are relevant to the study. It is, therefore, not possible to confine the examination to the technical aspects of the problem and of its specific mechanics. Yet this is the starting point of the survey. Other dimensions emerge from this point unraveling the wider scope of the study, reflecting continually on the central problem of defence expenditure.

Developing Theme

The immediate concern and reality in Sri Lanka is the very high level of military expenditure which the economy can no longer afford. At the same time it is a phenomenal increase of military spending within a relatively few years that has brought out these critical proportions. The increase is therefore, stark and sudden commencing roughly from about 1983 and proceeding rapidly to reach the present levels.

It is a matter of concern today, particularly because it was not seriously anticipated previously. Prior to 1983 defence expenditures were not in any way problematic and any significant expenditure increases were only temporary and at manageable levels. In relative terms too they were not significant. The latent tensions, however, that attended the process of nation building in Sri Lanka since independence had no real impact on the finances. For that reason perhaps, amongst others, there was prior to 1983 no compulsive thrust to interact with the societies in the national polity in manner of conscious nation building. Efforts towards the building up of these institutions were then sporadic and not consistent. There was an observed lack of alignment of the drive for development with the drive for nation building and national survival. In this progression there was even a lack of anticipation of the problematic potential of the latent problem. An institutional capacity and mechanism for its realization was equally absent.

Nor was there in place a sufficient institutional capability for coping with a crisis which visited in about 1983 and managing its proportions within the political framework. Instead, the response to the crisis was mainly of a reactive nature working itself out even as the crisis unfolded itself. Defence expenditure proceeded with the same impulse. A certain measure of financial adjustments to cope with the rising defence expenditure was made. Thus certain hard decisions as cuts in social service expenditure and welfare subsidies were taken during the crisis, which measures were not politically feasible earlier. Apart from this no macro-economic strategies or political projections were of avail to deal with the problem of rising defence expenditures.

Military spending proceeded apace and exponentially. There were no checks or reverses to the trend. Neither did it appear that the increases were strategically driven., but progressed in a momentum of its own. The dynamics of these increases reflected in fact a self-fulfilling and self-reinforcing impulsion. In a systemic perspective it was a semi-autonomous dynamic that was operative. Military priorities dominated the decision making process and even determined the response to the crisis.

No countervailing forces were of much effect to check these dynamics. No Treasury controls, public expenditure review, public scrutiny or parliamentary controls were able to exert any significant influence on the escalating expenditure trends. There were no other binding expenditure parameters or ceilings which imposed any restraints. World Bank conditionalities

and structural adjustments had no direct effect. Indirectly, however, some effect was barely evident where certain upper limits to defence expenditure were prescribed. This situation permitted increases in defence spending to proceed on its own dynamics. The result however, did not bear out any clarity of the issues. Thus the consistency with which military expenditure grew in quantum did not reflect the objective of the exercise in similar relief.

Questions, therefore, arose as to the broad rationale behind the expenditure trends and military outlays. It was difficult to perceive that these expenditures were incurred within a macro-economic framework within which the aggregate levels of spending for defence and indeed for other sectors of the economy were determined and whether such determinants were of a binding nature, Were there in fact medium or short term macro-economic strategies which regulated expenditure? The budgetary formulations do not refer to such devices and strategies except perhaps in the last two years, and then too, the question remains whether such strategies were themselves overwhelmed by the defence imperatives.

Where defence expenditure are not pegged down within economic determinants or danger points, and where the annual budgetary allocations for defence do not reflect any consistent strategy behind its formulation, the question of any political direction of the military effort is equally pertinent. Any controls on these expenditures or any rationalization of their disbursements, would have to be measured against the political direction behind the military strategy. The extreme situation would be a military response to the crisis without any political direction. In such a case it is difficult to see that the political dimensions of the security problem have been within the calculation; questions of political negotiation and resolution, the exacerbation of the conflict, the growing militarization of the polity, the negative consequences of growing military expenditures and armaments, and of the global and regional initiatives relevant to the problem would not have been sufficiently incorporated into the total security and defence effort.

It is, however, clear that a study of defence expenditure and the prospects for their reduction, though of limited focus as initially appears, does enable a review and stock taking of all the relevant issues for a mere comprehensive determination of a basis to effect a reduction of defence expenditure.

Determination of Defence Expenditure in Sri Lanka

Official Publications of Defence Expenditure

The statistical data relating to defence expenditure in Sri Lanka is available from published sources. These publications are referred to as the Printed Estimates. They reflect the voted expenditure for the current year. The Printed Estimates also reflect the actual expenditure incurred, up to two years previous. Differences between voted expenditure figures and actuals are due to the supplementary provisions voted during the course of the year. The defence expenditure figures culled from these published sources are accurate and reliable. They are also complete as they constitute actual charges to the Consolidated Fund.

These figures relate to capital and recurrent expenditures. This definition does not include expenditures on account of pensions both for the military and other relevant agencies. Budgetary provisions for pensions and retirement benefits are not included under defence allocations and are thus not reflected in these statistics. Pensions payment for the defence services, as indeed in respect of the entire public service, are provided for in other votes. A

measure of distortion thereby of the defence spending concept is inevitable. Less significant is the effect of foreign military aid on the adequacy of total reflection of defence expenditure figures. Over the years, foreign military aid was available in 1971 and in 1987. Apart from this, such aid was never available in any sustained basis as would distort the picture of defence spending. In like manner, any dual use investments as on infrastructure or even clothing material, and costs of military aid to civilian authorities as may distort the statistics, have only a conceptual relevance and little quantitative significance.

A brief reference needs to be made in respect of extra-budgetary financing that was sometimes resorted to. These were expenditures incurred outside the voted allocations in respect of certain liabilities committed during a current year. Such extra-budgetary expenditures were, however, included in the supplementary provisions during the ensuing year. These constituted actual charges made on the Consolidated Fund and are, therefore, duly accounted for under actuals. This aspect will be discussed in greater detail presently. For the present purposes it is clear that this practice did not present any distortion to the computations of defence spending.

Departmental Sources

These computations are thus far in respect of the Army, the Navy, the Air Force and the Police. The sum of these expenditures has in this study been designated as the total defence expenditure. Paramilitary expenditures have not been included within this total. They are reflected separately. (see Table 1) Actual expenditure in respect of the paramilitary and supplementary forces are not readily ascertained as in the case of the main agencies of the defence forces. This is because paramilitary expenditures are not under a separate vote, but are included under the Defence Ministry vote. These paramilitary forces refer to the Special Task Force (STF), the Army Volunteers, the Police Reserve and a few auxiliary forces. While the recurrent expenditures in respect of these divisions are reflected separately, the capital expenditure are all listed together. These are in respect of the estimated expenditure, both capital and recurrent. The actual expenditures incurred are in one appropriation account for each year and the process of separating them is fraught with considerable problems, including that of allocation transfers within the vote.

Therefore, paramilitary expenditures are reflected in terms of their estimated expenditures, Annex 11. Where possible, actual expenditures are reflected alongside. Further, paramilitary spending figures do not cover the same period as that of the main defence agencies. And within those periods too, allocations were included originally within the Defence Ministry votes and later provided for separately. This was so in respect of the Army Volunteers and the Police Reserve. The STF was set up in 1983 and initial expenditures until 1985 were incurred under Police votes. As a result of all these entangled figures, paramilitary expenditures are reflected only through departmental records unpublished. These, however, are in the main a correct reflection of those expenditures, though they do not have the same accuracy and the authenticity as the military expenditure figures for the main defence agencies. Quantitatively too these amounts are small and as such do not seriously distort the main defence expenditure figures.

A point may be briefly made of financial provisions made for the Ministry of Defence under the project and legend of control of activities relating to National Security and Civil Security. Sometimes allocations are given to the line agencies namely Army, Navy, Air Force or Police,

from this vote to cover certain exigencies. This constitutes a distortion of defence expenditure figures occasionally and only to a very limited extent.

More significantly, a measure of distortion intrudes into the defence expenditure figures through contingency provisions. These are provided by way of additional allocations in defence expenditures made from outside the defence votes and they add to the budgeted defence expenditure figures. Contingency provisions are made in the Treasury votes in the original budget to meet unforeseen expenditures. These provisions have been availed of to meet commitments, amongst others, in respect of national security and defence. This is reflected in the 1997 budget speech (Part II.67 Peiris 1997). As a matter of stringent fiscal policy on supplementary budget provisions, such supplementary provisions were to be limited to cases of “national emergencies” (ibid 66) which included the context of national security and defence.

The utilization of Treasury provisions made in the original budget is in the event of contingencies arising from other Ministry expenditures. This has been a regular and an annual feature and in respect of defence expenditure were extended to make good shortfalls in votes for salary and allowances payments. They were not used for capital expenditure and hardware purchases. Their effect on the total budget formulation has been variable and in any event any distortions on it are minimal.

However, the 1996 supplementary budget provisions made for a total of Rs.16.8 billion, of which Rs.10.5 billion was for defence and national security. Thus two-thirds of the supplementary provisions for the current year were for defence (ibid 67). This is indeed a high percentage of what is constituted unforeseen expenditure to meet national emergencies. While the defence component of the supplementary provisions is high, it is also significant in terms of the original provisions. The main provisions in 1996 for defence were in Rs.38 billion, as originally estimated, and Rs.47 billion in the revised estimates (ibid 64). The additional defence expenditure requirement is Rs.14 billion, making the expenditure figure at Rs.52 billion. Supplementary provision for defence was thus nearly Rs.8 billion since Rs.5 billion was provided from the contingency provisions.

This contingency provision in Rs.5 billion is significant. It is over and above the original estimate of defence expenditure from 1996 in Rs.38 billion revised to Rs.47 billion, supplemented further in Rs.9 billion making now a total of nearly Rs.56 billion. The defence expenditure figure for 1996 is, however, reflected at about Rs.51 billion because of the contingency provisions in Rs.5 billion. Contingency provisions for 1996 are, therefore, of more critical significance unlike in previous years; this is in respect of not only the quantum of the contingent provisions over the original and supplementary budget provisions but also in respect of the specific liabilities incurred thereby, whether capital, recurrent or operational costs. The distortion is significant, as it may portend the trend for the coming year too.

Foreign Journals

The defence expenditure figures for Sri Lanka have at the same time, been recorded in foreign publications. These too are reflected in the annexes alongside the national figures, together with other graphical representations. No balancing or reconciliation between the respective figures is attempted here though they serve to even out respective inaccuracies.

The computation of defence expenditure figures have been made on the basis of figures taken from official published sources and in certain respects, from unpublished departmental sources. These are in the main substantially correct, but cannot be presented with the exactness of other statistics. Their cumulative effect may allow a degree of variation from the given figures. In order that the range of variation, if at all, is projected in perspective, the methodology is adopted of balancing the authentic defence expenditure figures, subject to some qualification, against estimates of expenditure for defence in Sri Lanka made by foreign sources. This refers to specifically to published figures in the Stockholm International Peace Research Institute SIPRI yearbooks and, in “The Military Balance” yearbooks. These foreign documented figures are shown alongside the Sri Lanka Government figures for comparison. An analysis of the variations is not necessary. All figures reflect in general similar trends and levels - Annex - 12.

Analysis of Defence Expenditure

Defence expenditures for the Army, Navy, Air Force and Police in Sri Lanka, are shown at Annex I, for each agency separately. They cover the period from 1950, just after independence, to 1996. The pattern of increase is about the same in respect of all the agencies. There was relatively low expenditure till about 1970, reflecting the general benign security situation that then prevailed. Significant increases of expenditure were recorded since 1971. These were the direct results of the first insurgency the country experienced. Thereafter, significant increases in expenditure occurred in 1983 and 1987, which coincided with marked security developments in the country. In the intervening periods prior to 1987, increase of expenditure by each agency was constant and reflected largely the variations in current prices.

Since 1987 however, except for a relatively slight drop in 1989, the increases of expenditure have been exponential in absolute terms. This rate of increase applies equally to all the defence agencies. Inter-agency variations of rates of increase are significant with Army expenditure outstripping other increases, even exceeding the total of all other agencies. These differences are clearly seen from the graphs at Annexes 2 and 3. They reflect the rates of increase for each agency for the same period from 1950 to 1986, with the quantitative increases having to be shown on four different scales in the line graphs. The inter-agency variations of annual expenditure are likewise reflected through bar graphs at Annexes 5 and 6. These too are shown by the decade to accommodate the differential scales. The security significance of such interagency variations of increase of expenditure would be adverted to presently.

The sum total of these defence agencies expenditure represents the total defence expenditure. It likewise reflects the same trends of spending observed above. A stabilized level of defence expenditure and a steady increasing pattern was the hall mark of military spending in Sri Lanka from the time of independence till about 1970. The aggregate levels of defence spending were well within the broad economic parameters of a balanced economy. Social expenditures were the dominant concern during this period and military expenditure hardly had any impact on the drive for development. It is possible that the stable and moderate levels of expenditure that prevailed during the first two decades of Sri Lanka’s independence were not experienced as such by the polity at that time. It is only in retrospect, after the experience of a turbulent aftermath of security convulsions more recent, that the previous stability graphs and curves could be so interpreted.

The year 1971 was a watershed in the expenditure flows before and thereafter. The first experience of an insurgency was the direct cause, and it coincided with a critical change of pattern. The change was, however, not in absolute terms, for the quantum increases even at current prices were of minimal effect. Likewise, in relative terms, weighed against other economic indicators, the increases of military expenditure were not of much consequence. It may be argued, however, that the 1971 changes in defence allocation had a qualitative significance, if not in hard numerical terms. The shadow of a militarisation of the polity loomed across the political firmament experiencing its first ripples of militarisation.

The gathering effect of this increase continued till about 1983. The communal riot of that year and its consequences unleashed the forces that would thereafter make the escalation of military spending dramatic. It proceeded thereafter in an ever increasing spiral with a steep upward slope of the curve. This development proceeded year by year, only adding to the previous point of expenditure.

The year 1989 was a brief check in the upward slope of military expenditure. This relative decline can perhaps be explained by the fact of the presence of the Indian Peace Keeping Force (IPKF) at about this time; a clear instance of foreign military aid that relieved the national security budget. The cost of IPKF deployment in Sri Lanka has been estimated at about Rs.10.3 billion for the period 1987 - 88 (Richardson 1990). This brief check on the rising trend of expenditure serves in fact to highlight the growing trend that otherwise prevailed over the whole period. As much as the increases were dramatic there was no corresponding important security developments that could be attributed as a direct consequence of such military expenditure. The question, therefore, posed itself, whether such expenditure increases were strategically driven reaching out to specified objectives or whether such escalation of military spending and the very rate of increase was independent of any significant security developments and proceeded in a momentum of its own.

However, that came to be, the result was a quantum leap of military expenditure within a period of just over ten years. This confronts the Sri Lankan situation not only in political and security terms but also in terms of the national economy. Initially these increases may have been acquiesced in by the society at large, by the authorities, by Parliaments, by the opinion makers and by the public. This is at least apparent from the lack of any serious concerns expressed in the face of the increases. There is no doubt that at times words of caution were expressed during budget speeches and elsewhere. These, however, had only a muted response and evoked no concerted concerns.

The reason for such acquiescence of growing military expenditure would be attributed to the fact that those matters were perceived mainly in a short term perspective. Treasury determinations and Parliamentary approvals and in fact searching public scrutiny of such financial commitments would have been more readily forthcoming if the long term consequences were the dominant concern. Short term commitments can find acceptance more easily, particularly in matters of national security. It is possible thereby to speculate that military allocation during this period commencing from about 1983 were but a series of short term allocations that merely followed one over the other with no discernible organic connection.

Such a process, however, cannot sustain itself. As a continuing feature within the national economy the repercussions of high aggregate levels of defence expenditure would soon take toll

of any free wheeling determinations. Reasons of national security would inhibit any serious reflection or questioning in this respect. But the point is soon reached that other economic compulsions militate against these military expenditure trends. That juncture may have been reached. It has been stated categorically in estimating the defence expenditure for 1997 at nearly Rs.50 billion that the point has been reached where the national economy cannot afford these levels of military spending any longer. Danger points on the economic indicators are close at hand. The consequences are not only economic but even security related effects may reverberate.

It is at this point of time that the question is posed; whether the military expenditure is excessive and for that reason is problematic; whether the military spending at these aggregate levels can be justified or rationalized in terms of certain objectives and strategies; what impact has these military outlays on other sectors of the economy and the long term consequences of such sustained high defence expenditure and their opportunity costs; and other such aspects that are but relevant to a public finance aspect of such allocation. The consideration is then in respect of the prospects for reduction of defence spending. So phrased the question is in fact the need for a critical reappraisal of the situation that now results from a very high level of military expenditure, the exponential nature of their annual increases, the lack of clarity in respect of a governing strategy which determines these expenditures and also the apparent lack of macro-economic framework which prescribes the parameters within which priorities may be determined.

Impact of Defence Expenditure on Other Sectors

The problem of high military expenditure is not only in relation to the means by which these levels were reached and the dynamics within the process. The problem is equally in its impact on the economy. The ratio of military spending to the Gross National Product (GNP) and the Gross Domestic Product (GDP) reflects the spending levels - Annexes 7,8,9 and 10. The impact of defence expenditure on the GDP and the GNP in percentage terms repeats the patterns and the trends of increase observed in respect of absolute values. Between 1970 and about 1983 the impact of defence spending levels on GDP/GNP have been about constant and at a stabilized level. Fluctuations are minimal. Thereafter corresponding to the heavy quantum increases in military spending their impact on the economy has been increasingly greater, and the rate of such increase corresponds to the rate of escalation of the absolute values. The correlation of the rates of increase of the absolute values of military expenditure with their impact on the GNP/GDP is direct. It even suggests the possibility that military expenditure impacted on an economy which was not expanding fast enough to absorb the shock. The converse may equally be true, that military expenditures have had their adverse consequences on the growth of the economy. As with the problem of military expenditure within the last thirteen years per se, their growing impact on growth rates also took effect during the same period. The problem of military expenditure is then vis a vis the economy and with a correspondingly similar intensity. As between the GDP and the GNP the impact of military expenditure is only marginally more in respect of the GNP than on the GDP. This discounts completely the possibility of any foreign capital or inflows contributing in any way to defence spending.

By way of contrast social service expenditure in relation to GDP/GNP shows the reverse trends. From about 1970 to about 1983 social service expenditure rates prevailed at between two percent

to five percent of the GDP; it was marginally higher with the GNP. Since 1983 there is a pronounced decline in the trend of social service expenditure against the GDP/GNP, Annexes 13 and 14. The increasing impact of defence expenditure on the GDP/GNP and the declining trend of the impact of social service expenditure corresponds to the same period of time. While a causal relationship may not be postulated between military spending and social service expenditure, a correlation of the two against the common denominator is irresistible (see Table 2).

A drive for development is then not the evident fact. The annual rate of growth and the yearly variations in social service expenditures can be seen in Annex 14. This shows only a near even oscillation between negative and positive rates of increase on either side of the zero line. In this respect too the variations in the rates of growth in social service expenditure have been more on the positive scale from about 1960 to 1983. From then the annual variations have been in a regular decline. These trends roughly correspond to those trends of impact of military and social service expenditure on the GDP/GNP, though the degree of correlation would be less. It can, however, be confidently asserted that a drive for development was not the overriding concern during this period. These trends are barely consistent with an economic policy that has development as a priority concern.

The problem of military expenditure in relation to the fiscal budget can be looked into from the angle of budget deficits. The extent to which defence spending would be met from deficit financing can be fraught with serious consequences. Budget deficit figures from 1961 - 1992 (Annex 7) and budget deficits excluding defence expenditure covering the same period (Annex 7) graphically represent the relationship between them. It is clear from these charts that military expenditures are not a prominent feature in the budget deficit patterns. These statistics reflect a steady increase of budget deficits since about 1980. That pattern has been the same where the defence expenditures were discounted from the budget deficits. In terms of the total economy military expenditures have had no overwhelming impact on budget deficits; their impact in absolute terms has been relatively small.

This is the position up to 1992, when confirmed actual deficit figures are available. The figures thereafter are only of a provisional nature and no firm conclusions may be drawn from them. Yet some speculation can be made for the ensuing period. Thus in 1992, the budget deficit was about Rs.68 billion and the corresponding total defence expenditure was over Rs.17 billion. Military expenditures have increased since then, from about Rs.19 billion in 1993 to nearly Rs.31 billion in 1996 as estimated, reaching up to a possible figure of Rs.50 billion in 1997. The increase is very sharp and it is not clear whether deficit financing could remain at the same rate of increase, if the previous trends were to be maintained. A change of trend is a likely expectation in the face of these statistical realities. In such event, the resulting position may well be that a substantial portion of defence expenditure would be met from deficit financing, expenditure that is not an investment and its consequences for inflation. If this prognosis be correct the concern regarding high military expenditure will have reached critical proportions. The search for alternatives and for prospects for reduction of defence spending would then be an immediate compulsion.

Procedure Variations in Defence Expenditure Determinations

Standard procedures and techniques adopted for control of budgetary allocations and expenditure were through long experience established. They served their purpose in respect of all expenditure including defence. From about 1983 and thereafter, significant security developments and commensurate financial implications began to have their effect on the budgeting procedures. Defence expenditures gradually came to be the dominating concern in national budgeting. The very scale of increase of military expenditure in absolute terms and in their relative values with other economic indicators, as discussed above, had to be contended with through the standardized process. These established procedures were resilient enough to absorb the initial impact of the growing military expenditure.

In the late eighties and the early nineties, as the scales of financial allocations increased, the stress of their impact on national policies, on national budgeting and on national strategies began to be felt. These stresses experienced at all levels of the procedure of budgeting formulation were in the effort to exercise controls on defence expenditure and to effect some check on their rising trends. The strains encountered were the very expression of the contending claims and tensions. Though their entry into the total process was not of a dramatic nature, their intrusion was keenly felt.

In response to this emerging situation of strains and stresses imposed by military expenditure on the national budget and its formulation certain additional arrangements of procedure came to be adopted. These new measures were not of an institutionalized nature, but they intruded into the process as the exigencies of the emerging situation impelled their adoption. The sheer force of the circumstances made necessary additional consultations of a very intensive nature between the officials concerned in defence expenditure. These meetings were frequent and were not of a calendared order. They took the nature of exigent practices which subsequently were of an accepted order. The thrust of these consultations was to arrive at a consensus in the determinations. The respective perspectives of the issue found ample expression, the military claims and the broad economic and financial constraints. The frequent meetings at different venues reflected in sharp relief the tension of the competing claims.

An agreement was reached, but negotiations were by no means easy. The process was protected. At times it was found necessary to have the Deputy Minister of Defence himself participate in the negotiations with the Treasury officials. Occasionally the resolution had to be effected at higher levels. The political thrust to defence expenditure determinations was obvious. This was not anything like that which obtained in respect of other expenditures. In a review of defence expenditure in Sri Lanka as a problem with prospects for their reduction, this fact of a heavy political determinant in the formulating process is a significant factor in the assessment.

Other means for the control of defence expenditure were also contrived. It was felt that a monitoring process should be instituted from a very early stage in the process of the preparation of the estimates, namely at the Ministry level before the estimates were submitted to the Treasury. The monitoring of the preparation of estimates was required to be of a substantive and effective nature. A mere advisory or even supervisory exercise was deemed inadequate. This monitoring had to be done by some official from outside the defence establishment to enable an independent review to be made of the very preparation of the estimates. The expectation was that

pruning down of the estimates at the preliminary stages would reduce the problem that would confront the later negotiations. This device took the form of an appointment of a Treasury official to the Defence Ministry of a substantive basis. A more intimate association of the Treasury perspectives with that of the Defence establishment proceedings was thereby realised. A careful auditing of the projected requirement was achieved in this manner and a measure of economy of expenditure was effected.

Pertinent to the consideration of prospects for reducing defence expenditure through the Sri Lanka budgeting process is the observation that this practice of an appointment a Treasury official to the Defence Ministry was not persisted with long after. The practice lapsed. This raises the question of how effective this means adopted was to exercise control over defence expenditure. The galloping rates of increase of military spending prevailed despite these controlling devices, possibly making evident the limited effectiveness of that device. The idea of Treasury monitoring of defence expenditure preparation was ad hoc in its conception, conceived only in reaction to the perceived problem. This made it equally clear that any initiatives towards effecting a reduction in defence spending had to be contrived otherwise. It is the root of the problem that requires to be addressed, the strategic determination of military expenditure taking within its compass the many other dimensions into the reckoning.

Procurement Committee

A propos military expenditure perceived as a problem and in the search for prospects of effecting a reduction, a relevant factor is the appointment of a Procurement Committee. This Committee was established in about March 1985 and functioned as such for about two years. This Committee carried out its tasks under the purview of the Ministry of Defence and comprised the Heads of the Armed Services and the Police or their representatives. The proceedings of the Committee were conducted under a Chairman who was from outside the Defence Establishment. The express purpose of this Committee was that it should function under a civilian authority outside the Defence Establishment. The Chairman was appointed by the President and carried with him the authority of that appointment. The appointee was a reputed financier and Company Chairman of high integrity selected from the private sector.

The primary function of this civilian Chairman of the Procurement Committee of the Defence Ministry was to exercise a detached and objective review of all matters relating to defence procurement. This focus, however, entailed a review of other matters incidental to procurement extending to aspects of manpower requirements, training and even operational matters in a marginal way. The significance of this establishment was that it came in the wake of the dramatic escalation of defence expenditure costs following the communal riots of 1983 and the aftermath. The problem was in respect of defence expenditure and to seek means by which some controls on its incidence could be exercised. The significance of this Procurement Committee and its appointed civilian Chairman also lay in the fact of a departure from existing procedure in respect of defence procurement and related military spending. Hitherto, defence procurement and expenditure was under the direct purview of the Secretary to the Ministry of Defence.

The Secretary Defence at that time was a retired Army General and a former Commander of Joint Operations. The intent was manifest, that a non-military civilian would better be able to steer clear of military dominant procurement and spending determinations than a person of a

military disposition could. It was equally clear from this arrangement that a detached and objective review of the defence procurement and spending process was seen as a means by which expenditure controls and economies could be exercised.

Approvals for defence procurement were henceforth to be given by the Procurement Committee. No purchase of military equipment could be made except with the concurrence of this Committee. These approvals were endorsed by the Secretary Defence who remains the Statutory Accounting Officer. The availability of funds and voted allocations were taken into consideration when approvals for purchase were given. The function of the Committee was then not in the determination of the quantum of expenditure but rather in the technical aspects of defence procurement. Any expenditure controls were only as an incident of purchase approvals.

The Committee did not contend with the problem of escalating defence expenditure. Rationalization of procurement, standardization of equipment and purchases and securing best value for the money were the main concerns of this Committee. As remarked by the Chairman at an interview with the author, at times, more expensive purchases were approved taking into account the availability of supplies and spares. Control of expenditure as such was not a primary concern of the Committee.

A considerable measure of economy of expenditures was in fact exercised through this processing by the Committee. When the circumstances permitted reduction of expenditure and reducing liabilities were consciously resorted to according to the Chairman. For example, in the standardization of equipment as between the respective indenting agencies much was achieved in reducing differential costs. At the same time inter-service rivalries and competing claims could be weighed in more competently by such civilian outsider. On the other hand, it was possible, as some times happened, that there was a conscious deviation from tender procedure which entailed higher costs. This the Chairman was able to do by virtue of his very appointment.

It is evident therefore that the Procurement Committee was not concerned with controlling or reducing defence expenditure. Neither was such the specific mandate of this Committee. An instance related by the Chairman was one to the contrary effect, where the approval by the Procurement Committee for the purchase of a particular naval craft was turned down by a Committee of Ministry Secretaries solely on grounds of economy.

The question of the ultimate objective which justifies the expenditure and the strategy devised for its attainment were even more remote in the contemplation of this Committee. Neither economies of military expenditure that may be exercised through determinations of the appropriateness of the procurement to the strategy, nor any determination of the quantum of purchase as related to strategy, were matters which engaged the exercise of the Committee. No rationalization of procurement against strategy nor the corollary that equipment would influence strategy was the stance of the Committee directions. Here again the occasional instances of such correlation only emphasized the governing principle that military strategy itself was not to be reviewed in order to rationalize purchases or economize on expenditure. The exceptions are worth noting: night vision devices and the purchase of vintage saladins and Saracens were determined by consideration of strategy.

Supplementary Provisions

Defence expenditure budgeting over the last decade and more in Sri Lanka has a characteristic feature. This is in respect of supplementary provisions made available during the mid year. Annual budgets are expected to be based on a careful assessment of the requirements of the Department or Agency computed through a strict and rigorous procedure. In fact such procedural formulation is time honoured and time tested with the accumulated experience of its operation built into the very system. The formulation is methodical and the controls are strict. Unwieldy expenditure, loose assessments, arbitrary funding or other wasteful exercises are avoided in this process. This prescribed procedure also provides for supplementary estimates to be submitted during the year of the financial operations. But this is strictly limited to exigencies of unforeseen expenditure, that arose suddenly. In fact Treasury controls and Parliamentary approvals of supplementary provisions are strictly on this basis.

Yet the fact is that in respect of defence expenditures the annual budget allocations are without fail followed by supplementary provisions. Supplementary estimates are itself an annual feature. Since they are a recurrent feature the conclusion is inescapable that sufficient regard is not had to the basic principles of budgeting. The efficacy of the budget management mechanism is open to doubt. This has the consequence that defence expenditure levels are due in part to inadequacies in the system, exploiting as it were the laxity in the implementation of the basic principles of budgeting.

That budget management in respect of defence expenditure is somewhat lax would be indicated in yet another way. Supplementary provisions for defence expenditure constitute a substantial percentage of the main budget. This high proportion too is a recurrent annual feature. For the current year 1996 defence expenditure is nearly Rs.31 billion, while the supplementary provisions approved in September 1996 for the current year amounts to nearly Rs.12 billion, a figure well over one third of the main budget provisions. The supplementary provisions are for both capital and recurrent expenditures and it is therefore difficult to account for these outlays as unforeseen expenditures.

Only a portion of these estimates are for unforeseen expenditures. The balance constitute expenditures that were projected but not funded for various reasons. Supplementary provisions for defence spending are therefore in the main the balance of provisions which were held out to be made available later. It is clear then that defence budgetary estimates are computed on the certainty that additional provisions would be made available in the course of the year. This is the very recipe for exaggerated expenditure.

It is also the experience with supplementary provisioning for defence expenditure that no occasion has there been when supplementary estimates were turned down on grounds of substantial savings and under-expenditure in respect of voted funds. It is difficult to explain away this inconsistency because defence expenditure invariably show a high percentage of under-expenditure and lapsed funds against the total of the main budgetary provisions plus the supplementary votes. This would reflect on the supervision of the budget implementation.. More importantly, and relevant to the issue of escalating defence expenditure, the laxities in the system would only facilitate higher estimates, even inducing increasingly higher claims.

Extra Budgetary Financing

Defence expenditures in Sri Lanka were supported in yet another manner. Besides the annual budgetary provisions and the supplementary estimates it was the experience in the mid-nineties that means were afforded for extra-budgetary financing of defence expenditure. Procurement of goods and services through banking arrangements was made possible. These liabilities were clearly outside the voted expenditure. However the repayment of these bank loans, both capital and interest, was subsequently regularized. These commitments were included in the supplementary votes which were approved by Parliament. This applies equally in cases of deferred payments for purchases made within a year, but payable over a period.

Notwithstanding this regularization of ex ante expenditure a number of issues arise here relevant to the central problem of high levels of defence expenditure and prospects for their reduction. The foremost concern in relation to extra-budgetary bank financing of defence expenditure is that such spending is over and above the main budgetary estimates which presumably is based on an accurate forecast of the annual expenditure, and the mid-year supplementary provisions for expenditure that could not have been foreseen earlier. This practice of extra-budgetary bank financing of defence expenditure clearly underlines the fact that defence spending does not take place on a projected basis. Defence expenditures are at the same time hardly determined on the basis of any strategy which itself would necessarily have had to be structured within a precise time frame. On the other hand the expenditure and defence spending proceeds irrespective of any time frame or schedule. The lack of an alignment between strategy and expenditure is itself revealing.

Moreover, these extra-budgetary banking facilities are not provided before-hand. They are in fact available only within the last month or two of the financial year. These last minute purchases and expenditures so incurred can then hardly be related to any specific military strategy requirement, nor in any other way rationalized. Unspent voted funds did not constrain a licentiousness in this practice.

Treasury Control of Defence Expenditure

The detailed budgeting aspects relevant to a study of the problem of high defence expenditure together with an examination of prospects for their reduction identified certain procedural weaknesses that are partly the reason for these developments. Budgeting inadequacies are but an aspect of the public finance dimension of the matter in issue, large defence expenditures and the need to effect control over their escalation. The perspective of public finance would serve to conceptualize the problem of defence expenditure in a more comprehensive framework; taking the relevant dimensions of the problem into account would serve better the efforts towards effecting control and reduction. The effective control of budgetary formulation and allocation for all expenditure including defence is to be controlled by the Treasury. This underlines the public finance aspect of public spending. The degree of control exercised by the Treasury over defence expenditure has been discussed. Treasury control over defence spending is equally relevant to the public expenditure review aspect of public finance.

Broadly, public expenditure review would cover the areas of aggregate fiscal disciplines in the defence expenditure determination, the manner of their prioritization and the technical efficiency of the budgetary implementations. Fiscal disciplines in defence allocations would relate to

questions of whether such allocations are made within a strict and binding macro-economic framework or otherwise, whether there are other constraints including economic compulsions that make allocation and performance critical, and whether expenditure ceilings can be imposed through Treasury control. In the matter of prioritization for defence expenditure in public financing Treasury control relates to questions of breath of consultations and transparency in the determining of priority, particularly where parliamentary approval is not critical to the issue of defence expenditure prioritization. These deliberations reflect on the basis of the priorities depending on outcomes or results to be achieved. This includes the question of whether military expenditure prioritization is otherwise than through effective Treasury determination. Finally, are the concerns of Treasury control in the technical efficiency of the expenditure and implementation, particularly an accountability in that exercise.

The public finance aspects of defence spending would be enhanced to the extent that a public expenditure review of budgetary implementation of military outlays is incorporated into the process of Treasury control. The broad issues identified above may constitute a loose framework which may serve to measure the degree of Treasury control that determines military expenditure.

In respect of military spending in the Sri Lankan context it is difficult initially to conceive that such expenditures have been incurred within a macro-economic framework. In fact the very question now raised is in respect of very high defence expenditures that have been annually increasing since 1983, at rates of increase over which control is little, and reaching amounts that the economy, as reported, can no longer afford. The very existence or sufficiency of a constraining macro-economic framework which governs military and other spending is itself in question.

For the first time, at least in clear express terms, an attempt was made in 1995 to include and to regulate defence expenditure within a broad but explicit framework. A three year budgetary framework was formulated to cover the period 1995 to 1997 beginning with the budget of 1995. A strategy of this nature had forced itself into the circumstances as they emerged, of long-standing fiscal imbalances that had afflicted the national economy. It was a medium term strategy that was proposed. One of the declared objectives of this strategy was to effect a progressive reduction in defence expenditures.

In the budget speech of the following year the Deputy Minister of Finance (Peiris 1996:Part V) commenting on the budget performance and the three year (1995-97) budgetary framework that had been proposed reflected that the framework was "based on a vital assumption that defence expenditure would decline gradually with the government's effort to restore peace and order in the country. However, with the resumption of hostilities in April 1995, the government has been compelled to take intensified military action parallel with the continued effort to restore peace," (ibid). Further, it was remarked that a target of defence expenditure ceiling at about 3.8 percent of GDP had been set within that framework. In the changed circumstances however, the government was compelled in 1995 to maintain defence spending levels at about five percent of GDP. The macro-economic framework within which this policy was framed was unable to accommodate the security developments. Its binding or constraining purpose was to no avail. And the medium term strategy was not effective to that extent. Military expenditure proceeded apace.

A revision, therefore, was necessary in respect of both the framework and the strategy. This was effected in 1996 where the revised arrangement was fitted into another time frame. The new medium term fiscal framework now covered the period 1996 to 1998.

It included revised macro-economic targets relating to growth rates, inflation rates and current account deficits in the balance of payments. The revised framework and strategy considered that “security related activity having reached a critical stage now, it appears that this level of defence expenditure is necessary in 1996 as well,” (ibid). The possibility of effecting a reduction of defence expenditure seemed remote. In any case a possible reduction of defence expenditure even on a gradual basis was not structured into the 1996-1998 medium-term strategy as an express objective in any manner as it was articulated in 1995. Any prospect, therefore, of effecting a reduction in defence spending in 1996 and possibly running into the remaining period of the revised medium-term framework was even less clear. The resulting position may be anticipated, that defence expenditure increases may not be constrained within a macro-economic framework and strategy. On the other hand the reverse position may be in place, that defence considerations would dominate the formulation and the course of macro-economic strategy. Against a resigned acceptance of this gloomy prospect any favourable trends to be contrary effect remain only as an expectation. It is not strategically contrived.

Elsewhere in the budget speech (1996:Part VI) it was recognized that the scope for a reduction of the budget deficit through savings in the high current expenditures was limited in view of the exceptionally high defence expenditure. The observation was also made that the defence levy renamed as the national security levy was, in the budget proposals, to be maintained at the current rates “on account of the need to bolster our security”, (ibid). Again, reviewing the fiscal developments in 1995, the budget speech (Peiris 1996:Part III) recorded that further demands for defence expenditure have been made to meet intensified military activity, virtually underlining the principle that increasing defence expenditure were contingent to intensified military activity. The corollary is equally implicit, that intensity of military action follows high expenditure. In any case the two seemed to be inextricably interlocked in conception.

The result is a growing spiral, and the way out is from a reconsideration of the basic postulates. Growing defence expenditures, intensified military activity, heightened security related activity, uncritical assumptions of strategy, a lack of scrutiny, of the public finance aspects of expenditure incurred and a host of other cogent considerations would come into the reckoning to extricate from the impasse. It is not the position that such perspectives were entirely lacking. Occasionally such suggestions are prompted as when the Defence Levy was to be replaced by a National Security Levy in the budget proposals of 1996. The Deputy Minister was not merely substituting an appellation. He was emphatic that “what we confront today is not a problem of defence against some external threats, but an internal challenge to our national security, public order and safety,”(ibid). Many other dimensions then insinuate into the security appreciation, to the threat assessment and consequently to the strategies that may be crafted for a more rational accommodation within a macro-economic framework.

The parallel situation in India would be illustrative. No comprehensive study in this respect is necessary. It is sufficient that examples illustrate a more rigorous attempt in India to rationalize defence outlays against military strategy. A lively debate also ensues. A Reuters report filed in

New Delhi (CDN 11/09/96) assessed that while defence expenditure would be raised in absolute terms, military spending accounts for 2.2 percent of India's GDP, down from 2.4 percent of GDP in 1995 and 3.05 percent of GDP a decade ago. The specific issue raised against their background was the lack of financial provision for the purchase of naval craft. Withholding funds for their purchase was a determination for granting a smaller allocation for defence spending in the total budget while making substantial funding increases for the paramilitary bodies. These were all consequences of a formulated military strategy, which itself was based on an overall threat assessment, (ibid). Insurgencies rather than any conventional war was the perceived threat. Expenditures were determined on such strategic basis; aggregated levels of defence spending were anchored firmly to strategic determinations. They were not left to proceed on a momentum of its own; the determination was within a macro-economic framework which was binding on the decisions. The public finance aspect of defence expenditure in India, the fiscal discipline and controls and the specific basis for the determination of aggregate levels of defence spending were evident there.

Such structuring of military expenditures in Sri Lanka was much less convincing. The Deputy Minister of Finance in his budget speech of 1995 recalled the extraordinarily high budget deficits run up during the previous period peaking at twenty three percent of GDP in 1980 and an unparalleled average of 13 percent of GDP for the whole period. In a single year the deficit was brought down to 7 percent of GDP "which was achieved only by chopping capital expenditure"(Peiris 1995). This was hardly suggestive of a firm macro-economic framework within which defence expenditures were determined. Instead, these facts would suggest that whereas military spending in Sri Lanka steadily increased both in absolute and relative terms adjustments were made in the macro-economic framework in an ad hoc manner to accommodate military spending. Considerations of basic fiscal discipline appeared insufficient in the determination of aggregate levels of defence expenditure. Probably as a result, increases of defence expenditure were recorded from around Rs.2 billion (1.4 percent of GDP) in 1984 to Rs.8 billion (3.7 percent of GDP) in 1988 and then to Rs.27 billion (4.7 percent of GDP) in 1994. Such exponential increases do not reflect on the effectiveness of Treasury control of such expenditure.

Parliamentary Control

No extensive coverage of this aspect of parliamentary control over public expenditure as public financing ordains, is here necessary. It is sufficient to note, from random sampling of parliamentary proceedings for the approval of defence expenditure that no rigorous scrutiny of their computation is made. Whatever the level of parliamentary controls that are here exercised have not had any restraining effect on the escalating levels of military spending. Exponential increases have taken place irrespective of parliamentary scrutiny, even independent of it. Hansard reports of the parliamentary proceedings during the Committee stage of the budget debate on the defence votes are revealing in this respect. References in this debate to the basis of determination of military expenditure, economic determinants of aggregate levels of defence outlay, the relevance of strategy, controls, review and evaluation of the expenditure and other such aspects vital to an analysis of these expenditures, the objectives of such outlays and their realization as generally done in respect of other expenditures, have barely attracted parliamentary scrutiny. Their focus is not on the substantive issues of defence policy and strategy but rather on less substantive and more parochial matters of an incidental nature. Supplementary estimates for defence expenditure attract even less debate. Thus the proceedings for parliamentary approval of

supplementary estimates for defence were adopted without any debate on 8th October 96, in a sum of nearly Rs.12 billion. This is but an example of the general thrust of parliamentary debate and control over these expenditures.

The Consultative Committee on Defence would also provide an opportunity for more focused control and review of defence expenditure. But here too the concern is not in respect of substantive issues and no critical appraisal of these expenditures is made even at these proceedings. Parliamentary control of military spending might have been expected on a more professional basis through the Public Accounts Committee of Parliament. Here too the required parliamentary scrutiny is not forthcoming. Instead the focus here is on the auditing aspects of the expenditure. In fact the agenda at these meetings is based on the observations of the Auditor General on these expenditures. These proceedings have the characteristic of an auditing exercise.

Public Scrutiny

Public scrutiny of public expenditure is an equally vital requirement in the public finance aspect of public spending. In respect of defence expenditure public scrutiny of the substantive issues in military spending is once again singularly lacking. This probably is but a reflection of the cogency of parliamentary scrutiny itself in this regard. Likewise whatever has been the public scrutiny of defence expenditure it does not appear to have had any effect as such on the determinations for this spending.

It is appropriate, however, to record an advertence to such substantive issues through the public media by some writers. Certain newspaper articles have questioned specifically the appropriateness of military strategies, the expenditures entailed in such ill-conceived strategies, suggestions of alternate strategy and tactics for military operations and a general evaluation of the effectiveness of security operations. Such public scrutiny is rare and occasional; it is never of a sustained nature that has had the effect of provoking public debate.

In contrast there is often much comment in the newspapers relating to defence procurement, tenders, purchases of military equipment, their sources and the like. A typical instance was one where a newspaper even proposed the appointment of a Parliamentary Committee on defence and national security in line with the practice adopted in the United States of specialized committees. However, the proposal for such committee is in relation to armament purchases, corruption and transparency of government as mentioned in the same report. On the matter of the high military expenditure this article in the newspaper remarked that the amount of money to be voted was a staggering amount, but, as it said, few only will raise objections because it will be used to protect the citizens from terrorism. Such averments stifled any further scrutiny of the basis, the purpose or the effect of such expenditures as public concerns would warrant.

Public Expenditure Review

It will be recognized that a review of public expenditure is a basic requirement of public financing. An institutionalized arrangement for a review of budget expenditure and budget implementation would serve well the national requirement of budgeting procedures. Interviews with Treasury and other officials disclosed that there was no such review, not only in respect of defence expenditures but also in respect of all other expenditures. It was acknowledged that a review of budget performance may have been made at the General Treasury, the Ministry of

Finance or through the Ministry of Plan Implementation, and that it would have been a desirable feature in the budgetary procedure. An exercise of Ministry and Department performance was initiated recently but barely satisfies the need for competent review. A public expenditure review (PER) as such has been done in Sri Lanka only by the World Bank which reviews the economy and performance from that dimension.

The determination of total aggregate levels of defence spending has been referred to considerably. Briefly, the main issues here bear repetition. The claims to the budget, the disparate demands on it in a manner reminiscent of the tragedy of the Commons, unchastised by a tax burden or social cost incorporated into the demand, and the lack of effective constraints on these claims would heighten the perspective in which institutionalized expenditure review may be established. Informal restraining does operate, as for example, the attempt made by the Treasury to ensure that budget deficits should not exceed 7.0 percent of the GDP. But these are not institutionalized within a binding macro-economic framework.

Following on this is the issue of prioritization of expenditure, an important component of a PER. This itself raises issues of an asymmetry in the relevant information and basis for expenditure determination, particularly in the defence sector. It is the breadth of consultations that could but mitigate the imbalance of expenditures and strategic determination. That the effect of consultations in this context has been limited, has been previously noted, Where the basis of prioritization of defence expenditure needs to be more transparent, the opaqueness is not dispelled. The whole process has then a deceptive mirage of strict procedure: the Ministry estimation, the consultations and their breadth, the Treasury controls, the policy and plan implementation imperatives, the Parliamentary approvals and review by the Public Account Committee. If their total effect is that the problem yet remains, even lives with the problem, it only raises further questions.

In particular, the question arises whether expenditure priorities are based on outcomes or results to be achieved from such expenditure allocations. Equally pertinent is the question whether expenditure allocations are not contingent on outcomes or in fact whether expenditure determinations are driven by results and outcomes. These questions are not sufficiently contended with in the procedure, that a singular exception is worth recording to illustrate this position. This refers to an instance of a Ministry of Finance official in the course of procedural consultation with Defence establishment officials, explaining financial limits prescribed by external conditionalities, ventured to suggest that military strategy be even adjusted to a holding out operation. Since there was no further expenditure adjustments in this case it is likely that military strategy was accommodated within the limits. The suggestion here is to an institutionalization of ex post evaluation and reconciliation which in a continuing process sets the agenda for further expenditure and allocations, than itself being driven by a ready financing and supplying.

A technical efficiency of the effort so financed and an accountability in their execution would naturally be included as a consequence of the above procedures. It bears specific mention yet as a vital ingredient of a PER exercise, that executants of the policy financed an autonomy of action and are accountable even as in a performance contract.

Wider Determinants to Problem of Defence Expenditure

India Factor

The focus then shifts outside Sri Lanka, specifically to India. India is a vital element in this focus and its relevance to Sri Lanka's national defence spending needs to be underlined. Defence expenditure patterns in Sri Lanka emerged within these extra-national impulses.

India perceives her security interests as coterminous with the region as a whole. This includes Sri Lanka and other neighbouring countries. In this perception any threat to the security or stability of neighbouring countries has been viewed as a direct threat to India's security as well (Muni 1993:13). India's definition of her security concerns in relation to her neighbouring countries is premised on these terms. It is claimed further that this definition of her security and their perception is but a continuation of the British legacy in India's strategic thinking. By reason of this perception Indian leaders perceive their country as a major Asian power, destined to play a dominant role in regional and global affairs.

At about the time of independence the regional concept was of an Eastern Federation including China, India, Afghanistan and even Iran. Still later that concept was reduced in its scope and was conceived as a South Asian Federation. The vision was one of a federated relationship and these ideas were propounded to contain forces of imperialism, domination and control at the global level. This objective was to be premised on a "powerful combination of a free nations joined together for their own good as well as for the world good". This was the vision of Nehru and was reflected in a resolution of the All India Congress Committee (1945) to the effect that 'A free India will inevitably seek the close and friendly association with the neighbouring countries'. It was erroneous on the part of the neighbouring countries that India's version in this respect should evoke in them a perception that the "idea of federation and closer relations that India sought with its neighbours as being motivated by independent India's desire to recreate the "British Empire" or show of disrespect for the independence, sovereignty or freedom of action of smaller neighbouring countries" (Muni 1993:14).

Much of this enthusiasm was soon lost apparently due to the partitioning of the sub-continent and the holocaust precipitated by the creation of Pakistan, the emergence of China and its military assertion in Tibet. India's moves towards an Asian resurgence receded and the Bandung Conference of 1955 in Afro-Asian affairs proved to be end and not the beginning of India's moves to that end, (Muni 1993:15). Such a recoil from the grander visions of South Asian Federation or a lack of enthusiasm for the Bandung principles would not be sufficiently explained in these terms. That all of India's neighbours should have a different perception of that vision of India spelt a lack of appreciation of India's perception by her smaller neighbours, needs further clarification.

An Asian resurgence, itself based on close and friendly association of free nations began to recede, even vanished completely. Any concept to this effect began to emerge only decades later and took the form of a regional association designated as the South Asian Association for Regional Co-operation (SAARC). It lacked the grandeur of the earlier vision, yet incorporated its principle in the modern realities. The regional impulses for Sri Lanka and other smaller neighbouring countries of India and their security and defence postures were now from India and her geo-political interests. The concepts of natural security parameters of the sub-continent

extending from the high mountains across the expanses of the seas, the perception of India's security as closely tied up with the security of her neighbours and a policy of keeping itself and the neighbouring regions free from strategic influence of extra-regional powers weighed heavily on the national securities of India's neighbouring countries. The withdrawal was not only from the grandeur of the earlier vision of a resurgent Asia comprising a number of friendly nations but also from the broad sweep to a narrower focus of the Indian sub-continent. It was natural then in this more limited perspective that the narrower issues of the immediate sub-continent would be thrown into sharper relief than if the vision had extended from China and Siam to Iran and Iraq. The more latent configurations of security perceptions in the limited area now acquire an importance and concern in direct proportion to the reduction of space and concept. As a result relatively minor issues within the immediate region gained in intensity in a kinetic motion.

Defence expenditure issues were yet reasonably low and relatively stable. But now socio-cultural contiguities and ties across national boundaries constituted the new geo-strategic realities. Visions beyond these immediate frontiers were unrealistic and out of focus. India's preoccupation was now with these new realities and what the response of the smaller neighbours was to these perceptions. In this angle of perception intervention of one society into another is now a fact of life, an ordinary and everyday occurrence; it was no longer a matter of conscious or planned decision taken to further specific interests. Social and cultural intermeshing is the dominant feature in an inevitable process; it was not to be interfered with as such. It is this factor then that has played a critical and persistent role in India's relation with her neighbours. Social turmoil is in this perception acquiesced in as a part of the political process. This was particularly true of South Asia. Situations of cultural and social intermesh outside South Asia may warrant comparison with the South Asian scene, where similar cultural and social mixes across national boundaries evolved in a process different to that in South Asia, probably from reasons of different geo-political realities in those other regions.

The question remains whether these developments and processes were but inexorable or otherwise induced. Whatever the answer, the result has been a strategic divergence between India and her neighbours. This has been the persistent theme in the inter-regional relations in South Asia. The suggestion has been made that this situation was brought upon otherwise; that the neighbouring countries of India, through a perceived fear of India's intentions for hegemony and dominance, brought it upon by engaging in action through which to mobilize countervailing forces to balance India in the region. Such an assertion may be far less than the whole truth. Further this theory cannot account in full for the divergence of strategic and security perceptions between India and all her neighbours. The reality is therefore that there is a measure of contrivance in the inter-regional problems assuming their problematic proportions.

The ideological co-ordinates of India's vision for greater Asia, her foreign policies at that time and of her security perceptions are now less than evident. Ideological considerations have little role to play in reducing the divergence of the respective security perceptions, since ideological considerations would be overwhelmed by the new power configuration. The "chances are that due to growing military and economic capabilities combined by external pressures and internal turmoil, India may gradually drift into becoming a national security state Then the ideological component of India's regional concerns would become increasingly subordinated to its new security profile", (Muni 1993:27). For her neighbours it is equally a drift into accentuated

defence postures and higher defence expenditure curves in a direct relation to India's security profiles, and at times the drift would turn into the dramatic as in the inter-relations between India's security profile and Sri Lanka in 1983.

To cut across this current some initiative is necessary to check the tide as it spends itself. For the countries of South Asia it is the growing tendency for involvement in problems of internal turmoil that induces their security dilemmas. This region has now been in the drift of these security developments for nearly fifty years of the independent existence of the countries of this region. The experience of these years is long enough to make fresh approaches a critical requirement. A paradigm of a regional approach, than merely bilateral, within which is sought a convergence of concerns and interests is a possible feature of the security profiles. The confidence building mechanisms and other institutions are a pointer. That a regional association as the SAARC should have been initiated at this point of time may be but a product born of due gestation. At the same time the SAARC Committee on the Suppression of Terrorism adopted in 1987 may yet be of limited effect. It at least marks a convergence of views in at least an initial step in the reversal of directions.

Systemic Problems

The systemic problems within the national context, will be a useful angle from which to consider the problem of defence expenditure. The angle is that of a ready availability of arms, particularly light arms and conventional weapons. The proliferation of weapons in this region has been studied and are relevant to the Sri Lankan situation in the systemic problems that attend. The circumstances which draw in this problem, which grow with the problem and the prospective lines in which they develop as studied, specifically in other countries of this region, would be relevant in an analysis of the Sri Lankan context for defence expenditure reduction.

The proliferation of small arms and light weapons and other weapons of indiscriminate and destabilising effect is a post-Cold War phenomenon. Areas around the globe characterized as trouble spots attract these weapons. The sheer availability of these weapons has been recognized as being an endemic ingredient of conflicts with their many consequences. They determine the shape of events today than the major weapons during the cold war. "Rather, it is the trade in small arms and light weapons that is dramatically shaping the emergence of new states" (Karp 1995:17). It likewise influences security configurations of a region. The problem specifically is that fragile governments and sub-state groups in the trouble spots around the globe attract these weapons, and their relevance to Sri Lanka is in this direction.

Controls on the flow of light arms across the region, through regional and other arrangements, would be the initial response to the problem as it is seen. Restraining traffic in these weapons is difficult. They are small, cheap and easily concealed, and so readily contribute to the problem. At best controls would ameliorate the violence. In many cases reducing access to arms does not ease the conflict, particularly where the war is fought not for simple political objectives amenable to negotiation but has proceeded beyond where the stakes are set higher by reason of the availability of arms and funds. In that is the dilemma between an inducement to compromise and an invitation to improvise. Prospects for a resolution in between are limited.

The problems in this respect are not merely that they are supply driven by the ready availability of light arms but are equally demand drawn by other systemic factors. Systemic problems are the growing unrest and disorder within states through group conflict or through general social instability. The tension is then between a fragile state system and non-state forces. In a general review Klare (1995:37) identified some systemic factors that influence conflict. These are (1) The proliferation of ethnic conflicts and group violence fought by ethnically based militias using light weapons generating a demand for such munitions, (2) growing internal unrest due to social economic and political disorder which can take many forms but stimulates demand for light weapons even stocking up on counter insurgency gear, (3) a growing importance in the world scene of insurgent groups and separatist movements and an equal decline in central power by the State, and (4) a gradual criminalisation of the trade in small arms in association with smuggling of contraband goods with adept marketing financing and shipping techniques. Those systemic situations influence the market for small arms and sets in train a process which feeds on itself, with supply and demand mutually stimulating the trade.

Chris Smith (1993) in a study of the South Asian situation of a proliferation in light arms examined the position specifically in Pakistan and India. He noted there that in as much there was little likelihood of interstate conflicts as before experienced, levels of violence and conflicts have dramatically increased from centrifugal forces and communal problems in the Indian Union, and that in Pakistan violence and conflict is largely a failure of governance. En passant, Smith observed, for Sri Lanka the broad character is one of a “slow collapse of Sri Lanka after successive governments failed to resolve the tensions between the Sinhalese and the Tamils”, (ibid:3).

It is necessary to remember that through these studies above, assessments in respect of Sri Lanka have been made; one which refers to a slow collapse of Sri Lanka which bears repetition, and the second where “Sri Lanka is a good example of a conflict that has become increasingly more difficult to resolve because of the steady and reactive accumulation of arms - especially light weapons - on both sides”, (Laurance 1995:147). This throws into serious doubt the very basis on which phenomenal defence expenditures have been incurred over the years, if their effect has been only to make resolution of problems only more difficult. On the other hand, the availability of weapons in general proliferation, only makes the problems more intractable.

The proliferation of arms and necessarily the expenditure on both sides of the conflict clearly exacerbates the problem. This is the experience not only in South Asia but elsewhere too, and must surely underlie the problem in Sri Lanka. Is it then possible that the ethnic or separatist problem here has matured and grown over the years as it was fed by arms and funds readily supplied and procured? Would it also be that a problem which might have been amenable to political negotiation has grown in intensity that political options for their resolution are no longer available? If indeed this be the dynamics of the exacerbation what prospects are there for a reversal of trends, for control of expenditure and armaments well before a point of exhaustion? The experience elsewhere is that such growing expenditure and increasing militarisation have had a telling effect on the change of security profile, or security perceptions, and importantly in the militarised determination of strategy. A worst case thinking syndrome is readily assumed in these heightened circumstances, even to the point of exclusion of other

alternatives. A military domination of expenditure determinations or even of the political decision making process is the natural sequence. The knot in the dilemma is further twisted.

A corollary to this is that the levels of spending and the arms acquired are disproportionate to the actual threat. It is then probable that there are some other factors driving the acquisition process. This puts in place aspects of this problem discussed previously, of strategic determination of budgetary allocations, of their procedures and effects, of inadequacies and limitations in the process that allow expenditure escalation barely restrained, absence of ex post evaluations and reconciliation, of the military and political thrust of defence expenditure determinations, even military dominant considerations in parliamentary controls and approvals and of a military drive in a momentum of its own both in respect of strategy and funding. All these serve to throw away all controls and restraints and allow a free flow of arms and funds in disproportionate scales which in turn throws out of focus a realistic assessment of the threat.

The disproportionate increases are but a function of systemic factors within the system. But the motive force behind acquisition of funds and arms may also be externally driven influences. Here the high levels of spending are supply driven, than demand led. Weak domestic legacy could breed these tendencies and rely on them. These can add a further dimension to the problem.

How far these factors are topical or relevant to the Sri Lankan situation is not clear and may merit other research. It is sufficient for the purpose of this study that the potential be recognized of the possible developments in the problem.

Costs and Intensity of Political Conflict in Sri Lanka

An analysis of political conflict in Sri Lanka in quantitative terms of its economic costs and intensity is useful to supplement the foregoing observations. Studies in this respect were done in an examination of the problem in this perspective while identifying systemic factors behind their development. Richardson's studies of the economic costs of political conflict in Sri Lanka from 1983 to 1988 (1990 Aug), and understanding violent conflict in Sri Lanka (1990) reveal certain insights pertinent to the present study.

The economic costs were assessed by including primary costs of direct damage and loss, secondary costs which included defence costs and IPKF costs, and lastly of tertiary costs which was an estimation of the human loss involved. Defence costs for the period 1983 to 1988 were estimated at Rs.20.5 billion. This is comparable with the figures given in Annex I which is roughly over Rs.22.0 billion. The IPKF costs were computed on the basis of news reports both in Sri Lanka and in India within the same period at Rs.10.3 billion. It is equally a component of foreign military aid in Sri Lanka's defence expenditure. The total estimated economic costs of political conflict in Sri Lanka covering the period 1983 to 1988 was on a conservative basis, about Rs.144.3 billion. This was, the author remarked, the equivalent of three Mahaweli Development Projects, which were Sri Lanka's largest hydro-electric and irrigation schemes. The point was also made whether therefore, the stage had not been reached that conflict resolution should now proceed, if not that conflict avoidance was all the more important.

Richardson's study (1990) of violent conflict in Sri Lanka covered the period 1984 to 1988. Using a composite index which aggregated four dimensions of conflict-duration, severity, location and size - a single number represented intensity. The intensity of the conflict was then

plotted on a chart which is at Annex 15. The basic similarity of these trends with that of the defence expenditure increases is then the evident fact.

A correlation of the respective patterns is not attempted here. Yet the systemic factors underlying the conflict intensity chart are pertinent to those underlying the defence expenditure increases previously observed. The specific features of the conflict intensity graph were: the general resilience of the system to contain conflict from 1948 to 1984 reflected through the low levels of the curves; a qualitative change in intensity from 1984 reflected through a high level in the graph; and the problem of a cancerous growth in the rate since 1988, as observed by the author.

Against this background data, the author sought an understanding of violent conflict in Sri Lanka adopting a systems analysis perspective. In this manner there were positive influences which contributed to the escalation of conflict. These were described as 'bandwagon effects', 'vicious cycles', and 'cancerous growth' (ibid:19). On the other hand there were negative influences that induced stability. These were identified as patterns of stable democracy, one party state or national security states.

There is no assertion of any graded scale in these patterns, as perhaps one developing into the other. Nor is it suggested that these states stand independent of each other and would not mesh into each other, in this study. Detailed references are however made to potential pathologies which assail the coherence of these patterns, which the author observed, may result in a transition (ibid 25), or that the other pattern is 'likely to emerge' (ibid 27). A development from one state or pattern to another is to be inferred from this study, either in a marked way or even imperceptible through the symptoms of progression. Such developments then can have their relevance to the trends of militarisation and defence expenditure. Intensities of conflict and trends of military expenditure may run parallel but would yet influence each other in a manner of mutual fulfilment.

Conclusion

The problem of defence expenditure in Sri Lanka is a recent experience. Significant increases in defence expenditures were experienced only since 1983. Even then the question of defence expenditure was not perceived as a problem, though the high levels of such expenditure evoked some concern. It was perhaps only in this decade itself that the magnitude of the problem really confronted the nation. The impact of high military spending on the other sectors of the economy and on the political scene, even to review and take stock of the resulting situation, became a matter of concern. Defence expenditures as a problem and prospects for its reduction were then a very recent issue. Studies and research in this respect are therefore of a very limited nature. Even among the political authorities, any expressions of concern with the high levels of defence spending or in fact of recognizing it as a problem were barely evident. It was even considered politically inexpedient to advert to defence spending as a problematic issue, or to entertain any reservations as to their purpose and objective, or to look for any line and direction in such heavy commitment of governmental expenditures. Parliamentary debates both from the ranks of the government and the opposition, the media and other opinion makers were a significant reflection of this trend.

Any study then of this problem needs to focus on the basic issues that pertain. Primarily an examination of the procedure by which these high levels of expenditure were determined is necessary. A close analysis of the procedures that applied to defence spending, unlike with other governmental expenditure, revealed specific measures that were adopted in this context. Thus many variations of procedures were adopted from time to time. These contrivances were a clear indication that defence expenditures so incurred were perceived as a problem, and that some measures had to be adopted to exercise control over such spending and to effect some reduction.

Various means had been contrived. These ranged from pre-audit exercises by way of statistical accuracy checks, examination of computational bases, rationalization of procurement, standardization of equipment etc. These measures were devised from time to time. They were not always persisted with long enough to establish settled procedures whereby significant control of military expenditure was exercised, or substantive reductions effected. In as much, therefore, as these contrivances were of limited effect in respect of the problem, their conception in terms of the matter in issue were not of any consistent nature. The problem in its essential nature does not seem therefore to have been addressed. Rather the measures adopted have been piecemeal and ad hoc even as the problem unraveled itself. A detailed examination of the actual mechanics of the procedures reflects the lack of a congruity between the problem itself and remedial measures envisaged. The measures were inapposite, and served not the intended purpose.

Rigorous procedures were thus barely operative. To compound the problem there was the ready financing of defence expenditures through regular supplementary provisions and extra-budgetary financing arrangements, apart from other contingency provisions being made available. The perspective was short term and were repeated annually, the new year constituting a fresh lease. Stringent financial control were hardly feasible in this context. Prospects for reduction of defence expenditures were remote. The problem of heavy escalating military spending thus remained, and persisted in a momentum of its own.

This could however not proceed interminably. Any prospects for control lay in another direction, that which addressed the root of the problem. Concerns were expressed about the heavy outlays not being based on any clear strategy and of an evaluation of the objectives to be achieved. The search for a political solution to the problem was even considered critical at this point. At the same time economic imperatives and critical indicators loomed heavy in the relevant considerations. Therefore macro-economic frameworks were set and medium term financial strategies formulated. Reduction of military expenditures were envisaged to follow other political initiatives. The ensuing circumstances did not however permit the realization of these objectives. Economic frameworks and financial strategies have had to be recast while defence expenditures continue to escalate to a point which the economy can no longer afford.

A sharper focus then on the totality of the problem is warranted. A military strategy as the main thrust of the solution to the problem with all the heavy spending it involved was inadequate. Non-military dimensions to the problem of national security to include political, economic, cultural, social and as importantly extra-national aspects came out in clearer relief. The concept of national security was more comprehensive, and national strategy for the solution to the problem of national security more pertinent, than an over-emphasis and an over-expenditure on a

military strategy. An alleviation of the problem of defence expenditure and any prospects for their reduction lies in this perspective.

Abbreviations

1. CDN - Ceylon Daily News.
2. GNP - Gross National Product.
3. GDP - Gross Domestic Product.
4. PER - Public Expenditure Review.
5. IPKF - Indian Peace Keeping Force.

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