

RCSS Policy Studies 12

Defence Expenditure in South Asia: India and Pakistan

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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 remains and enhance national interests are 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 last of three consecutive RCSS Policy Papers.

The two papers in the RCSS Policy Paper 12 are again from India and Pakistan revisiting the same question, but from a somewhat different view. Both examine critically the high defence expenditure and trace its history to the backdrop of security threat as perceived by the strategic community and the government in respective countries.

The RCSS accepts that the debate is indeed a continuing one. In the next series of RCSS Policy Papers, we propose to examine the linkage between governance and defence spending in South Asia.

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India's Defence Expenditure: Can it be Reduced?

P R Chari

Establishing the Problematique

The phenomenon is worth noting that global defence expenditure has shown a secular decline following the end of the Cold War, but Asia has proved resistant to these winds of change in the international system. Thus: "Global defence expenditure, which stood at an all time peak of \$ 1,360 billion (in constant 1995 dollars) in 1987, was down to \$ 864.5 billion in 1995. From here it slid down to \$ 727 billion in 1996 and it stood at \$ 714.22 billion in 1997".¹ However, defence expenditure in real terms rose in several countries and regions around the world, especially Asia. "Defence expenditure in the 42 countries of Asia went up from \$ 183.51 billion in 1987-88 to \$ 270.59 billion in 1997 in current dollars. Asia's total defence expenditure, which was approximately half of the US defence expenditure ten years ago, reached a level nearly equal to the defence expenditure of the United States in 1997".²

South Asia confirms this trend. Military expenditure in the region increased from \$ 11.3 bn. to 14.3 bn over the 1989-98 period in terms of constant 1995 prices and exchange rates, indicating an increase of 27 % in this period. Illustrating this trend military expenditure in India rose by 27 % from \$ 7.8 bn. to 9.8 bn. As a share of GDP it fell from 3.1 % in 1989 to 2.5 % in 1998. But, as a share of Central Government expenditure, military expenditure has leveled off in India; it was an estimated 13.4 % in 1989 and 13 % in 1998.³ Incidentally, the share of military expenditure in the GDP of Pakistan dropped from 6.6 % in 1989 to 4.9 % in 1998; over this period, military expenditure as a share of Central Government expenditure also leveled off—it was 24.5 % in 1989 and 24 % in 1998.⁴

These criteria for comparing military expenditure (ME) by nations have their obvious limitations. ME/GDP comparisons are especially misleading. The proportion of national resources allocated to defence reflects the perceptions of national elite and decision-making circles, which is largely founded on the security milieu in which a country finds itself. For instance, the ME/GDP ratio of Iran ranged between 7.7 and 5.1, and that for Iraq fluctuated between 41.2 and 74.9 between 1985 and 1991; this is unusually high, but corresponds to the years of the Iran-Iraq war. Israel's ME/ GDP ratio has hovered between 20.3 and 9.6 over the 1985-95 decade, but this reflects its asymmetric position within the hostile Arab world.⁵ On the other hand, Japan's ME of over \$ 50 bn in 1995 is around 1 % of its GNP; still Japan is the fourth largest military spender in the world after the United States, Russia and China.⁶ Consequently ME/ GDP comparisons can be skewed and misleading completely.

A more useful basis for comparison is the ME/CGE ratio, which informs what proportion of the Central Government's revenues have been pre-empted for defence. These revenues reflect the income acquired by the Government through fiscal measures and other appropriations to perform its functions, including the ensuring of national security, which is acceptable to the population. In a democratic society the people do have a voice regarding the preemption of national resources for the competing ends of development and defence. ME/CGE comparisons provide a more accurate basis for comparing military expenditure and evaluating its burden on the national

economy. There are other comparisons possible by, for instance, estimating the military expenditure per capita of the country's population or military expenditure per member of the armed forces; but they are not very useful for our purposes.

Evaluated in terms of ME/GDP or ME/CGE ratios India's current defence expenditure of around 2.5 % of its GDP and 13 % of its CGE is low in comparison to its major adversaries, Pakistan and China. India takes credit in the MOD Annual Reports for allocating only the minimum, irreducible amount to defence; they state: "The endeavour of defence planners is to balance the minimum maintenance requirements of defence forces and the need to modernize them, without unduly straining the economy. Given India's size and security concerns, the outlay on Defence, assessed either as a percentage of the total Central Government expenditure or of the Gross Domestic Product, continues to be one of the lowest among neighbouring countries".⁷ This assertion has been repeated over several years.

Nevertheless, military expenditure does involve significant opportunity costs, although special pleadings do not want to quantify the benefits that accrue to the national economy by enlarging the defence budget. This observation needs emphasizing since a sizeable increase in military expenditure in the next budget is likely to ostensibly make up for the deficiencies revealed by the Kargil conflict and increased terrorist activities in Kashmir. Hopefully, this increased defence budget will be used to raise forces and procure equipment relevant for combat in mountainous terrain and counter-insurgency/counter-terrorism operations. There are even chances, however, that it would be used to indulge the wish list of the three Services and procure weapon systems that have little relevance to ensuring national security.

It is admittedly impossible to determine with finality what portion of the national resources should be allocated to military security or to human security, and to developmental purposes: therefore, the conundrum "how much is enough" continues to elude a precise answer, although this exercise can engage academic fancies. In practice an arbitrary line is drawn between the resources allocated to defence, social services and administrative expenditure after meeting such obligatory liabilities as interest payments/loan installments and the political commitments embodied in subsidies. Elite perceptions of the threat to national security underlie force structuring and defence planning exercises; this governs the size of the defence budget. Before discussing these perceptions and the fuller dimensions of India's national security in the foreseeable future, it would be useful to describe the structure of the defence budget to discover the economies possible.

Structure of the Indian Defence Budget

The broad features of the Indian defence budget would be discussed first before debating whether expenditure currently out of account should be included therein.

A broad differentiation is effected in the defence budget between Service/ Department-wise expenditure. For the last (1999-2000) financial year it was distributed over 5 major heads viz. Defence Production and Supply (1.34 %), R & D (6.07 %), Navy (14.80 %), Air Force (22.50 %), and Army (55.29 %).⁸ In line with inherited British practices, a further distinction is made between revenue and capital expenditure. Revenue outlays are recognized as expenditure that does not result in creating permanent assets. Capital expenditure is incurred on acquisition of

permanent assets like land, buildings, and machinery. This distinction is not very satisfactory; small or temporary structures have been classified as revenue expenditure. Before 1985-86 the expenditure on aircraft, aero-engines and the naval fleet acquired by the Air Force and Navy were classified as revenue expenditure, which was unrealistic. From 1987-88 onwards, such outlays are displayed under capital expenditure along with the expenditure on heavy and medium vehicles or equipment having a value of Rs. two lakhs each and a life of seven years.⁹

Beyond such classifications Service/ Department-wise revenue expenditure is divided into minor heads pertaining to pay and allowances, transportation, stores, works and miscellaneous costs. Capital expenditure is differentiated into cost of land, construction costs, procurement of rolling stock, besides outlays, as noted above, on aircraft, aero-engines, naval fleet, heavy and medium vehicles or equipment. Yet another functional method of classifying expenditure on the Services is to differentiate between personnel and personnel-related costs, maintenance costs and modernization costs. This is a traditional means of disaggregating defence expenditure in terms of its major functions, so that existing outlays could be utilised more efficiently. In U.S. experience, it was noted that: "Historically, budgets have squeezed R & D (mortgaging the future), stretched out modernization programs (decreasing long-term readiness and increasing unit costs), and slashed Operations and Maintenance (reducing near-term readiness). Manpower levels have been held constant, but manpower costs been reduced somewhat by reduction of real wages".¹⁰

No "reduction of real wages" can occur in India due to the indexing of dearness allowance, which is a major component of total wages, to the inflation rate. But other aspects of the American situation are wholly relevant to India. The empirical evidence informs that any reduction in the defence budget or any unexpected expenditure that needs accommodation therein has led to modernization effort first getting affected, followed next by maintenance costs. Personnel related costs are deemed sacrosanct, and remain untouched. Indeed, a major reason for the strains in the defence budget, as is occurring in the civil budget, is the fact that manpower costs have been escalating steadily over the years due to inflation, and implementation of the decadal Pay Commission Reports that have always recommended increases in real wages and secular improvements in service conditions.

No systematic effort has proceeded, however, to reduce the strength of the armed forces despite the upgrading of their firepower and mobility, just as reduction of the hugely redundant work force is inconceivable in the civil sector despite the computerization of offices and modernization of procedures. This question is of special significance to the Indian Army since manpower and manpower-related costs account for some 60 % of its budget. The proportion of these costs in the Navy and Air Force budgets are reversed due to their maintenance and modernization costs being higher, but their manpower and manpower-related costs account for some 40 % of their budgets. Unless this issue is seriously addressed serious efforts to reduce defence outlays are unlikely to succeed. How the existing manpower in the armed forces, particularly the Army, could be reduced and better utilised would be addressed somewhat later in this paper. It would suffice to flag the issue of personnel and personnel-related costs here as requiring attention to reduce military expenditure.

The several allegations made in India and abroad that some part of India's military expenditure is disguised under other heads of account can be examined now.

- Firstly, the pension liabilities of the armed forces are included in the civil estimates since 1984; they have risen dramatically following the revision of pensions following the Fifth Pay Commissions' recommendations that became applicable from January 1996. This is apparent from the pension figures: 1994-95–2704.10 crores; 1995-96–3197.12 crores; 1996-97–3683.00 crores; 1997-98–4947.42 crores; and 1998-99 (B.E.)–5923.58 crores.¹¹ This amounts to 14.37 % of the defence budget. It is arguable that defence pensions should form part of the defence budget and not part of civil pensions, as obtained before 1984.
- Secondly, the outlay on the Ministry of Defence Secretariat (some 550 crores) is also debited to civil estimates. But this conforms to the general convention established in the Government of India and relates to all Ministries.
- Thirdly, the expenditure on para-military forces like the Border Security Force, Central Reserve Police Force, Indo-Tibetan Border Police and Assam Rifles is borne by the Home Ministry. These para-military forces come under the operational control of the Army when they are employed in combined counter-insurgency or counter-terrorism duties. Some of them are earmarked to come under the Army's operational control during a conflict. India's total allocations on its paramilitary forces, numbering in excess of 1 million, amounted to \$ 773 million (Rs. 3300 crores) in 1998-9,¹² which was debited to the budget of the Ministry of Home Affairs. It can be argued that the outlays on the para-military forces should be borne by the Ministry of Defence as they have been raised and are being utilised for purposes of maintaining internal security and augmenting external security. However, the normal functions of these forces are allied to police duties, and their placement under the Home Ministry conforms to the system followed in most democratic countries in the world. It is fitting that expenditure on them is borne by the Home Ministry.
- Fourth, a similar argument could justify the exclusion of expenditure on the Border Roads Organization from the defence budget; at present, this is included in the budget of the Surface Transport Ministry. Army Engineer officers man this Organization but these roads, though meant for strategic purposes, are largely used during times of normalcy by civil traffic. A similar logic informs the inclusion of the outlays on the National Security Guard under the Cabinet Secretariat. Specially selected Army officers trained for anti-terrorist operations and providing VIP security man this force.
- Fifth, the argument that "space and nuclear programs that relate to military, and some items under the heading "strategic electronics" such as radar research that fall within the expenditure of the department of electronics" ¹³ should be included in the defence estimates is not well conceived. There is an insuperable difficulty in segregating the expenditure pertaining to military activities from the budgets of the Atomic Energy, Space and Electronics Departments, since their primary responsibilities are of a non-military character. The truth of the matter is that India's military achievements in the nuclear, missile and electronics areas have been derived from its civilian programmes, but the precise linkage between the two is opaque. The role of the Atomic Energy Commission in the development of India's nuclear devices was clarified after it tested them in May 1998, but its manufacture was jointly undertaken by it with the Defence

Research and Development Organization. Still, India's unequivocal military programmes like the development and production of missiles proceeds within its Integrated Missile Development Programme; similarly, the Advanced Technology Vehicle (nuclear submarine) programme proceeds within the Navy.

The in brief conclusion possible at this juncture is that no conscious effort is made like in India to disguise its defence budget, which is difficult in a democracy especially in India where transparency is demanded by the Opposition parties in ever-increasing measure. The issues whether defence pensions should be debited to the defence estimates and what proportion of security-related activities in other Ministries that have a nexus with defence should be treated as military expenditure can be endlessly argued without reaching any conclusion. Whilst seeking an answer to the question how military expenditure might be reduced it would be profitable to discuss the nature of threats to India's national security.

The Fuller Dimensions of National Security

Clearly their prejudices and biases condition the threat perceptions of the national decision-making elite. The first chapter of the Annual Reports put out by the Ministry of Defence in India entitled 'National Security Environment' articulates these threat perceptions. It is drawn up each year in consultation with the External Affairs Ministry; indeed, the MOD has consciously sought to achieve a closer mesh with the Ministry of External Affairs to assess national security threats.

A cursory look at this chapter over the years reveals a certain pattern in its basic structure. After commenting on the international security situation, this chapter deals at some length with the security threat from China and Pakistan, then from other countries in South Asia, Southeast Asia, Central Asia, West Asia/Gulf and the Indian Ocean region. More recently, following India's nuclear tests in May 1998, its general policy towards nuclear and conventional disarmament issues and international security are also mentioned. Apart from recognizing the significance of energy security, a welcome sensitivity to the non-military challenges to India's national security can also be found in the latest reports; these non-military challenges have been identified as terrorism, insurgency, acquisition of WMD-related technologies by non-state actors, currency counterfeiting, drug trafficking, and organised crime.¹⁴

This is a distinct improvement from the Defence Secretary's often-quoted evidence before the Estimates Committee, when he affirmed that India's Defence Policy "has been basically a policy to defend our territory, our sovereignty and our freedom and no more than that".¹⁵ Whilst rebutting the criticism that India has, in effect, no defence policy, Prime Minister Narasimha Rao informed Parliament that: "We do not have a document called India's National Defence Policy. But we have got several guidelines, which are followed, strictly followed and observed, and those can be summed up as follows:

1. Defence of National Territory over land, sea and air encompassing among others the inviolability of our land borders, island territories, offshore assets and our maritime trade routes.
2. To secure an internal environment whereby our National State is insured against any threats to its unity or progress on the basis of religion, language, ethnicity or socio-economic dissonance.
3. To be able to exercise a degree of influence over the nations in our neighbourhood to promote harmonious relationships in tune with our national interests.
4. To be able to effectively contribute towards regional and international stability and to possess

an effective out-of-the-country contingency capability to prevent destabilization of the small nations in our immediate neighbourhood that could have adverse security implications for us".¹⁶ This declaration can be faulted on several grounds; that it is altogether too vague and general, that it does not provide any serious guidance for defence planning and budgeting exercises and so on. But a more serious line of criticism of this formulation would be the objective to "exercise a degree of influence over nations in our immediate neighbourhood" and, towards that end, "to possess an effective out-of-the-country contingency capability to prevent destabilization of the small nations in our immediate neighbourhood". This suggests that India wishes to operate a version of the Monroe Doctrine in South Asia by pursuing an interventionist role if developments occur in the region that are deemed inimical to its interests. The far-reaching implications of this affirmation of India's extra-territorial responsibilities have, fortunately, not received much attention.

A national defence policy is essentially premised on its foreign policy which, in turn, is based on its desire to optimize the country's national interests. Therefore, the starting point of any holistic exercise to discern the requirements of the defence budget and military expenditure must be the identification of India's national interests as contained in its strategic objectives. These have been identified in the latest 1998-99 Annual Report of the Ministry of Defence as under:

1. Defending the country's borders as defined by law and enshrined in the constitution and protecting the lives and property of its citizens against terrorism and insurgencies.
2. Having a secure, effective and credible minimum deterrent against the use or the threat of use of weapons of mass destruction against India. The profile of this deterrent, including accurate and refined delivery systems, will not be circumscribed in range and payload by any outside pressure or influence, but will be determined by the country's threat perception at any point of time.
3. Insulating the country from the effect of individual or group restrictions on the transfer of material, equipment and technologies that have a bearing on India's security, particularly its defence preparedness. This involves a greater emphasis on in-house research, development and production of the nation's requirements and recourse to feasible alternative sources.
4. Promoting further co-operation and understanding with neighbouring countries and implementing mutually agreed confidence-building measures.
5. Working with countries of the Non-Aligned Movement to address key challenges before the international community and engaging in co-operative security initiatives such as the ASEAN Regional Forum (ARF).
6. Pursuing security and strategic dialogues with major powers and key partners.
7. Following a consistent and principled policy on disarmament and international security issues based on the principles of supreme national interest, universality, non-discrimination and equal security for all.¹⁷

It is a matter of satisfaction that the Government of India has since realized that national security has larger dimensions beyond its perception through the traditional prism of military security viz. maintenance of territorial integrity by defending against external attack or irredentism or internal revolt involving defence of the borders, protection of the airspace and sea-lanes. The need to

proceed beyond these historical concerns of national security and compulsions of a bygone era is gaining greater recognition now in the security debate in India, although the fixation with Pakistan and China, in that order, persists in policy-making circles.

This obsession becomes clear from Prime Minister Vajpayee's letter to President Clinton after the nuclear tests in May 1998, which leaked to the press. In a circumlocutory manner it states that: "I have been deeply concerned at the deteriorating security environment, specially the nuclear environment, faced by India for some years past. We have an overt nuclear weapon state on our borders, a state which committed armed aggression against India in 1962. Although our relations with that country have improved in the last decade or so, an atmosphere of distrust persists mainly due to the unresolved border problem. To add to the distrust that country has materially helped another neighbour of ours to become a covert nuclear weapons state. At the hands of this bitter neighbour we have suffered three aggressions in the last 50 years. And for the last 10 years we have been the victim of unremitting terrorism and militancy sponsored by it in several parts of the country, specially Punjab and Jammu & Kashmir".¹⁸ Different segments of the BJP Government have their personal anxieties in regard to China and Pakistan. Defence Minister, George Fernandes, is greatly concerned with China, whilst Ministers close to the RSS are obsessed with Pakistan. Of course, there are some others who have sought to urge that India's nuclear weapons are not meant to be country-specific but must possess an all-azimuth content to express India's global concerns with the slow progress of nuclear disarmament; this is unconvincing because the Government had vehemently argued that security imperatives impelled its nuclear tests and not considerations of prestige as alleged by its critics. These views are important to understand the present Government's national security perceptions, which is obsessively concerned with the nuclear dimension.

The draft nuclear doctrine unveiled in August 1999 specifies that India would establish nuclear forces to provide a "credible nuclear deterrent". These forces "will be based on a triad of aircraft, mobile land-based missiles and sea-based assets"¹⁹, to acquire an assured nuclear deterrent capability against China and Pakistan. Such a nuclear force would closely resemble that deployed by the five nuclear weapon powers, but its costs could add up to an impressive total. An effort was made by Foreign Minister Jaswant Singh to downplay the significance of the draft nuclear doctrine in a newspaper interview and suggest that it was only a discussion document; however, this denial has not carried much credibility, although it has added to the prevailing confusions in the country and abroad.

The direct costs of a nuclear force are difficult to compute; this has led to widely differing estimates being made. The Human Development Report for 1999 notes that, "...subsequent to the nuclear tests in May 1998, the Indian government declared an allocation of 9.9 billion dollars (Indian Rs. 412 bn) for defence from its 1998-9 budget, an increase of \$ 1.2 billion or 14 per cent in nominal terms over the previous year...new estimates for maintaining full-scale nuclear arsenals—including command and control with nuclear safeguards, training, and delivery systems—are expected to run (sic) India and Pakistan each, at a bare minimum, \$ 750 million per annum. Over a ten-year period, a projected \$ 15 billion may be spent by the two adversaries on the production and maintenance of these instruments of war".²⁰

There is a further dimension to this question. It was forcefully argued before the tests that the weaponization of India's nuclear option would allow expenditure on its conventional forces to be

reduced based on the thesis that nuclear deterrence subsumes conventional deterrence. This was seen during the Cold War in Europe when the non-nuclear members of NATO were able to keep their defence expenditures low whilst sheltering under the American nuclear umbrella. The contrary argument is that such a reduction in the costs of conventional forces was plainly illusory on doctrinal considerations. “Consequent to the deployment of nuclear forces, the necessity would arise to ensure that they would only be contemplated for use as a very last resort. Raising the nuclear threshold would, in turn, require the periodical modernization of conventional forces to ensure that deterrent patterns would remain in place against the adversary with upgraded conventional forces, and not require recourse to nuclear arms”.²¹ This prognostication has unfortunately come true. The draft nuclear doctrine states that: “2.7. Highly effective conventional military capabilities shall be maintained to raise the threshold of outbreak both of conventional military conflict as well as that of threat or use of nuclear weapons; and 7.1. India should step up efforts in research and development to keep up with technological advances in this [nuclear weapons] field”.²² The foregoing citation makes clear that, apart from the costs of a nuclear force premised on a triad of nuclear forces, the expenditure on conventional forces could also increase in an exponential fashion. The conclusion is clear. If India proceeds ahead with weaponizing and deploying its nuclear weapons there would be substantial direct and indirect costs involved, but this will not allow the costs of modernizing its conventional forces to be reduced.

Reverting to our primary theme of identifying the fuller dimensions of national security it is apparent that internal threats are cardinal to India’s national security; intra-State conflicts are more frequent than inter-State conflicts; and the loss of life and property from terrorism, insurgency and sub-conventional conflict has been far greater than during all its conventional conflicts taken together. For instance the loss of life in the decade-long insurgency in Punjab, which concluded some years back, far exceeded that incurred by India in all the past four Indo-Pak conflicts taken together; insurgency has continued in Kashmir since 1989 and has taken an even higher toll of life. It has nevertheless been noted at the global level that: “In 1998 there were 27 major armed conflicts in 26 locations throughout the world. All but two—those between India and Pakistan and between Eritrea and Ethiopia—were internal”.²³ The definition of “major armed conflict” is: “Prolonged use of armed force between the military forces of two or more governments, or of one government and at least one organized armed group, incurring battle-related deaths of at least 1000 people during the entire conflict, and in which the incompatibility concerns government and/or territory”.²⁴

If a broader definition of national security were adopted to include human security, a different approach to defence expenditure would suggest itself. Poverty and deprivation obviously exacerbate the problems of human security; they could provoke social unrest in India no less certainly than visible threats to internal security. Indeed, poverty and deprivation have aggravated the incidence of social unrest, it has manifested itself in class wars based on caste and communal fragmentation. The need to provide adequate outlays for the social sectors of the economy consequently are clearly as important as making provisions for the armed forces.

The challenges to human security are evident from the dismal statistics relating to illiteracy, population growth, infant mortality, and women’s empowerment in India; they highlight the people’s lack of access to food, shelter, clean drinking water, basic health and educational

facilities. Apropos, the Human Development Report for South Asia (1997) declaims that: “South Asia is fast emerging as the poorest, the most illiterate, the most malnourished, the least gender-sensitive—indeed, the most deprived region in the world. Yet it continues to make more investment in arms than in the education and health of its people”.²⁵ The evidence adduced informs that:

- South Asia contains 22 per cent of the world’s population, but it produces only 1.3 per cent of the world’s income.
- There are more children out of school in South Asia than in the rest of the world, and two-thirds of this wasted generation is female.
- Half the children in South Asia are underweight, compared to 30 per cent in sub-Saharan Africa.
- South Asia is the only region that defies the global biological norm, with only 94 women for every 100 men (instead of 106 women to 100 men as in the rest of the world); so 74 million women are simply ‘missing’.
- About 260 million people lack access to rudimentary health facilities; 337 million lack safe drinking water; over 400 million people go hungry every day.²⁶

A holistic view of national security, comprising both military and human security, would require their simultaneous recognition for administrative and budgetary purposes. There is no mechanism presently available with the Government of India to conduct this exercise. Still the National Agenda for Governance issued by the BJP Government had noted that: “We will establish a National Security Council to analyze the military, economic and political threats to the nation, also to continuously advise the government. This Council will undertake India’s first ever Strategic Defence Review”.²⁷ The National Security Advisory Board constituted under the aegis of the National Security Council is believed to have submitted its draft Strategic Defence Review to the Government, but its contents are not known at the time of this writing. It is unlikely, however, to have considered the problems of Indian national security in any composite manner, and taken into consideration the ends of human security. It is possible that this concept of budgeting is well ahead of its times.

Reducing the Military Expenditure Devil’s Advocacy

It would be useful at this stage to notice the arguments for an increase in military spending. These gain currency after every crisis, and are currently being strenuously promoted after the Kargil war revealed serious deficiencies in the equipment of Indian Army personnel deployed in these inhospitable heights. They include special equipment for utilisation in mountain warfare like lightweight jackets, rucksacks, tents, night vision devices, and similar low-cost equipment, which represents a failure of the system. That apart, the major reasons advanced for increasing military expenditure over the years have urged that:

- No real increase had occurred in defence outlays after accounting for inflation;
- Allocations for the Army had been marginally increased, but remained almost static for the Navy and Air Force;
- Capital outlay of around 30 % of the defence budget was insufficient to meet even priority modernization and re-equipment programmes; and

- Effects of the Pay Commission Report were not configured into the budget.²⁸

These reasons for increasing military expenditure subsume some generic problems afflicting the armed forces in India. They include the serious deficiency of spares and ancillary equipment to maintain ex-Soviet equipment. There is no real solution to this problem considering the confusion prevailing in Russia and the former Republics of the Soviet Union. This issue especially affects the Navy and Air Force, since they are equipment-intensive and possess over 70 % of ex-Soviet equipment; but also because ships and aircraft in these two Services have reached the end of their life-cycles and are becoming obsolescent. Lack of resources has led to the Defence Plan not being finalised for years since there was no assurance of funds. This is delaying the modernization and re-equipment programmes of the armed forces and has inspired the wry comment that “the real North-South divide is between the North Block [Finance Ministry] and South Block [Defence Ministry]”.²⁹

The Manpower Issue

Another major reason for concern is the difficulty of getting high calibre young persons to join the armed forces as officers. The remedy suggested by the armed forces was to markedly improve the emoluments of officers and men to attract the best available talent. This solution was accepted by the Fourth and Fifth Pay Commissions, resulting in the armed forces becoming a high wage island within the public services but without any noticeable improvement in recruitment figures. This parlous situation can be dramatised by noting that the annual planned intake by the three Army officer’s training institutions is 1600, whilst the annual retirement is around 2000, leaving an unfilled gap of 400 each year, which is increasing the number of deficiencies. An identical situation obtains in the Navy and Air Force, where the accumulated shortfall was estimated some four years ago to be around 600 and 1500 officers respectively.³⁰ It was also estimated that shortages in the ranks of captains and majors and their equivalents in the Navy and Air Force—which reflects the junior leadership of the armed forces—was as high as 12000; this deficiency was compounded by an estimated 3500 senior officers seeking voluntary retirement over the preceding four years.³¹

The suggestion commonly made to remedy the officer situation is to dramatically improve promotion avenues within the armed forces. The logic advanced is that 97 % of armed forces’ officers have a service life of only 18 to 24 years, and only 0.6 % reach the rank of Major General, which is equivalent to a Joint Secretary on the civil side.³² This is a singularly ill-conceived idea, and would only give birth to the same problem in the armed forces that currently afflicts the civil services, where a large number of senior posts have been created without any meaningful content, resulting in their incumbents marking time and becoming increasingly frustrated over the years. The command structure in the armed forces has perforce to remain narrow in the interests of effective line management. Apropos, the combined effect of the two Cadre Reviews undertaken in the eighties, ostensibly to streamline the administrative structure in the three Services, but in reality to improve career prospects, has distorted their hierarchy at the field and command levels. A deterioration in operational efficiency has occurred in consequence.

Incidentally, several innovative recruitment schemes have been devised to improve the intake, including special entry schemes for recruiting women and personnel from within the Services,

apart from lowering physical and academic standards for entrants to attract a fair share of the available talent. But the fact remains that there has been not much improvement in recruitment levels. This may, of course, reflect the disinclination of young persons to suffer the discomforts of life in the armed forces, which is in line with the global trend against military service and the physical dangers it unavoidably involves. This trend is unfortunate since weapon systems are becoming increasingly complex; this requires high calibre personnel to use and maintain them. Recruitment standards cannot therefore be continuously lowered as a solution.

What needs greater thought, however, is the wisdom of increasing the strength of the armed forces over the years, whilst secular improvements were being made to their mobility and firepower. This is evident from the total Indian armed forces' strength revealed by the Military Balance published each year by the International Institute for Strategic Studies; 925,000 (1969-70); 956,000 (1974-75); 1,120,000 (1984-85); 1,265,000 (1994-95), and 1,173,000 in 1998-99. This shows a steady increase in manpower levels over the last thirty years; but a welcome realization recently that amelioration in the threat from China could permit a reduction in the strength of the Indian armed forces.

In theory, the United States believes that a radical decrease in manpower levels is only possible if "off-budget" compensatory measures are effected, like treaties being concluded to mitigate the military threat or an increase in the warning time for attack.³³ The conclusion of an agreement (1993) with China to maintain peace and tranquility in border areas and another agreement (1996) to avoid the use of force and establish confidence building measures had improved relations between the two countries before India's nuclear tests intervened, preceded by the Defence Minister's designation of China as a major security threat. There are hints now of India-China relations improving, which could reassure India to contemplate a larger reduction of its forces facing China along the northern borders.

Further, a state of non-weaponized deterrence was established against Pakistan in the eighties; this had inhibited the eruption of hostilities despite several crises in Indo-Pak relations occurring during the intervening years. This state of non-weaponized deterrence became more transparent and Indo-Pak nuclear deterrence became firmly established after their nuclear tests. To illustrate, the Kargil war remained delimited in terms of time and space; this was largely due to the operations of nuclear deterrence, which inhibited the intensification or extension of the conflict by either side. The inhibition of large-scale conventional conflict on the pattern of past Indo-Pak wars, involving the extensive use of armour and combat aircraft, suggests a restructuring in the configuration and equipment patterns of the armed forces. A case can also be made for reducing their size in view of this altered future conflict scenario in the sub-continent.

Further, counter-insurgency and counter-terrorism operations have now become the staple of the Indian Army, despite its disinclination to perform such "aid-to-civil" functions, and only concern itself with "the higher end of the conflict spectrum" on the thesis that the Army is "the ultimate instrument of national power".³⁴ This is an arguable proposition, since the armed forces have always been associated with non-military duties like the maintenance of law and order and essential services, besides assisting the civil administration during natural emergencies. The Army's involvement in counter-insurgency and counter-terrorism operations shows no signs of letting up; this has obvious implications for its future recruitment, training and equipment.

The middle path discovered by the Indian Army has been to raise the Rashtriya Rifles, a para-military force committed to counter-insurgency duties, which remains under the operational control of the Army. The logic informing this step is that "...militants today are not only equipped with more sophisticated weapons, equipment and communications systems, but are also well trained and organized ...[hence] the necessity of a para military force with the training and ethos of the Army was felt".³⁵ With a force level of 36 battalions, the Rashtriya Rifles have a strength equivalent to around 15 % of the infantry corps. This has obvious implications for training and equipment that would impact on the defence budget. For that matter, the pattern of conventional conflict is changing as the Kargil war demonstrated. High altitude warfare in the moonscape of the Himalayas requires personnel to acquire the skills of a mountaineer in addition to fighting in arctic conditions. This needs Special Forces trained and equipped for mountain warfare, which has its own budgetary implications.

Could a basic change be effected in the organization of the armed forces by manning the Services with a small body of professional and technically qualified personnel supporting a large volunteer force with shorter periods of recruitment? In other words, does India require two armies? One premised on the Rashtriya Rifles structure for counter-insurgency and counter-terrorism duties? And the other trained and equipped for conventional operations? Strengthening the counter-insurgency/ counter-terrorism forces, but reducing the personnel trained and equipped for conventional conflict on the World War II pattern, would permit sizeable reductions in defence expenditure. The question whether the political will obtains to take such radical steps and challenge military conservatism is another matter; especially since the present BJP Government approves the pursuit of military strength and nuclear arms for ideological considerations.

The issue of restructuring and reducing manpower in the armed forces, especially in the Indian Army, is of cardinal importance to reducing military expenditure. Several ideas relating to the employment of Service personnel released after completing their stints in the armed forces have been discussed in a desultory fashion over the years. The Arun Singh Committee on Defence Expenditure went into this question and is believed to have made several useful suggestions; the Government has not acted on them, nor has the Report been made public. This issue is included within the larger question of reforming the higher defence decision-making apparatus. This requires unavoidable steps being taken like merging the Ministry of Defence and Services Headquarters, drawing the Ministry of Finance closer into the decision-making processes, integrating common-user functions within the Services and so on.³⁶ The reasons for this resistance are patent— vested interests would be affected by these reforms.

Reverting to the manpower issue there is scope for reducing its costs by pursuing the civilianising modality. The proportion of civilians in the three Services is highest in the Navy and lowest in the Army. Even allowing for Service particularities, a harder look at the job content of their various functions would suggest that non-uniformed personnel could perform some of them with equal efficiency. Atypically, large numbers of servicemen on general and logistics duties could be replaced by civilians, yielding considerable economies in manpower costs, since the emoluments and perquisites of civilians are roughly one-third that of service personnel.

Other Areas of Economy—Traditional and Non-traditional

There are many traditional and well-recognized areas of defence expenditure in India where economies are possible like scaling down the authorised holdings of tanks, heavy vehicles and other equipment in units; reducing the consumption of fuel, oil and lubricants by imposing quantitative restrictions; renovating the ordnance depots and effecting better inventory management in stores' holdings; effecting greater capacity utilisation in the ordnance factories and defence public sector undertakings, and so on. These areas for achieving economy in military expenditure are obviously of greater significance than cutting down costs on stationery, telephones, travelling allowances, office furniture and so on, to which governments are inclined when wishing to reduce State expenditure!

Indeed, a basic reform of the defence production sector is overdue, since it has long been recognized that their working is inefficient and manufacturing costs are prohibitive. For instance, it was computed that an ordnance factory had supplied a pair of socks for \$ 1.28 and a jersey for \$ 6.38 when they were available in the civil market for \$ 0.63 and \$ 3.10 respectively. A pair of binoculars that could be supplied by private industry for \$ 108 cost the defence public sector unit manufacturing them \$ 236.³⁷ The scope for economy possible by purchasing them from the private sector can be appreciated from the fact that the total sales by ordnance factories and defence public sector undertakings in 1998-99 was Rs. 2155 crores and Rs. 2855 crores respectively.³⁸ Clearly, private industry is advantaged in contrast to the public sector since it can take autonomous decisions on the product-mix, scale of investments, choice of technology, deployment of employees and so on, and work in line with commercial principles. Besides, not all segments of the defence production sector can be privatized without a total recasting of India's mixed economy in a capitalist direction. Appreciating the current phase of reform and genuflection being made by the Government towards the liberalization and globalisation of the economy, a greater privatization of defence production is possible; this is proceeding at a glacial pace. The appreciable savings in military expenditure that would result justify this process being hastened.

More generically, a partial solution to the high modernization and replacement costs of expensive weapon systems could be explored in two directions.

- First, by recourse to force multipliers as, for instance, by improving surveillance capabilities; or exploring the refurbishment and retrofit option by upgrading weapons delivery systems and electronic suites in existing equipment. An informed opinion suggests that: “ A strategy for achieving modernization that relies on force multipliers and retrofitting happens to suit the current Indian inventory and force structure...Because India has a number of relatively under-equipped, relatively modern platforms, it can achieve significant gains by means of weapons and sensor refits, refits that will be increasingly able to accomplish through indigenous technology”.³⁹ Naturally, these options will not come cheap, but they will be far less expensive than procuring new weapon systems that are becoming exponentially costlier every year. Domestic R & D capabilities in the defence and civil sectors could be harnessed for this purpose.
- Second, by adopting the high-low mix option. This envisages the acquisition of a small number of high-cost/ high-performance platforms and a large number of low-cost/ low-performance weapon systems to equip the armed forces. A three-tier equipment policy

has also been suggested comprising a first tier (high technology items), second tier (upgraded or retrofitted items), and a third tier (equipment being phased out).⁴⁰ This modality, too, has its merits; what it commends is the need for innovative thinking to modernize the armed forces, taking note of the inevitable constraints on budgetary resources.

Conclusions

The foregoing makes clear that there is scope for reducing military expenditure in India. But, it must be conceded that no radical economies could be effected unless basic structural reforms are effected in the higher decision-making apparatus and the present configuration of the Services. It would be tempting to answer the question posed in the title of this paper—can military expenditure be reduced?—in the affirmative; but pragmatism suggests caution in making this assertion. It would be more accurate to state that military expenditure in India can be reduced if the political will is found to undertake these reforms; they are well recognized, but the determined opposition of the civilian and military bureaucracies that have a vested interest in preserving the status quo would need to be firmly resisted.

The only circumstance in which the defence budget might significantly be increased is if India decides to weaponize and deploy its nuclear arsenal. As argued earlier, proceeding thereafter to establish a Triad of nuclear weapons (aircraft-deliverable bombs, land-based missiles and submarine-based missiles) would greatly add to defence costs. Indeed, the draft nuclear doctrine, which envisaged the establishment of this Triad, also visualised that conventional military capabilities would simultaneously be improved. This is a sure-fire prescription for an arms race with China and Pakistan at the nuclear and conventional levels; this would also ensure that the sanctions imposed after the tests will remain in place and international financial assistance would become more difficult to obtain.

Despite the possibility of India's nuclearization adding to military expenditure it could be asserted that defence expenditure would only creep along around present levels in the foreseeable future. The reason for this assessment is the general state of the national economy and the commitments made to outlays that cannot be reduced without political turmoil. The scope for taxation is limited to the services sector, and the budgetary deficit is obstinately hovering around 6.5 % of the GDP if the contribution of the States were added up. Outlays for defence, as noted earlier, amount to around 13 %. Subsidy charges, pertaining to the Centre, States and Public Sector Undertakings account for another 15 % of revenue outlays—they include politically sensitive concessions like food, fertilizers, electricity and so on. They are virtually inflexible, but are constantly being augmented for gaining the support of sectoral interests. A similar inflexibility obtains in regard to yet another 40 % of revenue expenditure allocated to making interest and stage payments to service external and internal debt; these amount to committed expenditure. The remaining revenue income goes towards administrative costs (18 %); and grants to States (16 %) that must be made to honour the statutory awards made by the Finance Commission.

It requires to be emphasized that revenue expenditure, as computed above, exceeds revenue income. The balance is being met from capital revenues; hence the scope for making any large

additions to military expenditure is circumscribed by these budgetary realities unless a political decision is taken to raise taxes and/or effect economies in administrative expenditure and/or reduce subsidies. These would meet great resistance in India since great disillusionment obtains with the workings of the public and civic services. It is improbable that the weak coalition governments, that India seems destined to have in the foreseeable future, would have the political strength to raise the defence budget in any radical manner.

The greater likelihood arises of military expenditure in India remaining around its present levels, and any major allocations to the defence budget being episodic as, for instance, to undertake some limited re-equipment of the Indian Army, or replace obsolescent weapon systems. The conundrum whether and when India would deploy its nuclear weapons is an area of some uncertainty; this could add dramatically to defence costs. India's friends and adversaries would, no doubt, watch how India proceeds in this regard with great interest.

Notes

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Defence A Public Good? A Case Study of Pakistan's Military Expenditure, 1982-98

Ayesha Siddiqa-Agha

Introduction

Defence as a public good is a popular notion upheld by Pakistan's decision-makers. Islamabad has always given priority to territorial security versus social, economic, and other securities on the ground that it is the military strength and stability that can ensure the overall security of the country. It is also believed that strong defence of the state borders and the resultant expenditure has positive spin-off effects. Although such an argument is debatable, one can see clear signs of its implementation by looking at the gradual increase in Pakistan's military expenditure, especially from 1982-95.

Apparently, Islamabad's defence spending was driven by the traditional action-reaction model. It is claimed that it was India's military posture that had a deep impression on Pakistan's defence planning. This paper aims to examine the pros and cons of such a perception and its implications for Pakistan's financial planning and defence spending.

One of the core objectives' of this paper is to examine the credibility of the argument regarding defence as a public good. The idea is to analyze how far the focus on military security versus economic, political and social securities has been beneficial for the growth and survival of the nation. This will be carried out by looking at the details of military expenditure and the various dimensions of policy-making linked with military spending. The period selected for the purpose is from 1982 to 1985. There are six explanations for selecting this timeframe. First, this was a period when the East/West rivalry ended, seemingly opening a door of a new consciousness for the policy-makers around the world. There was a new realization of the need to resolve long standing and unsettled disputes, pave the way to peace, and concentrate on building economic strength. This was a pattern that does not appear to have been followed in South Asia. Second, it was during these years that there was a gradual and sustainable increase in defence spending. Third: The increase was related with the heightened security perception of the policy-makers. During these sixteen years Islamabad's concern with territorial security appears to have increased. The presence of Soviet troops in Afghanistan was seen as adding to the existing tension posed by New Delhi. In fact, the development in the North was construed as some sort of conspiracy between Moscow and New Delhi to destabilize and destroy Pakistan. Such a claim was supported with arguments regarding a parallel increase in tension felt from the traditional neighbour, India. The fresh wave of tension in the Indian subcontinent was not entirely attributable to India. On a closer examination it could be observed that the interests and beliefs of the leadership and military establishments of the two countries were more to be blamed for this development. The important point, however, is that tension appears to have undergone a constant escalation, a behavior that was not found to be in total conformance with the classic action-reaction theory.

Fourth, weapons acquisitions and division of funds among the three services in Pakistan resulted in intensifying the inter-service rivalry that was to have an impact on increasing security expenditure in the future. Fifth: The enhanced security perception followed the dominance of

Pakistan's army in the country's power politics. There seems to be a deep linkage among the influence of the military, the decision-making environment, and the threat perception. There were also certain changes in the political scene with the political regimes replacing the military, but the development does not appear to have any significant impact on the division of resources by Islamabad. The situation requires a study of the decision-making process during the period with special reference to the defence budget. Sixth, the neglect of other sectors generated more social and economic insecurity in the country that was partly attributable to the over-concentration of the leadership on territorial security. In order to study these dimensions of military expenditure the paper has been divided into five sections:

- Pakistan's Military Expenditure
 - Threat Perception
 - Decision-Making Environment
 - Defence a Public Good: An Overview
 - Suggestions for Control
- The research will draw on a number of secondary and primary sources that include interviews and financial data some of which was not available earlier.

Background

Islamabad's military expenditure experienced a gradual increase during the sixteen years under study. This was caused mainly due to weapons modernization and the overall strengthening of the military posture. This period was markedly different from the situation in the 1970s when due to American arms embargo available resources were absorbed in the re-construction of a battered and dismembered state, hence, funds could not be provided to satisfy military needs. This is not to say that spending on the defence sector was decreased in comparison with expenditure on health or education, but it had decreased in comparison with spending during the 1960s (see table 1).

Table 1
Pakistan's Official Defence Budget for FY-1958/59-1994/95
 All figures are given in Rs. Million

1958-59	1970-71	1980-81	1990-91
996.6	3,201.5	15,300.0	64,623.0
1959-60	1971-72	1981-82	1991-92
1,043.5	3,725.5	18,631.0	75,751.0
1960-61	1972-73	1982-83	1992-93
1,112.4	4,439.6	23,224.0	87,461.0
1961-62	1973-74	1983-84	1993-94
1,108.6	4,948.6	26,798.0	91,776.0
1962-	1974-75	1984-85	1994-95

63				
954.3	6,914.2	31,866.0	100,221.0	
1963-	1975-76	1985-86		
64				
1,156.5	8,103.0	35,606.0		
1964-	1976-77	1986-87		
65				
1,262.3	8,120.0	41,335.0		
1965-	1977-78	1987-88		
66				
2,855.0	9,674.0	47,015.0		
1966-	1978-79	1988-89		
67				
2,293.5	10,302.0	51,053.0		
1967-	1979-80	1989-90		
68				
2,168.5	12,655.0	58,708.0		
1968-				
69				
2,426.8				
1969-				
70				
2,749.1				

Source: Economic Survey of Pakistan

The development in Afghanistan proved to be a watershed for Pakistan since it opened the closed doors of American military aid to the country. The arms transfer policy of American President Carter, which barred weapons transfers to Islamabad due to the latter's nuclear proliferation activities did not allow Pakistan to refurbish its military inventory that had depleted tremendously after the war in 1971. The Carter administration did not show any sensitivity towards Pakistan's threat perception, a fact that the military officers seem to lament. 1982 brought a policy reversal when Washington decided to provide two aid packages to its South Asian ally. Out of a total of US \$ 7.4 billion that comprised two aid packages to Islamabad it was basically the first aid package that Pakistan had a chance to absorb. The second one was stalled due to the aid embargo imposed on Islamabad during the end of the 1980s.¹ The military component of the aid package amounted to US \$ 1.6 billion which was mostly spent on the acquisition of forty F-16s from the US: worth US \$ 1.1 billion.² The rest was spent on the procurement of missiles, missile launchers, old tanks, radars, a limited number of Cobra attack-helicopters, and other less significant equipment from Washington. It was decided to pay 13% commercial interest rate on this loan. This was despite American offer of a lower rate. This was

done, as it has been argued, to save any negative American influence on Pakistan's defence and foreign policies.³ Such a claim, nonetheless, is debatable. In any case, Islamabad's policy at that time was not independent of Washington.

A significant dimension of American military aid was that while it increased Islamabad's financial burden it was not perceived sufficient to fulfill the military's modernization plans.⁴ Furthermore, with this aid switching off entirely in the end of the 1980s it was considered vital to acquire major weapon systems from other sources. The focus was to increase weapons in quantitative and qualitative terms. After the re-imposition of American arms embargo Islamabad tried to diversify its weapons sources by acquiring some hardware from West European arms market, and China. Most of the equipment from the West European source was acquired from France and Britain. This consisted primarily of naval equipment. Though the Navy has never been a significant actor in the decision-making system or had any importance in the strategic planning of the country, major weapon systems for it were acquired during the early 1990s. The naval equipment from France was worth approximately US \$ 1308 million, while the British hardware cost approximately US \$ 250 million. As Paris provided weapons against credit, London transferred arms to Islamabad against cash payment. Allegedly, the British armament was acquired of Pakistan's own resources.⁵

This was also the time that the Pakistan Air Force (PAF) needed to upgrade its aircraft inventory. By the beginning of the 1990s the PAF had become increasingly dependent upon its inventory of old Chinese and French aircraft. Even the newer aircraft such as the F-7 were not a match to the Indian Mirage – 2000, MiG 29s and Jaguars. This imbalance increased during the 1990s, especially after India's acquisition of Su-30 aircraft. PAF, on the other hand, was dependent upon American F-16s on which it could not generously train its pilots due to dearth of spares, French Mirage IIIs and Vs. These, in any case, were old aircraft and the assessment in 1998 was that about 120 of these aircraft were to be mothballed in two years time. Therefore, the PAF demanded the French Mirage 2000-5 aircraft.⁶ The deal, however, was stalled amidst allegations of kickbacks. Not to mention, Pakistan's financial state that was in dire states as the decade of the 90s progressed. The qualitative technological imbalance versus India was a matter of concern for the military high command. The Chinese equipment (according to SIPRI estimates Beijing transferred hardware worth approximately US \$ 2 billion to Islamabad) being of poor quality was not sufficient to counter India's military might. This equipment was bought from Pakistan's own resources.⁷

From the period 1982-95, Islamabad invested in developing its non-conventional defence capability. Although it was said that minimal funds were spent on this venture,⁸ considering the Total Cost of Ownership (TCO) one could debate such a claim. A number of co-development and co-production projects were started with Chinese help that could not take-off due to the imbalance in production and R&D synergy between the collaborators. One view is that these projects stalled mainly due to the government's lack of desire to divert resources from foreign arms procurement to indigenous production that was looked upon as a time consuming, long-term, and costly. Considering Pakistan's poor economic performance, funds made available to the military could only cater to meeting urgent requirements such as procurement of major weapon systems from foreign sources. The defence budget was divided between the three services and important segments with roughly the following division: 40.60% share for the army,

16.44% for PAF, 8.83% for Navy, 28.44% for the inter-service organizations (this includes: JCSC, ISI and other such establishments), and 5.69% for defence production establishments. (See graph 1). However, the defence production facilities could not capitalize upon the available resources due to poor planning and lack of accountability.

An analysis of Pakistan's military spending shows that there is an element of hiding the actual military expenditure. This is an activity that is not peculiar to Pakistan only. Most of the Third World countries are known for such behavior.¹¹ In fact, one of the biggest problems of using comparative military spending to assess capabilities and war preparedness of adversarial states is that there is no standard format used to calculate military spending. Referring to Pakistan's case, it is a noteworthy fact escalation in military spending was supported by both civil and military regimes primarily due to the threat perception. This was an angle which will be analyzed in the following part.

Pakistan's Military Expenditure for FY-1992/93: A Case Study

Islamabad officially spent Rs. 87,461 million on defence. This spending was divided into four expenditure heads. According to table 2, the head 'All Others' comprising of expenditure on defence production, Frontier Works Organization, educational institutions for the children of military personnel, general works, etc. This represents 60.85% of the total defence spending for 1992/93. It was during this year that Pakistan paid 20 % down payment for the French Minehunters worth US \$ 350 million that amounts to US \$ 70 million. Also, US \$ 50 [25+25] million were spent as the six monthly installments for these Minehunters. ⁹ In addition, US \$ 20 million was paid towards the annual maintenance of the F-16s.¹⁰

Preparing Ground for Military Expenditure: The Threat Perception

From 1982-98 Islamabad quoted the perception of threat by its policy-makers as the root-cause

of its high defence spending. Any apparent effort to cut down or freeze the spending on defence sector was defeated on this ground. When the (late) General Zia-ul-Haq wanted to quell the voices opposing military expenditure domestically during Prime Minister Junejo's regime; or when he had to appease foreign economic aid donors such as IMF and World Bank, who possibly suggested a cut in Pakistan's defence expenditure, it was the security imperative that was cited.¹² It was actually due to the mix of internal and external pressure that a Rs. 2.5 billion cut was made in 1988 which in reality was part of the across the board reduction in the government's administrative expenses.¹³ The General did not allow any more because according to him: "How can you fight a nuclear submarine or an aircraft carrier with a bamboo stick? We have to match sword with sword, tank with tank and destroyer with destroyer. The situation demands that national defence be bolstered and Pakistan cannot afford any cut or freeze in defence expenditure; since you cannot freeze the threat to Pakistan's security."¹⁴ This was indeed an argument that was presented to the foreign aid donors as well, and which has defeated any move to reduce Pakistan's military expenditure. There are others who also subscribe to the military dictator's views. For instance, according to an eminent Pakistani politician: policy-makers can only attend to economic development after the territorial security has been strengthened and secured.¹⁵ Sadly for Islamabad, it was unable to market its threat perception or the need to beef up its military security to the international community which has

Strategic developments such as the Soviet invasion of Afghanistan had given a chance to the Pakistani leadership to project its threat perception; and for the military to fulfill its long-desired modernization plans. This was also the period that tension with New Delhi escalated, nevertheless, the threat from the former USSR was kept at the forefront to acquire weapons from the US. The Soviet invasion of Afghanistan, at best, can be described as a bad military move on Moscow's part; basically aimed at eradicating certain weaknesses in USSR's overall security doctrine.¹⁶ There is no evidence that the Soviet policy-makers were ever willing or prepared for a long stay in the territory, or to extend the invasion into Pakistan. The notion presented by Pakistan's military regime, on the other hand, was that Moscow, in collusion with New Delhi, had confirmed plans to reach the warm waters through Pakistan. Indubitably, pressure on the northern borders had increased, especially after Islamabad's involvement in backing the Afghan mujahideen against Soviet troops. Washington supported the low-intensity military operations against the USSR. There are people in Pakistan who were of the view that Islamabad's Afghan policy at that time involved risk-taking that could have back fired with grave consequences for the country's security. However, the Pakistani leadership had taken a calculated risk based on an understanding that under the leadership of Ronald Reagan, who had support of the right wing constituency in America, Washington would not allow the USSR to invade Pakistan. By invading Afghanistan, Moscow had transgressed the norms of East/West relations established after the Second World War.¹⁷ It would not be allowed to go any further.

The threat posed due to Soviet presence on Pakistan's northern borders was an opportune moment for Islamabad to cash upon the fear and anger of American public and policy-makers; and possibly with the help of the hawkish American CIA that fear was exploited.¹⁸ To make the threat appear more realistic, the (late) General Zia opened the country's doors to the Afghan immigrants; and started a program for the formal training of both Afghan mujahideen and Pakistan army's personnel to fight a clandestine war in Afghanistan. This invoked the wrath of the Soviet government which proceeded with aerial attacks on such camps. The air space

violations carried out by Afghan/Soviet aircraft was a development after the Pakistani dictator put his plans into action. Although General Zia's policy was to have a long-term negative impact on the economy and ecology of Pakistan,¹⁹ the hype created during the early 1980s helped the government in persuading Washington to provide weapons to Islamabad. Lt. General Safdar claims that it was easy to obtain weapons from the US during that period. Convincing the Americans that the armament was needed in Afghanistan or against the Soviet forces did this.²⁰ This was indeed the fundamental inspiration for Islamabad to attach such importance to the invasion of Afghanistan. The quality weapons that Pakistan's armed forces had desired since the 1960s could only be obtained if there was a supposed convergence of strategic perception between Islamabad and Washington: an opportunity provided by the developments in Afghanistan. Furthermore, the event was sufficient to convince the Pakistani public of the importance of increasing defence spending.

The military modernization was necessary to counter a hawkish India with which relations had progressively deteriorated. In 1984 Indian troops occupied the Siachin glacier which is situated at 20,000 ft above sea level and stretches over 1000 miles. It had been left out from demarcation in 1947 and both countries made claims to it. Indians feared that Islamabad would establish permanent claim over this landmass since in certain international maps the area was shown as falling in Pakistani territory. It was believed that through its occupation Pakistan's armed forces could threaten Indian territory.²¹ This was what provoked India to occupy the glacier. Islamabad reacted by sending its troops to the glacier because the Pakistani policy-makers perceived it as an action whereby India would venture to occupy Pakistan or threaten the Silk Route.²² Although both claims are debatable, it is a fact that in the early 1980s Islamabad and New Delhi had an eye over the glacier. According to a senior Pakistani army officer, President Zia had ordered an occupation in 1983. It was the army which had relaxed,²³ and as a result was caught with its pants down when the Indian troops moved in.²⁴ The main point is that there was no logical explanation for the desire of both countries to occupy the glacier except the fact that their decision-makers attach a lot of importance to military solutions vis-à-vis peaceful negotiations. Also, the occupation of the glacier was a question of who had the capability to move in first. It might as well have been the Pakistani army occupying the disputed territory with the Indians behaving the way Islamabad did after the Indian occupation. Presently, the two countries are spending considerable resources for the defence of the glacier.

The tension in 1984 was followed by another spell in 1986/87. This was when India carried out a major military exercise 'Brasstacks.' This was accompanied by another exercise at the Chinese border 'Chequerboard.' The main aim of the two exercises was to exhibit New Delhi's military superiority over its two neighbours, assimilate the weapons that had been procured,²⁵ and to coordinate and train the military in handling the two main strike corps which formed the main offensive force against Pakistan.²⁶ This was an image that was not shared by the neighbours. Certain people in Pakistan's military decision-making elite believed that Brasstacks had aimed at hitting Pakistan's soft underbelly: Sindh. The plan, as Islamabad perceived it, was to use the political turmoil in the province and launch a decisive attack that would have helped break up Pakistan further.²⁷ There are two explanations for the formulation of such a perception. First, the Indian troops were exercising with live ammunition for which no explanation was provided to Islamabad. In fact, when the Indian Director-General (Military Operations) was quizzed by his Pakistani counterpart on the issue, he was not only evasive but he also termed it as India's

internal affair for which New Delhi was under no obligation to inform the other side.²⁸ Second, people such as Lt. General Akhtar AbduRehman and Lt. General K. M. Ariff who had no operational experience dominated policy-making. Allegedly, a large number of the Pakistani generals did not support the idea on the ground that by making such a military move the Indian General Sunderji had left his eastern border overly exposed to a Pakistani counter attack.²⁹ According to a Pakistani source a war was averted when Pakistan made its counter moves.³⁰ The vital factor, nonetheless, was that despite the disagreement of a large number of generals who had based their assessment of Brasstacks on facts, the GHQ (Rawalpindi) presented the case as an evidence of New Delhi's hostile intentions, and, hence, the need to build a militarily stronger Pakistan.

In 1989 Pakistan came up with its own version of Brasstacks. In 1989 'Zarba Momin,' that was launched in the south of Pakistan's province of Punjab, was claimed to aim at the assimilation of equipment procured until the mid 1980s,³¹ and to try out the new strategy of offensive-defence.³² The strategy on which the exercise was based aimed at exploiting the political turmoil in India's Punjab. It was hoped that in case of a war the Sikh dissidents would welcome, aid, and abet the marching columns from next door.³³ The exercise failed to accomplish its prescribed task and to impress people inside or outside the country.³⁴ According to a retired Pakistani military officer it was a degenerated military exercise.³⁵ The two contributions that were made by conducting such an exercise were: (a) increasing defence expenditure that was used for holding such an exercise; and (b) adding to the possibility of fulfilling politico-military objectives through low-intensity conflict. It is noteworthy that both the Indian and Pakistani exercises drew heavily upon insurgency as a military tool. This dimension led to an increase in internal threat and societal fragmentation in the two countries. People with a military oriented thinking may only further manipulate the domestic turmoil created in this fashion.

The end of the 1980s and the beginning of the 1990s brought two additional problems to the surface: the turmoil in India's Kashmir and the nuclear race between India and Pakistan. The turmoil in Kashmir that erupted in 1989/90 was a manifestation of mismanagement of the policy and politics by New Delhi. What fueled it further was the external help provided by the Pakistani military. The leadership in Islamabad holds Kashmir as central to Pakistan's existence.³⁶ Pakistan army's direct and indirect involvement in the crisis in Indian Kashmir aimed at keeping the issue alive, and to fulfill the historic dream of acquiring the territory. In doing so they seem to have forgotten the lesson of 1965 when a war was brought upon them due to the miscalculated moves of the Pakistan army. The only difference between 1965 and the insurgency operation started in the end of the 1980s lay in the fact that it did not naturally lead to a war as in the past. It was believed that this time Islamabad had managed to avoid a war through developing its nuclear option.³⁷ There are three observations in this regard. First: A military conflict was not exactly avoided. It was the low-intensity conflict or terrorism that replaced a full-fledged military conflict. This new form of warfare can be viewed as having an equally destructive force. In fact, unlike a war, terrorism aims at the fragmentation of a society and generates a deeper insecurity that cannot be eradicated by any amount of military deterrence or security.

Second: Nuclear deterrence, especially from Pakistan's perspective, depends more on the credibility of the claims made by Islamabad from time to time. A 'credibility gap' can be very

tempting for a rival that can indulge in increasing hostilities. Third: The nuclear program added to the financial burden without really providing the guarantee of deterring a military conflict. The incapacity of nuclear deterrence to deter a potential conflict in the subcontinent was a fact proven in the recent strategic developments in the region. The lesson was indeed a disappointment for the military top-brass and civil bureaucracy that had hoped to be able to physically claim the Indian held Kashmir through using the umbrella of a nuclear deterrence. Their calculation did not take into account a number of factors, especially Pakistan's economic vulnerability and enhanced conventional imbalance versus its adversary. While ordering about 50 percent increase in pay and related personal financial claims of military personnel the Nawaz Sharif government does not seem to have taken into consideration that the national exchequer was not in a position to support major weapons acquisitions and increase in fixed variables of the defence budget at the same time. The question that policy-makers must confront in the wake of the recent Kargil crisis is whether it would be logical to pursue an ambitious nuclear deterrence program. In any case, Pakistan's nuclear project is known to be well funded—the details of the financial resources and results are not known.

It is obvious that during this period tension was increased and exploited deliberately from both sides of the border. This was done because the leadership of Pakistan and India believed more in military security rather than in peaceful resolution of the problems, and their huge military machinery was dependent upon the bilateral tension. This behavior was clearly linked with the interests of the key decision-makers.

The Key Actors: Makers of Threat Perception and Defence Budget

The military was the key actor in deciding the defence agendas during this period.³⁸ It was not one of the many organizations of the government struggling for its share, but the most powerful institution which has been termed as 'the back bone of the nation.'³⁹ This significance was linked with the military's role in defending the country's frontiers and the influence it enjoyed in the domestic power politics. It is the largest organized force within the country. No democratic institution can claim to have such organized strength. The maintenance of over 700,000 personnel,⁴⁰ the hardware required for such a large force, and other miscellaneous expenses claim a large chunk of the financial resources of the state. The survival of such a sizable organization has led to the creation of corporate interest of the military. In this respect there is always a constant competition between the defence and other sectors. This, however, has never created problems for the defence establishment: a factor that can be connected with its influence in the overall political and policy-making process. What facilitated the military in enhancing its influence and gaining priority over other demands was the significance accorded to the threat perception publicized by the armed forces. The security imperative was raised to the status of an ideology fundamental to the survival of the state. Like all ideologies it became an important component of the military's power providing the defence establishment with an inner coherence as well. Furthermore, this ideology gave the military with a certain legitimacy in public view that it needed to rule, and to have its demands approved after it politically took a back seat after 1985.

Any possible problems encountered by the defence sector in obtaining financial resources were more on account of general financial constraints. Another reason for the preferential treatment accorded to the defence sector by the government lay in the country's peculiar power structure. During a major part of the period under study it was the army that was in control of the state.

This situation did not change even after the re-introduction of democracy in 1985, especially where the interest of the armed forces was involved. This was because the military and particularly the army seemed to control political developments. For example, in 1985 the elections were held on non-party basis in order to avoid the formation of a group that could threaten the military's influence. The selection of the Prime Minister Junejo was a move directed towards achieving a similar objective. Moreover, the army strengthened itself versus the civilians through the creation of the eighth amendment to the 1973 constitution. Whereby the President, who was also the army chief, was given more powers than the Prime Minister.⁴¹ This authority included the power to dismiss a government: a power that was exercised time and again from 1988-93 whenever a threat was felt towards military's vital interests.⁴²

The death of President Zia in a mysterious air crash in 1988 did not mean that the amendment was an exercise in futility. This modification in the constitution possibly transformed the President as an office-bearer into an unofficial spokesman for the military, which does not have any constitutional role in the country's politics. The power of the President was used in favor of the armed forces when President Ghulam Ishaq Khan terminated Benazir Bhutto's regime. This was when she appeared to have interfered in matters related with the armed forces.⁴³

The policy-making process tailored after General Zia's death assigned a minimal role for the Prime Minister in defence affairs. The office bearer in any case was tamed due to the indirect political pressure exercised by the army. It seems that the threat of removal from government was an effective ploy to ensure the head of the government's complacency. The military intelligence agencies were actively involved in the creation of political parties⁴⁴ and in destabilizing civil governments.⁴⁵ Thus, the successive Prime Ministers were left with no choice but to support the military build-up and defence spending vis-à-vis expenditure on the social sector and general development. This does not mean that the successive Prime Ministers had totally resigned to such an inferior position. There is evidence to prove that the heads of the government tried to carve out an improved position in defence decision-making: a power that they legally possess by virtue of being the head of the Cabinet Committee for Defence (DCC).⁴⁶ This power was probably employed to counter the influence of the army. A continuation of such a struggle seems to have had a negative impact on the prospects of any reduction in defence spending. A total control of defence decision-making, however, is no guarantee that resources would be diverted to other important sectors. Such an observation is based on the state of financial mis-management in which the political elite appears to have been equally involved.⁴⁷

Meanwhile, the government was unable to acquire a prominent role; a development that can also be linked with the weak system of rules and regulations and the peculiar structure of the civil bureaucracy. The two main organizations, the Ministry of Defence and the Ministry of Finance, which were technically superior to the military, were forced to play an inferior role. This was achieved through placing a few military officials in key positions especially inside the Ministry of Defence. Therefore, controlling a large number of civilian members of the ministry by the military officials was not so difficult. The military oriented political environment ensured such a power.⁴⁸ Furthermore, these people tend to support decisions that favor them personally or the military as an organization.⁴⁹ It must be noted that the Cabinet Committee for Defence (DCC) does not have a neutral input. All the information is provided or channeled through the military:

a weakness that could be relatively eradicated by strengthening the position of the government audit agencies. No positive action, however, was taken in this regard by any regime from 1982-98.

The inter-service rivalry was another factor that contributed towards the increase in defence spending. It had a negative impact on defence policy-making. Unlike the British and American models for the resolution of inter-service rivalry, Pakistan was not able to solidify any channel for such matters. Although the Joint Chiefs of Staff Committee (JCSC) was created in the early 1970s for the purpose, political developments during the end 1970s and 1980s hampered the growth of this establishment.⁵⁰ During the 1980s the Committee emerged more as a forum where the service chiefs with the approval of the army would engage in bargaining with each other. Fulfillment of weapons or other needs depended on the relations of the naval and air force chiefs with the army chief. This unofficial system seems to have failed to a certain extent in solving the inter-service rivalry. This was probably due to the frustration felt by the other two services on the dominance of the decision-making system by the army, and decisions that were taken from 1982-86. Hence, issues denoting inter-service rivalry did not remain within the confines of the military. One can observe services vying for an enhanced share through publicizing their demands with the help of the printed media. The Navy, for example, projected its theory related with its enhanced responsibilities of keeping the sea lanes of communication open, asserting its presence in Pakistan's EEZ, and defending against a prospective naval blockade by the Indian navy.⁵¹ As a result the service managed to get approximately two billion worth of equipment in two to three years (1992-95); all of which was procured from France. Whether the service actually required all this equipment is highly debatable. Similar problems were reflective in Army's procurement of the Ukrainian T-80UD tanks.

Lack of good governance is a problem of military procurement planning. Financial wastage and leakage of resources is high.⁵² This is mainly due to the lack of control by political authorities and lack of accountability. In addition, the military establishment lacks procurement & planning systems and mechanism that would generate cost-effective results. In any case, military in Pakistan shies away from comprehending the serious financial connotation of military planning and weapons procurement.

Defence a Public Good? An Assessment

Considering Pakistan's security expenditure the one question that comes to mind is that how did Islamabad manage to provide the financial resources? At this juncture it must be pointed out that this was basically a problem of finding the source of funding and not balancing the government's balance sheet. Because: (a) Pakistan's government follows the 'Government Accounting System' that is not structured like a commercial balance sheet; and (b) revenue/income and expenditure are two heads that have no inter-connection. What a particular department or the government earns has no relation with its total expenditure. Not only that the system is redundant; it can lead to the negligence of checking excessive spending particularly on the defence sector.

The system, nonetheless, does not make the availability of resources any easier. There are five possible ways in which funds were made available. First: During a major part of the period under study Pakistan financed its acquisitions of major weapon systems through the American military aid. This, in any case, increased the security burden because Islamabad was liable to pay interest on the US \$ 1.6 billion aid that was received as loan and grant. Another foreign source of

funding was provided by the supplier states such as France. But it was a credit on which Islamabad had to pay heavy interest (13-14%); which had a similar effect on the economy as that of the American aid (see table 2: Pakistan's debt servicing).

Table 2
Pakistan's Debt Servicing
As percentage of GDP

1981-82	20.9
1981-83	18.6
1982-83	22.2
1983-84	22.1
1984-85	21.5
1985-86	39.5
1986-87	43.4
1987-88	43.0
1981-84	43.3
1989-90	43.3
1990-91	44.6
1991-92	43.9
1992-93	45.3
1993-94	44.8
1994-95	37.9

Second: One possible source could be the profit generated by the various agencies operating in the corporate sector and running on commercial lines. This relates to the Fauji Foundation, Askari Bank and Shaheen Foundation. The Fauji Foundation is one of the biggest industrial groups in the country; and according to one source, its movable assets are worth approximately US\$ 12 billion.⁵³ Serving and retired military personnel manage the organization and it was supposedly established to provide finances for the Army Welfare Trust. It aimed at generating funds for the use for the pension account of army officers and their overall welfare. This is not an anomaly since Islamabad was known to have engaged in similar activities in the 1980s with the help of the notorious 'Bank of Credit and Commerce International' (BCCI).⁵⁴ What provides credibility to such fears is that the details of such investments and organizations linked with the military were not available to the public. It is noteworthy that the public or Parliament in Pakistan is not even aware of the activities and the income of approximately over Rs. 100 million that is earned by corporations such as the National Logistic Cell (NLC); which is totally financed by the government. Such funds are related with investment of money acquired from the central government in bonds and securities. ⁵⁵

Third: Money was and is continued to be provided by increasing taxes. Since 1982 Islamabad had to shoulder a growing burden of defence, debt servicing (a major part of this was defence oriented), administrative expenses, and other development expenditure of the state. This spending resulted in a growing gap between revenue and expenditure (see table 3).

Table 3
Pakistan's Overall Annual Deficit

	Overall Deficit	% of GDP (at market price)
1982-83	25,654.00	7.1
1983-84	25,147.00	6.0
1984-85	36,777.00	7.8
1985-86	41,644.00	8.1
1986-87	46,710.00	8.2
1987-88	57,563.00	8.5
1988-89	56,879.00	7.4
1989-90	56,060.00	6.5
1990-91	89,193.00	8.7
1991-92	89,970.00	7.4
1992-93	107,525.00	7.9
1993-94	92,179.00	5.9
1994-95	103,405.00	5.5

The annual deficit was the major cause of annoyance of the aid-donor agencies such as the IMF and World Bank. Islamabad was asked time and again to reduce the gap. Reducing defence expenditure was one of the suggestions but neither of the aid-donors insisted upon it. Their main objective was the decrease in deficit spending; a problem which Pakistan's successive governments chose to address by increasing taxes. Security budget, on the other hand, was never reduced to decrease the gap between revenue and expenditure.⁵⁶

Four: Islamabad probably indulged in printing more notes, an activity that can be viewed as the likely cause for the increase in inflation during this period. Annual inflation in Pakistan grew at an average rate of 9.4% between 1988-93.⁵⁷ This itself had negative effect on the economy.

On the whole the employment of these methods or the increase in defence spending and debt servicing combined with the rise in corruption had affected the state of education, health and general development. (See table 4).

The imbalance between security and development in the country is one of the reasons behind the state of underdevelopment, the low literacy rate, increase in crime and poverty, and the general fragmentation of society. According to the human development index of the Human Development Report 1994, Pakistan was ranked at 132. Its adult literacy rate was calculated as 36%. Also, as it was stated in the same report, 55 million people did not have access to safe drinking water or primary health care services; 95 million were deprived of sanitation services;

35 million were below absolute poverty line with limited access to even the basic needs for human survival. 58 Islamabad's policies were oblivious of the significance of developing the state, political, and social environment. This is unlike some other states that give priority to territorial security but try to accommodate it by devising parallel strategies that attach an equal importance to national and political growth.⁵⁹ The successive governments have also been negligent of the fact that improved social and economic sectors can provide a boost to democracy. They appear to have been more focused on pleasing the military establishment by focusing on its growth alone.

Table 4
Comparative Spending on Health, Education,
Defence & Interest Payment
 All figures given as percentage of GNP

	Health	Education	Defence	Interest Payment
1981-82	0.6	1.4	5.7	2.4
1982-83	0.6	1.5	6.4	3.1
1983-84	0.6	1.6	6.4	3.4
1984-85	0.7	1.8	6.7	3.5
1985-86	0.7	2.3	6.9	3.8
1986-87	0.8	2.4	7.2	4.2
1987-88	1.0	2.4	7.0	4.9
1988-89	1.0	2.1	6.6	5.0
1989-90	0.9	2.2	6.8	5.4
1990-91	0.8	2.1	6.3	4.9
1991-92	0.7	2.2	6.3	5.3
1992-93	0.7	2.4	6.0	5.5
1993-94	0.7	2.2	5.6	6.3
1994-95	0.7	2.4	5.5	5.7

Source: Economic Survey of Pakistan

In this respect the increase in military spending was not only an evidence of the status of democracy but an indicator of its bleak future as well. Considering Pakistan's defence decision-making and its security expenditure, one begins to wonder as to the application of Alfred Stephen's theory of the power of civil society versus authoritarian regime.⁶⁰ From this theoretical perspective Pakistan's democracy, re-introduced during the 1980s, does not qualify as one. Even if one was to use Hewitt's hypothesis Pakistani democracy cannot still be termed as a strong system.⁶¹ Under these circumstances, reducing military expenditure has to be made a litmus test of the strength of political regimes in Islamabad. In the absence of such an action the political, economic, and social conditions of the country are bound to deteriorate.

As far as the argument regarding the positive spin-off effects of defence spending is concerned, no substantial impact on the society and economy was observed. The political economy of military modernization appears to have been limited to personal gains caused due to financial

mismanagement. This was evident from various decisions related with arms procurement, production and the development of nuclear program. From arms procurement and production perspective there were traces of duplication of activities.

Regarding the nuclear program, the financing of the project is non-auditable. The fact that it was and continues to depend on clandestine acquisition of materials from external sources raises the question of the enormity of funds that have been spent on it.

Contrary to the belief of certain Pakistani academics such as Rizvi regarding spin-off effects of indigenous production on the economic, technological, and industrial development of the country⁶² there was no evidence to prove such claims. There were several defence production projects launched during this period. These comprise the establishment of Margalla Electronics and Institute of Optronics, and manufacture of MBT-2000, K-8 jet trainer, ballistic missiles and other weapon systems. These facilities and projects along with other existing ones absorbed approximately Rs. 10-15 billion annually. The investment was carried out without reaping any impressive results. Pakistan's defence production continued to lag behind: a situation that can be attributed to the lack of political will to have local weapons production and a weak industrial base in the country. While financing such projects the policy-makers appear to have forgotten that defence industry is only a niche in the overall industrialization process. Indigenous manufacture or self-sufficiency in defence cannot take place without a strong civil industrial base. The probability of spin-off from the civil industrial sector to defence, in fact, is greater than vice versa.

The state of employment in the country did not improve either. The theory of creating employment through investing on the defence sector, in any case, has been proved redundant. Analysts are of the view that such a target can be better achieved by providing resources in the civil sector.⁶³ Under these circumstances, Pakistan's defence expenditure seems to represent wastage of resources that could be diverted and used for the growth and development of other vital sectors. It also makes it necessary to reduce defence spending: an issue that will be discussed in the following section.

Suggestions to Control/Reduce Security Expenditure

In the long run, and at a broader level, any reduction in Islamabad's military spending is linked with the strengthening of democracy. The almost absence of accountability permeates at various levels of the state and society. Ideally speaking, it could be suggested that the government must try to reduce military expenditure. Particularly, after the recent Kargil crisis in which diplomacy appears to have been tacitly conceded as the only way for solving the bigger Kashmir problem, it would be logical for the government to revise its military buildup with special reference to the economy. There are some questions that need to be asked. Is it logical to continue maintaining a large standing military? How much force is required for a credible defence? Adoption of such a position is indeed credible since a considerable section of the military, especially the army is engaged in non-combat activities such as construction of roads, etc. This, however, may not be easily achievable. Freezing or cutting down defence expenditure and diverting resources to other sectors indicates a major political decision which any civil government may not be in a position to take. There is always the fear of the political system reverting to the old authoritarianism in case any ill-planned and drastic steps are taken.

Meanwhile, it may be worthwhile to concentrate on short-term solutions starting with the introduction of accountability by the military establishment that can gradually lead to reduction of defence spending. There are three suggestions in this regard. The first one relates to structural changes. The government can possibly improve its control of military spending by establishing better rules and means to watch over this expenditure. The idea is to devise ways to introduce accountability and control of funds spent by the armed forces. This can be done by: (a) creating an audit act whereby the Auditor-General of Pakistan would have more authority to check or control the waste of resources by the defence sector; (b) start a phased program of introducing performance audit of defence. It is one of the important measures to fathom the link between threat perception and military spending, arms procurement, etc. And, (c) the audit department may be empowered to gain access to all necessary documents, and to report its proceedings to the head of the government and state: a function that is not carried out at present.⁶⁴ The second suggestion pertains to making details of the defence budget public. Currently, the official defence budget is a one-figure-line that presents no details and is a very elusive information. It is vital that the parliament at least should be apprised of the macro and micro views of security spending. This comprises details regarding what is spent on security, how would the resources be generated, and what effect it would have on the overall economic conditions of the country. The fact that in Pakistan defence issues and military spending is beyond questioning has hampered any possible measures to keep this expenditure in check.

The third is linked with the strengthening of the Joint Chiefs of Staff Committee. A paper on the pattern of the 1973 paper on 'Higher Defence Organization' may be introduced, streamlining the control of defence decision-making by the government through the JCSC. Currently, a particular decision is presented before the Cabinet Committee for defence after it is vetted by the JCSC. This stage is devoid of any interference by the civil members of the government. Through a further re-organization the distance between civil and military decision-making needs to be bridged. It can possibly be a measure to introduce accountability and can be deemed as part of an overall plan for the gradual reduction of defence expenditure. Furthermore, the organization must not be controlled or manipulated by any one service of the armed forces. Unless, a good governance or Total Quality Management (TQM) is adopted it would be difficult to rationalize defence spending. The criterion, it must be noted, should be the defence sector's contribution to economic growth of the country.

Conclusion

Theoretical frameworks used by defence analysts and governments to define security of nations seem to have undergone a slow but schematic shift from focusing purely on military security to economic and social securities. In the post-Second World War environment, and with the mushrooming of nation states' threat perception and territorial security gained significance. Military security was a vital dimension of the nation-state and of a world politically divided in a bi-polar system. Not that this notion has become totally redundant, but there is a growing consciousness of other types of securities as being more central to the survival of a state.

This schematic shift, nonetheless, cannot be felt equally amongst all or most of the countries. There are areas where territorial security is of prime importance. Pakistan is one such example that was dealt in this paper. The country's military expenditure increased unabated: a factor that the policy-makers chose to link directly with their threat perception. Despite the absence of a war

decision-makers in Islamabad continued to attach a lot of importance to the tension which they supposedly felt on the Northern and Eastern borders. From 1980-88 the country was deliberately mired in East/West politics and antagonism. This was done mainly to force the US to re-open its doors to provide military aid to Pakistan that could not have been obtained otherwise. Also, the show of hostility in which Islamabad was forced to mellow down after its defeat against India in 1971 picked up again. The idea is not that Pakistan was entirely to be blamed for the increase in tension but it had a hand in exaggerating threat perception. This was done primarily to justify the military build-up and the constant increase in defence spending.

One of the basic observations of this case study was that security spending, threat perception, and the policy-making environment influenced by key actors' interests are inter-related elements. Islamabad's defence expenditure was based on threat perception that was primarily generated by the military establishment due to organizational and personal interests of its members. In a certain respect, threat perception provided the *raison d'être* of the armed forces: an ideology that was required by the military while it controlled the reigns of the government, and also when it had to take a back seat politically. The publicity of security imperative seemed an effort by the military regime to provide legitimacy for its rule and the consistent increase in defence spending. Threat perception that is known as military's objective analysis has a subjective dimension as well. There is a need for a better and solid model to test threat perception which at present is not available for the analysts.

The interesting point is that this was a basic cover taken to hide an expenditure that was not only excessive but also comprised wastage of funds. This was caused due to factors such as inter-service rivalry and mis-management of decision-making which could not be stopped even by the political regimes due to the weak democratic tradition and structures for ensuring accountability. Nevertheless, as it was argued in the paper, no Pakistani government during this period was in a position to check the increase in this spending: a factor related with the country's power politics. This does not mean that efforts cannot and should not be made. What is advisable is to embark upon a layered approach starting with introducing accountability and better management of defence planning by Islamabad. This would require improving, enhancing or establishing rules and regulations, and certain organizational structures. Such an evolutionary process could benefit more than drastic measures that can possibly harm the democratic process in the country. Moreover, the institutional perspective suggested in this paper can help in strengthening and teaching any Pakistani government in ways to deal with the military establishment. This, it is hoped, can eventually help Islamabad in addressing the question of how to divert resources from defence to enhancing economic development of the country.

Pakistan: Defence *versus* Development

FY	Health*	Education+	Defence
1981-82	0.6%	1.4%	5.7%
1982-83	0.6%	1.5%	6.4%
1983-84	0.6%	1.6%	6.4%
1984-85	0.7%	1.8%	6.7%

1985-86	0.7%	2.3%	6.9%
1986-87	0.8%	2.4%	7.2%
1987-88	1.0%	2.4%	7.0%
1988-89	1.0%	2.1%	6.6%
1989-90	0.9%	2.2%	6.8%
1990-91	0.8%	2.1%	6.3%
1991-92	0.7%	2.2%	6.3%
1992-93	0.7%	2.4%	6.0%
1993-94	0.7%	2.2%	5.6%
1994-95	0.7%	2.4%	5.5%
1995-96	0.8%	2.4%	6.2%
1996-97	0.8%	2.5%	6.5%
1997-98	0.7%	2.3%	6.9%
1998-99	0.7%	2.2%	7.1%

* Expenditure on Health and Education is percentage of GNP
+ Expenditure on Defence is percentage of GDP
Source: Economic Survey of Pakistan

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- 4 Interview with Lt. General (retd) K. M. Ariff. Rawalpindi: 14/11/93.
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- 21 Interview with Director IDSA, New Delhi, Air Commodore (ret'd) Jasjit Singh. London: 15/02/95.
- 22 Interview with the former Chairman of ISS, Islamabad, Brig. (ret'd) Noor Hussain. Rawalpindi: 09/11/93.
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- 25 Interview with Lt. General (ret'd) Rahim-u-Din Khan. Rawalpindi: 07/02/94.
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- 27 Cheema, Pervaiz Iqbal. Brasstacks: Pakistani Perceptions and Responses. A Paper written for a project organised by Prof. Stephen Cohen in 1994 to study Brasstacks. p. 23. See also, Rikhye, Ravi. The War that Never Was. Lahore, 1989. p. 2.
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- 29 Interview with Lt. General (ret'd) Hameed Gul and General (ret'd) Mirza Aslam Beg. Rawalpindi: 30/01/94 & 15/05/94.
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- 32 Thomas, Raju G. C. The Growth of Indian Military Power. From Sufficient Defence to Nuclear Power? In Babbage, Ross and Gordon, Sandy. India's Strategic Future. Regional State or Global Power? London: Macmillan Academic and Professional Ltd, 1992. p. 51. See also, Kaniyalil, John. Pakistan's Show of Offensive-Defence. In Foreign Affairs Report. Vol. XXXIX, No. 7, July 1990. p. 86.
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- 34 Khanduri, Chandra B. The Zarbe Momin and Changed Pak Perspective: An Assessment. In Strategic Analysis. New Delhi: Vol. XII, No. XII, 03/90. p. 1277.
- 35 Interview with Lt. General (ret'd) Alam Jan Mehsood. Rawalpindi: 22/02/94.
- 36 Urdu daily 'Nawa-i-Waqt,' 15/05/85 and 17/02/85. See also, English daily 'Dawn,' 24/03/90.
- 37 Interviews with Lt. General (ret'd) K. M. Ariff, Lt. General (ret'd) Kamal Matinudin and General (ret'd) Mirza Aslam Beg. Rawalpindi: 14/11/93 & 23/02/94.
- 38 Ispani, Mehnaz. Pakistan: Dimensions of Insecurity. Adelphi Paper 246. London: IISS, Winter 1989/90. p. 32.
- 39 See in Siddiq, Ayesha. Pakistan's Arms Procurement Decision-Making, 1979-94. London,

12/1995. p. 166.

40 The figure given in 'The Military Balance' is 520,000 which is not correct. The reality is that the strength of army alone is 6,33,513 comprising 40,000 officers and 5,93,513 JCOs and ORs.

41 See 8th Amendment to the 1973 Constitution of the Islamic Republic of Pakistan.

42 Siddiqa, Ayesha. Pakistan's Arms Procurement Decision-making, 1979-94. London, 12/1995. pp. 188, 190-191.

43 Ibid., p. 190.

44 Interview with Lt. General (ret'd) Hameed Gul. Rawalpindi: 30/01/94. See also, Tirmazi, Syed A. I. Brig. Profiles of Intelligence. Lahore: Intekhab-e-Jadeed Press, 1995. p. 412.

45 Herald. Karachi: April 1994.

46 This especially relates to the decision regarding the PAFs choice for the French Mirage 2000-5. Both the Nawaz Sharif and Benazir governments that ruled from 1990-93 and 1993-present, respectively continued to show interest in a prospective deal with Paris. Such an interest could be due to prospects of corruption of which members of the decision-making teams of the two governments were accused. The other reason may possibly be the desire of the governments to assert themselves in defence decision-making by manipulating the power they had by virtue of controlling diplomatic and financial channels.

47 Such a view was subscribed to by the chief economist of the World Bank. Interview held in Islamabad, 20/04/94.

48 Siddiqa, Ayesha. Pakistan's Arms Procurement Decision-Making, 1979-94. London, 12/95. p. 184.

49 Ibid., pp. 184-185.

50 Siddiqa, Ayesha. Pakistan's Arms Procurement Decision-Making, 1979-94. London, 12/95. pp. 174. Martial Law was imposed in 1979 when the JCSC created in 1975 was in its infancy. According to the rules prescribed by the 1973 Paper on 'Higher Defence Organisation' chiefs of the three services, who are members of the Committee, were to enjoy an equal status, a rule that was not adhered to when Zia became the President, hence, the army acquired a higher position. That was one of the reasons that the army has a dominant position in defence policy-making.

51 Navy not been given due importance.' The 'nation,' 28/09/89. p. 17.

52 This fact was conceded to by the former Finance Minister, Sirtaj Aziz, currently serving as the Federal Foreign Minister in the Mahboob-ul-Haq Memorial Lecture held in Islamabad, July 1999.

53 Interview with a Pakistani source. Lahore, 15/06/96.

54 'Not Just a Bank.' In Time. New York: 02/09/91. pp. 44-45.

55 According to the NLC Balance Sheet for FY- 1993/94 the organisation earned Rs. 142 million through investment in bonds and securities, etc.. Although the NLC was given the status of a corporation, it is controlled entirely by the Pakistan army.

56 It is a direct result of Islamabad's inability to reduce its defence spending that the deficit in FY-1996/97 was Rs. 220 billion. The military establishment continues to be a burden on the economy which is evident from the fact that presently the government is considering the imposition of a .25% defence cess in order to generate resources for military R&D and indigenous manufacture. See 'Dawn.' Lahore, 15/07/96.

57 Pocket World in Figures. London: The Economist, 1995 Edition. p. 160.

58 See Haq, Mahbub ul. Reflections on Human Development. Oxford: Oxford University Press, 1995. pp. 101-102.

59 Barnett, Michael N. Confronting the Costs of War: Military Power, State, and Society in

Egypt and Israel. Princeton: Princeton University Press, 1992.

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63 Smith, Dan and Smith, Ron. The Economics of Militarism. London: Pluto Press, 1983.

64 The Public Accounts Committee's mainly due to the incapability of its members does not seem to be in a position to debate on defence expenditure.

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