

THE SPURT IN GLOBAL ARMS TRADE MAY REFLECT AN ATMOSPHERE OF HEIGHTENED TENSIONS, BUT THERE IS ALSO AN OPPORTUNITY IN THIS CHALLENGE

# Peace dividend still a mirage

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**D**IPLOMACY IS IN retreat, with the world arms trade reaching a new, post-Cold War high—resulting in increasing security treats—and the huge inflow of migrants from the conflict zones. On the other hand, the significant initiatives by United Nations on achieving the Sustainable Development Goals by 2030 and the Paris Agreement on Climate Change to restrict global warming provide some rays of hope.

As a part of its peace operations, the UN Security Council has introduced a WPS (women, peace and security) agenda to explore the potential of women in peace-building and also to protect women and girls in conflict. In addition to that, 62 multilateral peace operations were conducted in 2016—including efforts by the UN, regional organisations and *ad hoc* coalitions of states. In this mixed global scenario, can peace, security and development initiatives withstand the global arms race, especially when arms trade has just hit its post-Cold War peak?

According to the *World Military Expenditure Report* released by the Stockholm International Peace Research Institute (SIPRI) in early 2017, global defence spending has risen for the first time since 2011, with the world spending \$1.68 trillion on arms in 2016. This is in contrast to the trend in world military expenditure after 2011—after increasing continuously from 1998 to 2011, it had begun to plateau. It is also significant to note that India is one among the top five military powers in the world in terms of defence spending, behind the the US, China, Russia and Saudi Arabia. While the international transfer of arms has been growing, transparency in arms-transfer has been declining, SIPRI notes.

While the global military spending in 2016 was 2.2% of the world GDP, India spends around 2.5% of its GDP on military needs. Military spending in Asia and Oceania has risen by 4.6% in 2016 as compared to 2015, and now stands at \$450 billion. The ongoing tensions in Asia—more specifically, between India & Pakistan and India

& China—lets governments justify the need to modernise existing capabilities and also increase military expenditure. Even so, US military-spending is almost three times that of China.

Coming back to global arms trade, India was the top-ranked arms importer during 2012-2016. The other countries following India in the list of arms importers are Saudi Arabia, UAE, China and Algeria. Due to the demand from India, Saudi Arabia and other countries in Asia and Middle East, the international transfer of arms has reached its highest level since the Cold War. The volume of world arms trade was 8.4% higher in 2012-16 than in the 2007-11 period. During the 2012-16 period, the US and Russia produced more than half of the world's arms.

India, the biggest importer of arms in the world, alone accounted for 13% of the total global arms imports in 2012-16. The rise in Indian imports is mainly due to the inability of the Indian arms industry to produce competitive, indigenously-designed weapons, despite the government mounting efforts under its Make-in-India initiative for the defence production sector. The major supplies come from Russia and China. The Asia and Oceania region together imported around 43% of global arms traded due to turbulence in the South China Sea.

As per SIPRI data, the US exported 33% of the arms traded, making it the biggest exporter of arms in 2012-16 period in the world. The other countries at the top are Russia (23%), China (6.2%), France (6%) and Germany (5.6%). These five countries accounted for approximately 75% of international transfer of arms.

What determines defence spending?

The perceptions of security and armed conflict are not the sole factors that determine the size of the defence budget. Recently, oil price has also become a significant factor in determining the size of the defence budget. The oil-price slump has compelled oil-exporting countries to cut their national budgets, including for defence, as oil revenues form 80% of their budgets. Saudi Arabia has downsized military spending not as a result of economic diplomacy, but as an offshoot of aggregate reduction in expenditure budget due to plummeting oil prices.

SIPRI researchers have highlighted that there is no evidence that increasing defence spending can lead to greater political and economic stability. The compelling questions here are what role does the State play in ensuring peace and resilience, and which kind of public expenditure—spending on a “security state” or on a “development state”—is most relevant for economic growth and development. What is the plausible link be-

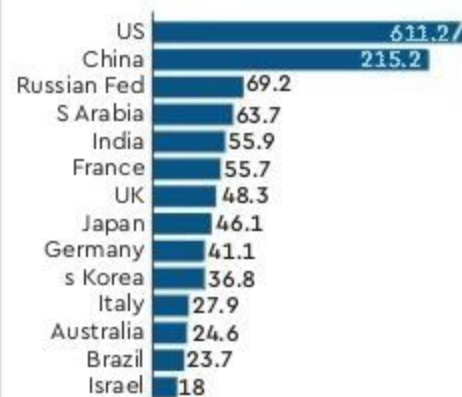
tween defence spending and economic growth? A recent study, titled *Fiscal Policy, Innovation and Economic Growth: An Empirical Analysis of G20 Countries*, published by Levy Economics Institute of Bard College, New York (by Horst Hanusch, Lekha Chakraborty and Swati Khurana), revealed that in the context of G20 countries, for the period 2000-2012, innovation and R&D spending and public spending on human capital formation (especially health and education) mattered more for economic growth than the defence spending.

The 2017 Munich Security Conference “Post-Truth, Post-West, Post-Order” has painted a bleak picture, flagging that the international security environment is highly volatile than any other time since World War II. As rightly highlighted by Wolfgang Ischiner, the Chairman of Munich Security Conference (MSC), “international security is increasingly a problem and an opportunity”.

We hope the world leaders will consider the crises to *fuite en avant* (“escape forward” as the French say, and as noted by former national security adviser Shivshankar Menon in his recent book, *Choices: Inside the Making of India's Foreign Policy*), seeing the “challenges as opportunities” to catalyse policies that are politically difficult to achieve in normal times and reap the peace dividend.

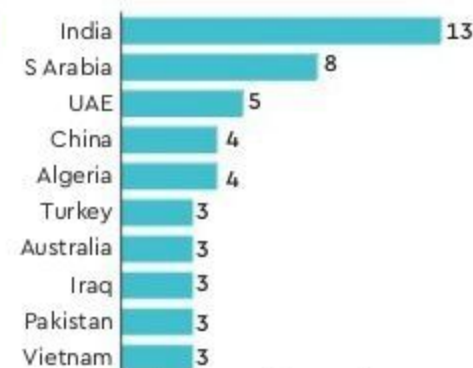
## Leading countries in defence spending

(\$ billion, 2016)



## Top 10 countries in world arms imports

(%, 2012-16)



Source: SIPRI Military Expenditure Database, 2017

