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# International Affairs and Development

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Telecommunications investment in Africa Privatisation: The road to development

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# From the Editorial Suite

This edition of AJIAD contains interesting scholarly commentaries, articles and reviews covering a wide range of issues. Two commentaries appear in this edition of AJIAD. The first by Anthony Knight, focuses on telecommunications investment in Africa while the second commentary, by Wamae, deals with privatization in four African countries: South Africa, Kenya, Ghana and Zambia. The lead article by Margaret Lee discusses nine major challenges facing the government of President Nelson Mandela of South Africa. According to her, the limited success of the government in improving the socioeconomic status of the black majority is attributable to the compromises reached on the eve of the new political dispensation. Mohammed Selim examines the nuclear issue in the Middle East. He undertakes a review of Egypt's nuclear policy and its implications for the country's national security and the entire region. Adedoyin Omede provides an analysis of military expenditure with particular focus of Nigeria. It examines the opportunity cost of defence spending. The paper concludes, among others, that despite the negative economic implications of high military expenditure, African countries would be incapable of reversing the current trend in military spending due to the high premium placed on national security. Hussein Solomon's article examines Republic of South Africa (RSA)'s foreign policy within the context of middle power leadership. It advocates that RSA should remain assertive but eschew any hegemonial role conception in the region. The book reviews and book shelf section highlights new publications relevant to the focus of the journal.

#### **Acknowledgements**

The Editorial Board of the African Journal of International Affairs and Development wishes to thank the following whose support made the publication of this and previous issues of the journal possible: Nigeria National Petroleum Corporation (NNPC), Fidelity Union Merchant Bank Ltd., International Breweries Plc., Rosabel Advertising, Abuja Sheraton, Guarantee Trust Bank Ltd., FSB International Bank Ltd.

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- (36) This was the argument of some analysts such as Thomas Friedman (reviewed in Al-Ahram, 21/2/1995), and Jacobe Olstein (quoted in Israeli Digest, 1(3), March 1995, 8-9, issued by Al-Ahram, Center of Strategic Studies, Cairo.
- (37) Some Egyptian analysts called for the development of an Egyptian nuclear bomb and to begin a rapprochement with Iran whose nuclear capabilities could become Egypt's immediate deterrent against Israel. A. Al-Tarabeli, "An Egyptian weapon to deter Israel is needed", Al-Wafd, 18/5/1995. Salama A. Salama, "It dictates rather than negotiates", Al-Ahram, 17/5/1995.

# National Defence Spending: An Analysis of High Military Expenditure (MILEX) in Nigeria

## Adedoyin Jolade Omede

## **Abstract**

This study examines the importance attached by most African leaders and Nigeria in particular, to high military spending, most especially the huge amounts of national spending expended on the expansion and the rapid militarization of their various countries. In our analysis, it was discovered that African countries just like the developed nations, places high priority on the defence of their national security and territorial integrity. The priority accorded to defence spending, it should be noted, is the opportunity cost of providing social welfare needs and other infra-structural facilities for the people. However, it was evident from our study that, following the growing acuteness and the increasing awareness of the socioeconomic problems accompanying high national defence spending, attention has now focused on such implications as the opportunity costs of high national defence spending, distortion of investment patterns and lack of economic growth, etc, associated with high military expenditure. Hence, in examining these issues, Nigeria is taken as our case study, while general reference is made to other African countries in the body of the essay.

Mrs Omede, Senior Lecturer, Department of Politics and Public Admistration, University of Ilorin

# Introduction

African countries South of the Sahara, are regarded as "developing nations" because of their low level of industrialization and their predominant feature as an agrarian economy. With these characteristics, one would have expected that they concentrate their efforts toward providing social amenities for the economic development and the improvement in the standard of living of their populace. Instead, what obtains is that huge amount of the foreign exchange earnings of these countries is devoted to defence spending, most especially, in the areas of arms build-up.

The increase in military expenditure, has not only resulted in the rapid militarization of the armed forces of the African states, but it has also exacerbated the security situation within the African continent. This observable trend in terms of the "total resources used for military preparedness," has become a major concern to both the African governments and the United Nations. Due to these concerns, current research studies are now concentrating on the burden that high defence spending places on the budgets of African states. The evident burden of high defence spending, manifest in the dislocation and the mis-allocation of human and material resources which in turn have significant impact on the economy, and the ecology of the society.

# Objectives of the Study and Research Questions

The purpose of this study is to analyse the defence expenditure of African states and by so doing, examine the various accompanying implications of such perennial increases in the military expenditure (MILEX) of the countries under review, with particular reference to Nigeria. Our efforts, would however be concentrated on exploring the reasons why African states (Nigeria inclusive), spend so much money in the defence of their territorial integrity and national security. Consequently, we would attempt to answer the following research questions:

- a. Are African countries making too much or not enough resources available to the military?
- b. Are these resources being used effectively in the acquisition of weapons system and other military requirements?
- c. Does the existence of the defence sector pose any special problem for the achievement of economic development in the African countries?<sup>3</sup>

Through the analysis of the above stated questions, our study will high-light specific areas that high MILEX impacts on the economies of African States. These areas in our view include such aspects as - the opportunity costs of defence spending, stifling economic growth rate, distortion of investment opportunities, inappropriate transfer of technology, and balance of payment deficits.

#### **Theoretical Clarification**

This study is premised on the assumption that African countries expend lots of their human, financial and material resources on their defence needs, with particular attention being paid to national defence and national security. The pursuit of national security however, presents them with a dilemma. In order to acquire the military means to protect and preserve their national integrity, leaders of African States, expand their nation's scarce resources (very vital for economic development), on the expansion of their military institutions, in the form of arms build-up. Consequently, they direct all their energies towards the provision of defence needs at the detriment of the "overall vitality of the state and its internal stability. Apparently, in the analysis of states behaviour in the international system, the concept of national security is so important in military strategic planning and in the defence of the territorial integrity of nation states. Hence, national security, from the perspective of strategic analysts, implies two trends of protection from external dangers. One is that which is concerned with the preservation from external dangers, the other is concerned with the preservation of a nations sovereignty by the military. This is popularly referred to as the strategic view of national security. The other is that dealing with the economic "non-strategic" aspect of security but which is concerned with the maintenance of the vital economic resources and the non-military aspect of national security functions.5

However, the contemporary pursuit of the strategic aspect of national security by nation states creates a "hardware problem" which is manifested in the continuous struggle by nations to possess sufficient weaponry, and in the existence of a viable military organisation to use that weaponry (when the need arises).<sup>6</sup> Hence, it is understandable that when national leaders talk of national security, they normally imply that highest priority be accorded to their nation's survival.

Thus, from the foregoing analysis on national security, one fact is evident: national security implies that a nation's primary responsibility is self-preservation and defence of its people, its social and political institutions, its economic interests and all else that a predator might destroy or take away from it. Consequently, it is obvious that the quest for national security imposes upon states the need to buy security through investing "relatively large amounts" of their national resources (money and manpower) into the acquisition of military hardware and the creation and maintenance of "effective armed forces."

This implies that national leaders believe that security can be achieved through the application and use of military strength. It follows that the state should incorporate, according to Almond, the allocation of resources for "the production, deployment of coercive facilities" which a nation uses in pursuing its interests.9

# Military Spending in Africa; Trends and Effects

Military expenditure (MILEX) has for the past one decade or so been on the increase in Africa. According to one source, "in 1988, military expenditure in the developing countries in general amounted to approximately \$170 billion or 4.3 per cent of GNP, while outlays quintupled in constant dollars between 1960 and 1988, increasing at a rate twice that of income per capita and reaching a level only slightly below total expenditure for health and education." (See Table 1.1 for a similar rend in 1970 - 79).

In fact for most African countries, MILEX and public external debt takes an overwhelming proportion of earned revenue income. This is because the governments of these countries expend about 40 - 70 percent of their current revenue on debt repayment or arms import. As such, the amount of resources and capital available for social services like health, education, social infrastructure, food subsidies, and salaries, becomes very limited. H. Also, it has been asserted that the African nation's MILEX amounted to 15% of the world's total between the late 1960s and the mid 1980s. In addition, as a proportion of the gross domestic product (GNP.) ratio, developing nation's MILEX is 4% in excess of those of Western European countries. 12

Hence, the high military spending by the African states has been described as constituting not only a major source of severe drain on the economies of these countries, but it also serves as a major factor for their international indebtedness. To back up this assertion, the World Bank President

Berber Conable in 1989 estimated that a full one-third of the debt of some major developing countries could be attributed to arms imports.<sup>13</sup>

In fact, evidences abound to show that the world's leading arms importers are third world nations. Of the total worlds twenty-five arms importers, six are African states. Of great significance, however, is that each of the listed countries spends more than \$1 billion on annual defence expenditure. 14 (See Table 1.2 for the list of the top seven countries.)

## Attempts to Cut Down World MILEX

It is pertinent to mention that, attention has been focused on the need by countries all over the world to reduce their military spending because of the end of the cold war, and because of the need for economic cooperation worldwide. Consequently, the world military spending that grew at an unprecedented state in the 1980s is fast declining. Actually, the picture of the world military spending can be explained thus:

In USA reductions of 4-5% per year are expected over the next years; the portion of gross domestic product will fall to the lowest level since World War II. However, according to projections by independent institutions, the US share of the world military spending may simultaneously rise as much as 45% in 1977, despite the cuts and a decreasing military portion of the US GNP. This is mainly due to the rapid decline of the Russian/CIS defence spending. In the Soviet Union, military expenditure rose fast in the 80s, halted in 1987 and declined from 1989 on. In Western Europe, military expenditures are falling slowly, mainly by reductions in personnel and reduced procurement. In Europe, reductions are much faster and drastic

# General Implications of High MILEX By Nation States

There are several implications associated with worldwide high military spending. The military institution itself, has been criticized as counter productive because it absorbs scientific and technical manpower needs to address global environmental problems. <sup>16</sup>

According to Kosta Tsipis, "in the new world order of economic competition and global environmental threats, the military can deter aggression but not resolve conflict; they can insure nuclear peace but cannot impose the political will of one nation on another; they can ruin the economy of a nation but cannot improve the economy of their country." 17

From the quotation above, it is evident, that high MILEX has a detrimental effect, on the economies of so many nations. Among the implications therefore are; the opportunity costs of MILEX, impact on economic growth, the wastefulness of MILEX, and the role of arms suppliers.

# Opportunity Costs

This is an attempt to explain how MILEX affects other public and private spending to the economy, is the value of foregone alternative opportunities to which resources could have been diverted. 18 Furthermore, opportunity costs means that government is directly absorbing a portion of GNP that could otherwise have been made available for investment purposes and the provision of infra-structural facilities. 19 This assertion, implies that every penny spent on defence could have been more usefully expended on economic investment rather than anything to do with the military.20

Impact on Economic Growth: Various studies conducted by the UN to determine the precise relationship between disarmament and the rate of economic and political development, indicated the MILEX adversely affect social welfare programmes and retard economic growth in so many ways.21

Firstly, defence spending, causes an increase in inflationary rate because higher levels of defence appropriations, coupled with intense demand for social services, results in deficit financing. Secondly, there is a distortion in the investment patterns of African economies, resulting in the muddling up of national priorities. The argument here, is that money spent on defence is penny denied the industrial sector. Thirdly, excessive MILEX hinders economic growth because of the economic dislocation it causes in the society. Consequently, the military sector in African societies, drains the meager national surplus that could have been used to provide viable and sustainable industries for the impoverished populace.22

# Wastefulness of MILEX

Recent studies, have also shown that vast sums of money is wasted each year in the process of military procurement by the military in developing countries. In fact, the cost of weapon systems it is argued, is frequently two or three times as great as the initial costs. Consequently, it has been asserted that the practices and procedures of arms procurement are simply faulty and wasteful, and therefore, have resulted in a vast subsidy to the defence sector particularly, the military contractors.23

# The Role of Arms Supplies

The arms suppliers are also referred to as the Military-Industrial Complex (MIC), and it is composed of the military bureaucracy, foreign arms suppliers, and indigenous arms contractors. The aim of this group, is to ensure that more money is allocated for arms procurement at the expense of social services and economic activities.24

In addition, the MIC is responsible for the inflationary cost of defence contracts and the transfer of obsolete military technology into the developing countries. Of much importance, such arms exports and transfers, have been used to de-stabilize unfavorable governments that backed common ideology and interests with the industrialized arms exporting countries.25

# The Nigerian Case Study

Adam Smith, in his "Analysis of Public Finance and Defence," explained that, as nations become civilized, provisions had to be made for the creation of a public defence force. According to Smith, that civilization could only be protected by means of a standing army which had to be funded through public finance.<sup>26</sup>, provisions had to be made for the creation of a public Apparently, Adam Smith analysis, is a reminder of the importance attached to high national spending. In fact, most national governments are confronted with the problems of how to explain to the taxpayers that is, the public, the substantial yearly budgetary allocations to the defence spending in all countries of the world.

In Nigeria, the size of the federal budget is and has always been an object of much controversy mainly because of the high priority accorded to the defence sectors at the expense of other economically viable and productive sectors such as, health, education, industries, mines and power, the oil and petrol-chemical sectors of the Nigeria society. The Federal Government's preferences and priorities since the period of independence in 1960, till present, shows that the nation's budget size (other things being equal) predicts positively, is that, the military is seen as a part of the central government's effort to consolidate its control.

However, in spite of the substantial resources being allocated to defence, the Nigerian military, is unable,, to reduce its dependence on foreign arms suppliers. Evidently, the military, is yet to make a conscious effort toward adapting imported technology (in form of arms procurement) to meet indigenous requirements. Consequently, a large proportion of the nation's defence spending, is expended on the payment of salaries and other personnel expenditures, as well as, on arms acquisition and procurement from abroad. In fact, under the 1981 allocations, a substantial amount of money was set aside for the purchase of equipment from external sources.<sup>27</sup>

The controversy over defence expenditure can be understood from the point of view that sees defence aliocation (like that of other African countries), as a reflection of the interplay of many variables. Hence, the yearly increase in defence spending, is perceived by various people in so many different ways. Yet, one fact remains, that is, since a state evaluates its security requirements on a variety of geographic, demographic, and economic grounds, then, there is the tendency to relate economic wealth and growth to security problems.<sup>28</sup> Moreover, since the Nigerian leadership is subjected to rapid changes either through military coups or through the normal democratic process, the perception of threat, and the conception of what constitutes the optimum defence spending is often subjected to different reviews by these different administrations.<sup>29</sup>

The different changes in administration notwithstanding, various Nigerian leadership since the period of independence (in 1960) up to the time of writing (1995), has always allocated the lion's share of the overall federal budget to the defence sector. This greater share to the defence sector is premised on the fact the armed forces are the overall protectors of the territorial integrity and sovereignty of the Nigerian nation. The defence functions concerns mainly, the protection of the totality of the state's interest economic, political and sociocultural interests. It is important to mention here that, though defence cannot be considered as productive in the economic sense, yet, it is nevertheless believed that a strong and efficient armed forces, strong enough to guarantee national peace and security are indispensable for the normal economic progress of any nation. Thus, the crucial role of the military as stated above, has often endeared an increase in the resources allocated to the armed forces for the procurement of arms and the provision of logistics backups and military welfare needs. Even former president, Ibrahim Babangida affirmed that "defence commands a substantial part of the Nigeria's expenditure mainly because it is a sine-qua-non for any form of development." Speaking further, the former commander-in-chief (C-in-C) of the Nigerian armed forces reiterated the need for a high defence expenditure when he explained that:

Our responsibilities whether we like it or not in the West-African sub-region in particular and Africa as a whole will continue to grow. This means that more will be expected from us. Until our perceived threats. Commitments and obligations in the international arena are reduced, less defence expenditure is not possible in the

The implications apparent in the constant higher defence budget in Nigeria is the other sectors of the economy like the health, education, economic, agriculture, oil and petrol-chemical sectors, are second in the order of the nation's priority to defence. Consequently, the defence and the national security of the nation are recognized as high priority issues whenever the federal budgetary allocations exercise is in progress.

In order to back up our analysis, statistical and descriptive analysis of the federal allocations since independence reveals the apparent effect associated with an increase in military spending in Nigeria. As table 1.3 indicates, the defence allocation of the total budget reveals a continuous increase in Nigeria's defence spending, while tables 1.4, 1.5, 1.6, 1.7 and 1.8 are the actual recurrent and capital expenditure on defence spending which reveals the high priority and lot of the government's revenue is expending on defence spending.

The tables indicated that the amount of money devoted to military expenditure has been continually on the increase, in fact, higher than the amount allocated to health and education. However, figure 1.1 reveals that since 1984 MILEX in Nigeria fell rapidly down to 1987 while it again shot up in 1988. The fall however can be attributed to the present economic crisis in the country, while the rise in 1983 upwards indicates that there exists a higher threat perception and greater involvement of the military in frequent border clashes and peace keeping operations. Also, the slight improvement in the country's economic fortunes is another contributory factor.

# The Military-Industrial Complex and Military Spending in Nigeria

With the colossal amount spent on defence, there is abundant evidence to show that the Military Industrial Complex plays a major role in diverting tangible economic resources away from domestic production in favour of arms importation. This category of people whom we would refer to in this work as the Military Industrial Contractor-Complex (MICC) plays a major role in ensuring that substantial amount of money allocated to defence is used to develop an industrial base for future indigenous military research

and development endeavours. The consequences of this continuous arms imports as we have reiterated earlier on in this work is the subsequent neglect of the health, education and the industrial sector that could otherwise have been used to improve the general welfare and standard of living on Nigerians.

## Efforts to Reduce Military Spending in Nigeria

In order to tone down the perennial increase in defence expenditure however, the Nigerian Federal Government came out in 1991 with a Rolling Plan Programme that was to span a period of four years 1991-1994. In the rolling plan period, the resources allocated to defence was to depreciate as the years rolled by. In short, the aim of the rolling plan is to ensure that sectors that yield higher economic value or productivity were accorded highest priority.

As table 1.9 indicates therefore, defence allocation is to be reduced as the years rolled by from 1991 to 1994 to an appreciable level that will positively correspond to the allocation and the distribution of resources to the other sectors and sub-sectors of the entire society.

In spite of the attempt to cut down the defence budget as the federal rolling plan indicates, it was evident that in the 1991 and 1992 budget (sectorial allocation), that defence retained its esteem position be incurring the highest share of the Federal Government expenditure as shown in table 1.10. The implication of this higher allocation further indicates that there is no significant departure from what obtains in 1988, 1989, and 1990. Instead, resources allocation to defence in 1992 surpassed those of the previous years. (See fig. 1.1 for graphical analysis of the haphazard upward and down trend of the Nigerian defence expenditure).

# Factors Responsible for High Defence Spending in Nigeria

Based upon the perennial increase in Nigeria's MILEX, our study reveals that the continuous increases are dependent on such factors as:

a. The inability of the armed forces to fully demobilize its troops in order to concentrate on the procurement of top quality and effective weapons system. At present a substantial part of the nation's MILEX (Military expenditure), is currently being spent on the payment of salaries and provision of welfare facilities like residential and office accommodation for the officers and men of Nigerian military.

- b. The inflationary characteristics of prices in the entire Nigerian society today. Prices of arms imports and other imported military logistics continue to increase as the "Naira" Nigerian money falls in value.
- c. The increasing commitment of the Nigerian military in ensuring peace and stability in Africa. These activities include the military training arrangements endorsed by Nigeria of training foreign officers from sister African nations like Zimbabwe and Angola, and the military exchange training programme with Ghana.
- d. Also, it is a common knowledge that Nigeria is spending so much money on the maintenance of troops and supply of weapons and ammunition to Nigerian peacekeeping troops stationed in Liberia under the auspices of the Economic Community of West African States monitoring group (ECOMOG). In addition, Nigeria is "picking up not less than seventy percent (70%) of the ECOMOG expenses for obvious military and strategic reasons." The amount expended by Nigeria in Liberia could be broken down as follows:
  - 1. From August 1990 till September 1990 Nigeria has pumped nothing less than \$3 billion into ECOMOG, \$2.8 billion of which is through the Nigeria National petroleum corporation (NNPC) alone through overdraft facility on liquified natural gas current account with Citibank London at 4.25% per annum.
  - Nigeria is alleged to have spent between \$250 million and \$500 million on ECOMOG operations out of the \$5 billion reaped from the Gulf oil crisis windfall.
  - 3. The overspending on this "external" defence has led to a N35 billion fiscal deficit in 1991 while N14.8 billion midyear deficit has been recorded this year (1992), with an implication of Red budgeting and extra-budgetary spending of not less than 10%.32

Our view in this paper is not to suggest that the defence budget be increased at the expense of other sectors, rather, we believe that whatever expenditure or expenses that military wants to undertake must be done within the available resources accruing to defence as shown in federal rolling plan programme. In the light of this assertion therefore, we are of the opinion that the current exercise of demobilization and rationalization within the armed-forces, be intensified. In addition, the resources otherwise used in the payment of salaries and welfare emoluments, could be used in developing and reactivating our defence industries' corporation (DIC), so that in-

digenous arms production can take place and foreign importation reduced. Moreover, intensive local training of the remaining officers after the demobilization exercise should be given highest priority.

## **Conclusions**

From the ongoing analysis, we believe that no matter, the effect of spending whether beneficial or detrimental, the central issue is whether the political process allocates the right amount of resources to military activity, and whether the military utilize these resources efficiently. In the case of Nigeria and other developing countries of Africa, we can argue based on our analysis, that large amounts of the national revenue of these nations' are being allocated to the military at the expense of public goods and other welfare facilities. This phenomenon, it should be noted, has been attributed to the premium that these nations places on national security requirements at the expense of public goods and other welfare facilities. This phenomenon, it should be noted, has been attributed to the premium that these nations placed on national security requirements at the expense of devindling cosmomic problems at home.

In fact, we are of the view that, in spite of the negative economic growth, negligence of public welfare needs, reliance and dependence on foreign nations for arms imports, etc, while compounding the economic problems of the African nations, these implications, would nevertheless be incapable of reversing the current trend in spending.

Finally, it is our belief that the diversion of resources from the military sector to the other sectors of the economy will be an herculean task for any nation. Hence, the question that continue to plague our minds is not whether to spend on defence at all, but rather how much to spend on defence in order to achieve desired ends.

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- Note: The twenty-six countries are, Argentina, Brazil, Chile, Egypt, India, Indonesia, Iran, Iraq, Israel, Kuwait, North-Korea, South-Korea, Malaysia, Nigeria, Oman, Peru, Pakistan, Saudi-Arabia, Syria, Taiwan, South-Africa, Thailand, United Arab Emirates, Venezuela and Viet-Nam.
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# Middle Power Leadership vs Cooperative Leadership: Some Reflections on South African Foreign Policy

#### Hussein Solomon

#### Introduction

South Africa occupies an ambiguous position within the international political economy. It is the most developed state on the continent of Africa. Within the Southern African Development Community (SADC) region, its Gross National Product (GNP) contributes 84 per cent to the regional GNP. In the context of the North-South debate, does this make South Africa a 'Northern' state on 'Southern' continent or does this make Pretoria the leader of the South? There are some sections of world opinion who would argue that South Africa is the natural leader of Africa. Consider in this regard, the statement by Angela King¹, who headed the United Nations Observer Mission in South Africa (UNOMSA) in 1994:that "...this country (South Africa) will soon become a catalyst for the rapid development of not only the Southern African region but the rest of the continent".

This view is also subscribed to by several South African academics. In a recent article entitled Global Dialogue, Human Rights and Foreign Policy: Will South Africa Please Lead, Vernon Seymour<sup>2</sup> noted that: The world expects more from a democratic South Africa...after a long struggle for human rights in this country, our new democracy is viewed as natural leader,

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