

followed by Sri Lanka, with defence expenditure equal to 4.8% of GDP. India spends slightly less than 3% of its GDP on defence.

It must, however, be pointed out that India's defence expenditure, both in real terms (after taking inflation into account) and as a percentage of GDP, has declined during the 1990s. It declined by an average annual rate of 2.04% in constant 1980-81 rupees during the period between 1986-87 and 1993-94.<sup>4</sup> The recent defence budget follows this trend. India's defence budget allocation of Rs.277,980 billion for 1996-97 is an increase of Rs.9,190 billion over the revised estimates of last year. However, when inflation is taken into account, the budgeted defence expenditure is, in effect, a decline over the last year.

Similarly, as a percentage of GDP, India's defence expenditure declined from 3.1% to 2.8% during the last five years<sup>5</sup> (see **Table 2**).

### **The Need to Reduce Defence Expenditure**

The countries in the South Asian region are desperately poor; nearly half of world's poor people live in the region. According to some estimates, about 280 million people in the region lack access to safe drinking water and 300 million do not have enough to eat. Some 800 million people have no basic sanitation. Infant mortality, though declining, is still very high (see **Table 3**). The adult literacy rate is lower than any other region; the region has 380 million illiterate people. Not surprisingly, all the countries in the region figure very low in terms of development indicators (see **Table 4**).

In spite of the extreme poverty, the governments in these countries spend a significant proportion of their revenue on defence. With the exception of Nepal, the ratio between military expenditure and central government expenditure is high in all the countries in the region. It is particularly high in the case of India, Pakistan and China (see **Table 5**).

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<sup>4</sup>Singh Jasjit, "Affordable Credible Defence of India," *Strategic Analysis*, February 1994, pp. 1,379-1,409.

<sup>5</sup>*Hindustan Times*, New Delhi, July 24, 1996.