

of these indices. The fact that not every problem state can be engaged can hardly constitute an excuse not to take into account appropriate levels of military spending (and other measures of the military burden on society) when making foreign aid and international lending decisions, especially since the possibility of *increased* foreign aid or access to international finance can also play a role as inducements to change.

One final observation concerns the relative utility of the ratio measure of military to combined health and education spending, listed in the last column of Table 8. Although some of the states identified as being of potential concern have respectable ratios (above 1:2.0), 68 percent for which data was available (13 of 19, including estimates for Vietnam, Laos and Cambodia) scored at, or worse than, a 1:2.0 ratio. On the other hand, the tremendous regional variability in this index makes its value as a general criterion suspect. Only two states in Central and South America fall at or below the 2.0 threshold, while only two states in Southeast Asia fall above it (perhaps only one, given the likely under-reporting of Indonesian military spending). Although the measure itself could be refined, in particular by developing a broader and more sensitive index of public expenditures on social welfare, the overall idea of contrasting different "envelopes" of public sector spending may not have much general applicability outside of particular regional (or perhaps economic) contexts. But further exploration of this issue could dovetail nicely with the emphasis of international financial institutions on increasing transparency and accountability of government spending, and could perhaps form a plank in bilateral and multilateral assistance policies.

Concluding Comments

Little attention has been paid in this report to the precise policy instruments that might be important for significantly reducing military spending in various regions. That task properly follows a diagnosis of the nature and scope of the problem. The current emphasis in the policy community has been, however, on encouraging constructive "positive" engagements, rather than punitive threats of restricted access to aid or financing. Within this emphasis, a wide range of specific initiatives have been proposed, ranging from assistance for the demobilization and retraining of former soldiers, to efforts to identify and eliminate particularly wasteful spending, to pressures to increase budget and spending accountability and transparency, to measures to create more systematic evaluation of defence and security needs, to efforts to catalyze or promote regional security dialogues that could create confidence and reduce insecurity. There is no shortage of ideas in the policy community.

Which of these are pursued in any particular region depends on its conflict and security environment. The data analyzed in this report, while not definitive, hint at the many possible dimensions along which this problem can be tackled: the negative impact on economic growth and development, the consequences for political liberalization and respect for human rights, and the impact on inter-state and regional security. None can be examined in isolation; all should play a role in policy formulation if the goal of reducing military expenditures to the lowest levels consistent with security (in all its dimensions) is to be achieved.