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**FOREIGN AID AND RECIPIENT MILITARY TRENDS**

**A New Direction in Japanese Foreign Aid Policy**

A Study Submitted to the  
Agency for International Development  
by  
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FPC Punct d

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## A NEW DIRECTION IN JAPANESE FOREIGN AID POLICY

### A STUDY FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT

#### EXECUTIVE SUMMARY

The announcement by Japan in April 1991 that it intends to link future developmental assistance to arms control efforts by recipient nations is a dramatic departure from past Japanese policy. Coming at a time of rapidly rising Japanese foreign aid, the ebbing of the Cold War, and a determination by Tokyo to play a more active and autonomous role in foreign policy, the announcement carries potentially profound significance for the 114 recipients of Japanese aid worldwide, as well as the recipients of other donor nations.

Japan is serious about the new policy, and has already conveyed its contents to the governments of its aid recipients. Prime Minister Kaifu spoke out on behalf of arms limitations during his visit to China in August 1991 and Vice Foreign Minister Owada raised it in Pakistan in May. Nevertheless, Japan will generally follow a non-confrontational approach toward policy implementation, particularly in Asia, which currently receive some two-thirds of its ODA. At least the initial thrust of the policy will be to positively reinforce recipient behavior with somewhat greater aid increases than would otherwise be the case for certain recipients conforming to the thrust of the policy.

On the negative side, however, technical analysis points to several problem areas for the new policy. Based on levels and trends in national military expenditures, arms trade, and activity on chemical, biological or nuclear weapons systems, several "red flag" lists of potential problem recipients have been identified. Among the states highlighted are China, Israel, Syria, Pakistan and India. The study concludes that potential conflicts over Japanese aid to China and U.S. aid to Israel are likely to be constrained by recognition of overriding interests in each case. Despite that fact, the policy provides a convenient point of coordination with Japan on tough issues such as Chinese transfers of ballistic missiles to the Middle East. Japanese pressure on Israel is likely only in the context of a multilateral effort by major donors, including oil-rich Arab states, to curtail aid to nations hostile to Israel. U.S. pressure on Japanese aid to Syria would be effective only under similar circumstances. Although the genie is out of the bottle in South Asia, closely coordinated U.S.-Japanese aid policy may bring some influence on limiting the India-Pakistani arms race, which is now stimulating weapons production capable of threatening China and the Middle East.

| The immediate impact of the policy on American aid programs is likely to be negligible. Baring dramatic political and economic shifts in recipient nations, such as might be associated with a military coup or recipient nation abandonment of free market principles, Japanese policy will be implemented in a cautious and  
✓ incremental manner, depending as much on non-arms control as arms control recipient behavior. Over the long term, however, the policy can strongly reinforce both arms control and developmental objectives of the United States. In most cases effective implementation will depend on close coordination not only with the United States but other donor nations as well. The fact that  
✓ Germany is plans a similar policy may well reinforce the impact of the Japanese initiative.

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## A NEW DIRECTION IN JAPANESE FOREIGN AID POLICY

### The Policy

On April 10, 1991, Prime Minister Toshiki Kaifu announced what seemed like a dramatic new initiative in Japanese foreign aid policy, stating that he intended to implement fully new guidelines linking Japanese Official Development Assistance to recipient nation military behavior. An accompanying Government policy statement enumerated the guidelines, emphasizing that henceforth Japan would "pay full attention" in its ODA allocations to the following points:(1)

1. Trend in military expenditures by the recipient countries from the viewpoint that the developing countries are expected to allocate their own financial, human and other resources appropriate to their economic and social development and to make full use of such resources;
2. Trend in development, production etc. of mass destructive weapons by the recipient countries from the viewpoint of strengthening the efforts by the international community for prevention of proliferation of mass destructive weapons such as atomic weapons and missiles.
3. Trend in the export and import of weapons by the recipient countries from the viewpoint of not promoting international conflicts; and
4. Efforts for promoting democratization and introduction of a market-oriented economy, and situation on securing basic human rights and freedoms by the recipient countries.

The announcement by the Prime Minister constituted a definite departure from past Japanese aid policy, which had scrupulously avoided linkage between political and developmental assistance objectives. Indeed, the most recent Ministry of Foreign Affairs (MOFA) annual report on Japan's ODA specifically states that "Japan strives to avoid the imposition of its own political values or attitudes toward economic development on its aid activities."(?) The same document refers to the attachment of political conditions to aid as interference in the internal affairs of other nations. Since its incipiency, Japanese aid has been given on an "if asked" basis, justified in recognition of either humanitarian considerations or international economic interdependence, with the latter of having been interpreted by some critics as signifying seed money for commercial ventures on a global scale. Only in rare cases, such as the invasion of Cambodia by Vietnam, has Japanese aid been terminated on the basis of political or political-military considerations.

### Considerations Leading to the Policy

The new policy, which appears to be a dramatic departure from past foreign assistance policy, is really the logical consequence of three converging forces on the Japanese political scene. The first is the long-term ferment in Japan about its role in the world, and in particular about the assertion of Japanese political influence in a way more commensurate with its economic strength. The second and more proximate factor is domestic embarrassment at what is perceived as Japan's ineffectual managing of its role in the Gulf crisis, which in turn is seen as a result of unclear direction in Japanese foreign policy. The third factor is pacifist sentiment in Japan, which is nothing new but which is taking on increasing importance within the framework of a more activist foreign policy.

Tokyo's use of ODA in its search for a more active role in international politics is at least a decade old. During the late 1970s Prime Minister Masayoshi Ohira initiated the concept of "comprehensive security," in which Japanese ODA was considered an international contribution to peace and stability and part of its overall national security effort. During the mid-1980s Prime Minister Yasuhiro Nakasone diverged from this concept, which had become perceived as a Japanese reaction to American pressure on defense "burden sharing," and concentrated instead on redoubling Japanese ODA.(3) While this and the current redoubling effort are sometimes seen in Japan as an effort to reduce or attenuate protectionist trade legislation in the U.S. Congress, the Prime Minister and the MOFA have increasingly emphasized the need for Japan to take on greater responsibilities in light of the high value placed on economic strength in the development of the new international order. This concept is well illustrated in the statements of Takakazu Kuriyama, recently Vice-Minister of MOFA, that Japan "can no longer conduct a passive foreign policy" characteristic of a minor power, because its economic influence obligates it to "share responsibility for the creation and maintenance of the international order." With a reference to the 1922 Washington Naval Treaty limiting capital ships of the United States, Britain and Japan to a ratio of 5:5:3 respectively, he points out that of the 20 trillion dollar world GNP, the United States accounts for 5 trillion, the EC 5 trillion and Japan 3 trillion. He views the parallel as illustrating the position of Japan as one of the three major economic powers in the world, much as it was one of the three major military powers in Asia 70 years ago. Kuriyama concludes that Japanese economic power impels it to a more responsible role in shaping the new international order, and that its ODA is a major pillar of international cooperation for peace.(4) A MOFA official with whom I spoke took a more defensive position, stating "no taxation without representation," that is, with its growing level of ODA Japan cannot be expected to stand by passively on major political issues affecting aid recipients, but must play a greater role in international fora addressing LDC problems.

The Gulf war was the catalyst which crystallized Japanese policy.

Under the guidance of Vice Minister Kuriyama, the MOFA Economic Cooperation Bureau was actively considering the proposition of linking arms control issues to foreign assistance at the time of the Iraqi invasion of Kuwait. The proposition had been put in the form of a question in the MOFA 1990 Annual Report on ODA: "As a nation dedicated to peace, should Japan adopt a policy of withholding aid from developing countries that spend vast sums on arms?" (5) A month after the Iraqi invasion the question was being answered by a new policy statement being drafted in the Bureau but which had not yet passed the rinqi system of Ministry reviews and approvals. The idea was to impress upon aid recipients the need to achieve stability through methods other than arms build-ups. Also driving the new policy was the vulnerability of Japan to criticism because it was by far the largest OECD aid donor to Iraq during the 1980s. Several articles had appeared in the Japanese press critical of Japanese assistance to Iraq and the Bureau felt it was important to avoid future criticism of this sort.(6)

During the same period senior Liberal Democratic Party officials were smiting under the international criticism Japan was receiving for its indecisive response to the Gulf crisis. The debate over the failed LDP attempt to pass a U.N. Peace Cooperation Law to authorize the use of non-combatant Japanese forces in the Gulf, the appropriation of \$13 billion for Gulf war costs only after considerable delay and public pressure from the United States, and criticism of Japanese aid to Iraq (which had been justified in large part by the U.S. tilt toward Iraq against Iran), all led to a widespread perception among LDP leaders that Japanese foreign policy lacked direction and was excessively subservient to American interests. The Provisional Council for Promoting Administrative Reform, including senior LDP and business leaders, initiated an examination of MOFA handling of the Gulf crisis, recommending in its final report on June 24, 1991, an increase in Japanese ODA to 0.7 percent of GNP, coupled with greater policy direction for the aid. Mutsumi Kato, Chairman of the powerful LDP Policy Research Council, was particularly upset that Japanese aid was seen as having no basis in principle. At the time of the February 1991 coup in Thailand he was reportedly appalled that there were no policy levers to justify turning off Japanese aid in the event of a military takeover. He thereupon championed LDP efforts to link foreign assistance to the criteria iterated by Prime Minister Kaifu two months later. The Prime Minister himself, weakened by both the criticism over Japan's Gulf role as well as failure to negotiate with President Gorbachev the return of the Northern Territories, used the issue to demonstrate the long awaited assertion of an independent Japanese foreign policy reflecting both domestic values and the needs of the international system in the wake of the Cold War.(7) Thus the statement accompanying his announcement of the new policy declared:(8)

In the course of the Gulf crisis and its aftermath, questions of the armaments of the developing countries, the necessity of enhancing international efforts toward

arms control and disarmament, etc., have attracted attention both inside and outside Japan. It is, therefore, considered appropriate and important to clarify the basic view of the Government regarding its ODA in relation to such questions.

A third major determinant of the policy is strong pacifist sentiment in Japan itself. Japanese anti-nuclear sentiments are well known, and Government policy has consistently adhered to the three non-nuclear principles of "not possessing, not manufacturing and not introducing nuclear weapons into Japan." (9) Japan has been among the most ardent supporters of nuclear non-proliferation, and is a signatory to the Non-Proliferation Treaty and a cooperative member of the International Atomic Energy Agency. It has also supported chemical and biological warfare conventions and is a charter member of the Missile Technology Control Regime (MTCR). In March 1991 Japan joined with 15 other MTCR nations to tighten non-proliferation standards, and with 25 nuclear technology supplier countries to tighten international nuclear technology transfer standards. Less well known is Japan's view of military spending and arms exports. By spending only one percent of GNP on defense for over 20 years Japan has been able to devote vastly greater sums on civilian research and development, production and marketing than any of the major industrialized countries. Japanese policy prohibits the export of arms, and outside of the Cold War context Japanese policy makers tend to view such exports as serving primarily commercial purposes, with a risk of regional destabilization. (10)

#### Japanese Aid Recipients

Japanese net aid disbursements for 1989, the last year for which comprehensive country data are available, totalled \$8.965 billion. This is slightly below the \$9.134 billion of 1988, and the \$9.239 billion reported for 1990. (11) Since the total of these three years is \$27.3 billion, it can be seen that Japan is behind schedule in its efforts to attain the \$50 billion target for the 1988-1992 five year plan. To meet that goal, total ODA for 1991 and 1992 would have to average some \$11.3 billion annually. Preliminary reports indicate Ministry of Finance agreement on yen based increase of 9.8 percent for 1992. Possible cuts in this figure are likely to be offset by a planned 0.3 percent increase in most interest rates charged for ODA loans, so that barring major exchange rate fluctuation, Japanese aid somewhat above \$10 billion may be expected for that year. (12) Beyond 1992 there is less certainty, but in June 1991 Foreign Minister Nakayama called for an expansion of ODA to between one and two percent of GNP from its present level of 0.32 percent. (13) Although not to be taken literally, the fact that Nakayama raised the issue, coupled with the aforementioned Administrative Reform Council recommendation of 0.7 percent of GNP, demonstrates a Japanese Government willingness to discuss substantial increases. Although the results will undoubtedly be far less than the percentages indicated, even modest increases in

the percentage of GNP allocated to ODA would result in considerably greater aid levels for the rest of the decade.

Bilateral Japanese aid of over \$100,000 is currently given to some 114 countries worldwide. The leading recipients of Japanese ODA (those receiving \$10 million or more) are listed on pages 7 to 9. Countries are listed in rank order based on 1989 data as reported by the OECD. (14) Since the policy enumerated by the Prime Minister called for a policy review based on the trend in aid and military expenditures and activity, the data refer to gross rather than net disbursements, and is compared to similar ODA levels in 1987 and 1985. It is noteworthy that over two-thirds of Japanese ODA is distributed to Asian states, including nine of the top ten recipients. At \$1.4 billion Indonesia is by far the largest recipient, followed by China with over \$800 million and then Thailand, the Philippines, Bangla Desh and India.

Over the four year period depicted, the greatest increase in ODA was to Indonesia, over \$1.1 billion dollars, followed by China with an increase of some \$450 million, and then Bangla Desh and India with increases of nearly \$300 million each. Enormous growth in ODA, as shown by an increase of over a factor of ten, took place in the cases of Nigeria, Zaire, Mozambique, and Mauritius. These facts illustrate the overwhelming importance of Asian countries in Japanese calculations, but also highlight the growing importance of the states of Sub-Sahara Africa.

#### U.S. Aid Recipients

U.S. aid in 1989 is reported to have been disbursed to 92 recipients worldwide, 22 less than in the case of Japan. The leading U.S. aid recipients are depicted on pages 10 to 12. The data is comparable to that of Japanese recipients, representing gross disbursements for calendar years 1985, 1987 and 1989 as reported by the OECD. (15) In contrast to the Japanese aid program, there is but a modest U.S. emphasis on Asian countries and a concentration instead on countries with regional security problems. With nearly \$1.2 billion and \$1.0 billion respectively, Israel and Egypt are by far the greatest recipients of U.S. aid. They, like the next leading recipients--Pakistan, El Salvador and the Philippines--are countries with whose security the U.S. has been concerned. As in the case of Japan, India is the sixth leading recipient, and Bangla Desh, which is fifth for Japan, is tenth.

Unlike Japan there are very few cases of dramatic rises in U.S. aid levels over the four year period, either on an absolute or percentage basis. Only Pakistan, whose U.S. aid has since been suspended, received an increase of over \$100 million, and only two countries, Afghanistan and Greece, showed a greater than tenfold increase. Also unlike Japan, three countries were cut back by over \$100 million--Peru, the Sudan and Ethiopia.

### Military Expenditures of U.S. and Japanese Aid Recipients

Japanese and American aid recipients with the highest levels of military expenditures are listed on pages 13 and 14. Fifty countries are shown in rank order for each donor, including some like Iraq whose Japanese aid has since been suspended, but who were significant recipients since 1985. The countries are rank ordered according to their 1988 military expenditures, the latest year for which unclassified comprehensive country data is available. (16) Also shown are military expenditures per capita as one measure of the social and economic cost of the expenditures. The chart highlights aid recipients, whether of Japan or the United States, with military expenditures in excess of \$100 million.

The data show that China, with over \$21 billion in military expenditures, is in a category by itself. It spends more than twice the amount of the second highest recipient, India, with some \$9.5 billion. Most other countries listed among the top ten have been participants in various regional conflicts, including Greece and Turkey, Israel and Egypt, South Korea and Pakistan. Ten of the top 25 spenders are in the Middle East and North Africa, five in East Asia, four in Latin America, three in South Asia, two in Europe and only one in Sub-Sahara Africa.

With reference to per capita military expenditures, three countries stand out with levels above \$1,000 annually: Iraq, Israel and Oman. Countries with per capita expenditures of over \$100 annually include, in order: Kuwait, Singapore, Greece, Jordan, S. Korea, Gabon, Syria, Angola, Portugal, Cuba, Egypt and Peru.

Recipient states with the least amount of amount of military expenditures are indicated on page 15. These countries, identified as "White Flag Recipients," have annual military expenditures of less than \$50 million and per capita military expenditures of less than \$50. They are likely candidates for enhanced aid should Japan decide to exercise its policy on a rewards basis.

### The Rate of Military Expenditures

The rate of military expenditures is also a major indicator of recipient nation priorities. Military expenditures as a percentage of gross national product and of central government expenditures are depicted on pages 16 and 17.(17) While the latter category clearly indicates governmental priorities, the wide variation in the relative size of governmental revenue and expenditures among the recipient nations denigrates the significance of this statistic for comparative purposes. Thus the top fifty recipient countries are ranked on the basis of the percentage of their military expenditures compared to gross national product, with the comparison to central government expenditures also shown for purposes of individual country analysis.

**JAPANESE ODA DISBURSEMENTS**  
(gross, millions current dollars)

<u>Recipient</u> <u>Rank Order</u>	<u>1989</u>	<u>1987</u>	<u>1985</u>
1. Indonesia	1407.1	941.1	282.8
2. China	833.3	553.1	387.9
3. Thailand	565.3	370.8	299.0
4. Philippines	432.4	393.8	243.1
5. Bangla Desh	411.0	357.4	129.2
6. India	353.6	395.5	73.5
7. S. Korea	234.0	216.4	84.6
8. Pakistan	231.4	158.9	110.7
9. Sri Lanka	200.6	129.6	89.8
10. Nigeria	178.9	18.7	8.1
11. Malaysia	176.0	349.3	154.9
12. Kenya	153.7	69.6	33.4
13. Brazil	135.4	92.4	53.5
14. Egypt	108.3	111.5	95.6
15. Ghana	97.9	20.8	24.0
16. Bolivia	94.5	62.3	23.6
17. Turkey	92.0	174.2	33.9
18. Zaire	90.8	28.0	9.3
19. Myanmar	81.6	192.4	168.9
20. Senegal	79.7	45.4	11.7
21. Nepal	78.8	77.8	50.7
22. Paraguay	76.5	45.8	21.4
23. Yemen	72.2	21.8	10.5

24. Tanzania	66.0	46.1	28.5
25. Zambia	63.0	41.7	42.1
26. Mozambique	51.6	18.1	4.3
27. Syria	42.2	49.1	1.4
28. Sudan	41.8	77.7	25.8
29. PNG	41.1	18.3	11.6
30. Honduras	40.0	35.0	18.9
31. Tunisia	36.5	5.7	11.4
32. Argentina	34.6	20.9	8.4
33. Ecuador	33.4	50.1	5.4
34. Madagascar	28.7	13.6	11.6
35. Peru	28.0	37.6	21.6
36. Mexico	27.6	35.0	19.5
37. Mali	27.6	8.9	3.7
38. Ivory Coast	25.8	2.8	7.9
39. Morocco	25.7	24.0	22.3
40. Jamaica	24.3	4.8	24.9
41. Dominican R	22.8	17.7	10.0
42. Malawi	22.6	51.7	4.9
43. Laos	21.2	15.3	8.2
44. Zimbabwe	20.4	8.8	8.5
45. Columbia	20.1	10.8	3.9
46. Chile	19.6	10.7	9.0
47. Somalia	17.5	22.7	12.8
48. Rwanda	17.1	8.0	1.9
49. Singapore	16.2	18.0	12.1

50. Togo	15.6	3.8	1.7
51. Mauritius	15.5	6.7	0.9
52. Niger	15.2	26.8	11.2
53. Solomon Is.	14.3	4.7	1.0
54. Jordan	14.3	29.9	15.6
55. Ethiopia	13.1	15.6	7.5
56. Sierra L.	12.2	3.4	2.3
57. Burk. Faso	11.8	7.7	5.3
58. C. Afr. R.	11.4	1.4	2.2
59. Botswana	11.3	0.1	0
60. Haiti	11.2	10.1	6.3
61. Burundi	10.9	11.0	1.7
62. Liberia	10.1	10.2	1.6

**U.S. ODA DISBURSEMENTS**  
(gross, millions current dollars)

<u>Recipient</u> <u>Rank Order</u>	<u>1989</u>	<u>1987</u>	<u>1985</u>
1. Israel	1189	1225	1972
2. Egypt	969	1046	1401
3. Pakistan	344	156	205
4. El Salvador	315	360	288
5. Philippines	206	231	144
6. India	172	141	132
7. Pacific Is.	156	173	154
8. Costa Rica	150	162	199
9. Guatamala	149	156	52
10. Bangla Desh	145	147	168
11. Sudan	111	103	347
12. Jamaica	107	91	112
13. Honduras	105	155	161
14. Indonesia	97	96	101
15. Morocco	97	87	97
16. Bolivia	79	88	73
17. Jordan	70	110	22
18. Haiti	68	93	56
19. Kenya	64	44	76
20. Dominican R	63	65	144
21. Turkey	60	21	101
22. Zaire	54	56	39
23. Sri Lanka	53	43	92

24. Peru	52	73	180
25. Portugal	51	3	84
26. Tunisia	51	46	20
27. Afghanistan	43	31	0
28. Yemen	40	45	398
29. Senegal	41	48	49
30. Greece	38	-3	-3
31. Mozambique	34	55	47
32. Thailand	33	25	24
33. Malawi	32	18	7
34. Niger	31	41	84
35. Cameroon	29	21	16
36. Ghana	28	12	18
37. Somalia	28	52	56
38. Ethiopia	26	8	146
39. Mali	24	33	44
40. Ecuador	22	44	48
41. Uganda	21	14	5
42. Mexico	20	65	60
43. Zambia	20	34	36
44. Lebanon	19	22	24
45. Cyprus	19	17	18
46. Lethoso	18	19	19
47. Liberia	18	28	54
48. Zimbabwe	17	36	56
49. Botswana	15	21	11
50. Togo	15	12	9

50. Togo	15	12	9
51. Burk. Faso	14	19	44
52. Nepal	14	20	21
53. Sierra L.	11	12	10
54. Swaziland	11	12	8
55. Belize	10	13	12
56. The Gambia	10	10	10

**MILITARY EXPENDITURES OF SIGNIFICANT U.S.  
AND JAPANESE AID RECIPIENTS**

<u>Recipient Rank Order</u>	<u>1988 ME</u> ( \$ millions )	<u>ME Per Capita</u> ( dollars, 1988 )
1. China	21,270	25
2. Iraq	20,730	1369
3. India	9,458	15
4. S. Korea	7,202	168
5. Egypt	6,086	114
6. Israel	6,001	1396
7. Greece	3,378	337
8. Argentina	2,972	94
9. Turkey	2,664	49
10. Pakistan	2,516	23
11. Peru(1)	2,205	106
12. Algeria	1,784	74
13. Thailand	1,718	31
14. Syria	1,604	139
15. Indonesia	1,400	8
16. Oman	1,371	1083
17. Portugal	1,347	130
18. Singapore	1,321	499
19. Brazil	1,209	8
20. Morocco	1,138	46
21. Mexico	1,016	12
22. Angola	967	133
23. Malaysia	908	55
24. Jordan	882	309

25. Chile	808	64
26. Philippines	680	11
27. Columbia	656	21
28. Yemen(1,2)	566	84
29. Ethiopia	447	10
30. Zimbabwe	386	40
31. Myanmar	350	9
32. Bangla Desh	342	3
33. Afghanistan(1)	336	24
34. Sri Lanka	321	19
35. Kenya	294	13
36. Tunisia	255	33
37. Cameroon	255	25
38. Nigeria	223	2
39. El Salvador	212	39
40. Ivory Coast	199	18
41. Nicaragua	192	61
42. Sudan	175	7
43. Gabon	167	159
44. Bolivia	162	25
45. Ecuador	155	15
46. Guatemala	129	15
47. Honduras	120	24
48. Tanzania	111	5
49. Congo	102	49
50. Senegal	97	13

## WHITE FLAG RECIPIENTS

<u>Recipient</u>	<u>Mil. Expenditures</u> ( \$ millions )	<u>MILEX Per Capita</u> (dollars)
Barbados	10	41
Benin	38	7
Burundi	34	7
Cen. Afr. Rep.	19	7
Chad	39	8
Dominican Rep.	45	6
Fiji	25	34
The Gambia	1	2
Ghana	23	2
Guinea	27	4
Guinea-Bissau	3	4
Haiti	34	5
Jamaica	32	13
Lesotho	16	11
Liberia	44	18
Madagascar	34	3
Malawi	34	4
Mali	45	5
Togo	46	14
Zaire	49	1

**RATE OF MILITARY EXPENDITURES OF U.S. AND  
JAPANESE AID RECIPIENTS**  
(percentage of 1988 GNP and Central Government Expenditures)

<u>Recipient</u>	<u>ME/GNP</u>	<u>ME/CGE</u>
1. Iraq(1)	30.7	35(e)
2. Jordan	21.0	32.2
3. Oman	19.1	38.4
4. Nicaragua(1)	17.2	26.2
5. Guyana	14.6	20(e)
6. Israel	13.8	23.5
7. Syria	10.9	34.9
8. Laos(1)	10.5	21.3
9. Angola(1)	10.0	28.8
10. Yemen(2)	9.9	30.0
11. Afghanistan(1)	9.1	64.4
12. Botswana	8.2	10.3
13. Ethiopia(1)	8.2	23.3
14. Lebanon(1)	8.2	20.0
15. Mozambique	8.0	34.6
16. Egypt	7.8	21.7
17. Pakistan	6.9	27.1
18. Zambia(1)	6.6	19.6
19. Zimbabwe	6.3	15.0
20. Morocco	6.0	18(e)
21. Singapore	5.3	24.2
22. Gabon	5.2	15.3
23. Congo(1)	5.1	12.5
24. Peru(1)	5.0	34.2

25. Sri Lanka	4.6	13.3
26. Chad	4.3	45.1
27. S. Korea	4.3	25.2
28. Mauritania	4.2	16(e)
29. Bolivia	4.0	28.1
30. Chile	4.0	16.3
31. China	3.9	20.0
32. Turkey	3.9	17.7
33. Tanzania	3.9	14.6
34. El Salvador	3.8	34.9
35. Liberia(1)	3.8	14.2
36. Togo(1)	3.7	11.1
37. Kenya	3.6	14.0
38. India	3.5	15.4
39. Algeria	3.4	9.0
40. Suriname	3.4	7.2
41. Burundi(1)	3.3	17.3
42. Somalia(1)	3.2	30.0
43. Burma	3.2	24.3
44. Portugal	3.2	9.2
45. Thailand	3.1	18.2
46. Argentina	3.1	14(e)
47. Honduras	2.9	14.5
48. Malaysia	2.8	8.8
49. Burkina Faso	2.7	17.4
50. Tunisia	2.7	7.3

The data show nine recipients which allocate over ten percent of their gross national product to the military. Iraq is far out front in this category, spending over 30 percent of its substantial GNP on the military. Jordan is second at 21 percent, followed by Oman, Nicaragua, Guyana, Israel, Syria, Laos and Angola. Ten of the top 25 countries are in the Middle East or North Africa, eight in Sub-Saharan Africa, three in Latin America, two in East Asia, and two in South Asia. Afghanistan is considered to have spent the greatest share of its central government expenditures on the military.

### Arms Trade

Listed as one of four major categories to be considered under the new Japanese aid policy, the level of arms exports and imports of recipient nations is closely related to their level of military expenditures. Because of data problems in determining to what extent arms trade is contained in the data on military expenditures, separate charts are prepared herein for both arms exports and imports. The top 25 arms importers, including recipients with over \$100 million in 1988, are listed on page 19. Arms exporters are listed below:(18)

#### LEADING ARMS EXPORTERS AMONG RECIPIENT NATIONS

<u>Recipient</u>	<u>Arms X (\$ mil)</u>	<u>% Total X</u>
1. China	3100	6.5
2. Brazil	380	1.1
3. Egypt	170	2.9
4. Israel	140	1.5
5. Portugal	110	1.0
6. Iraq	80	0.6
7. S. Korea	50	0.1
8. Argentina	30	0.3

The data show only eight aid recipients with arms exports exceeding \$25 million in 1988. China is again in a category by itself. Reaching a total in excess of \$3 billion, Chinese arms exports compose 6.5 percent of total exports and make China the only country among recipient nations for which these exports are a principal foreign exchange earner. The next most significant exporter, Brazil, earned \$380 million on its arms exports, but this constituted only 1.1 percent of its total exports. Other exporters were at much reduced levels.

**LEADING ARMS IMPORTERS**  
(1988, \$ millions)

<u>Recipient</u>	<u>Arms Imports</u>	<u>% Total Imports</u>
1. Iraq	4600	37.1
2. India	3200	16.7
3. Afghanistan	2600	80(e)
4. Israel	1900	12.6
5. Angola	1600	93(e)
6. Syria	1300	58.5
7. Algeria	825	10.6
8. Turkey	775	14.7
9. Egypt	725	3.1
10. Ethiopia	725	80.6
11. S. Korea	600	1.2
12. Greece	575	4.7
13. Nicaragua	525	65.7
14. Thailand	525	2.7
15. Yemen	400	48(e)
16. Pakistan	340	5.2
17. Jordan	320	11.6
18. Singapore	310	.7
19. China	270	.5
20. Brazil	260	1.6
21. Mozambique	160	27(e)
22. Kenya	160	8.0
23. Laos	150	40(e)
24. Nigeria	150	4(e)
25. Indonesia	130	1.0

The twenty-five leading arms importers include recipient nations whose purchases totalled above \$100 million. Nine countries are in the Middle East, six in East Asia, five in Sub-Saharan Africa, three in South Asia and two in Latin America. Prior to the recent Gulf war Iraq was the leading arms importer, followed by India, Afghanistan, Israel, Angola and Syria, all of which had arms imports in excess of \$1 billion annually. As a percentage of total imports, the leaders in rank order were Angola, Ethiopia, Afghanistan, Nicaragua, Syria, Yemen, Laos and Iraq.

#### Preliminary Red Flags

Based on the empirical data presented thus far, it is possible to identify preliminary aid recipients likely to become the topic of concern from the point of view of the Japanese policy. The list developed on pages 21 and 22 cannot be construed as the sole determinant of Japanese aid levels in specific circumstances because, as the statement accompanying Prime Minister Kaifu announced policy declared, Japan will also "make its decision on aid taking into account comprehensively such factors as bilateral relations with the recipient countries, the international situation including the security environment in which the recipient countries are placed, aid needs, and the economic and social situation of the recipient countries, etc." (19)

The criteria at this stage should therefore be relatively simple and straightforward, with a view to encompassing as many nations as possible which might raise a "red flag" in domestic or international political discussion, and in particular in the upcoming DAC Conference. With this in mind, it is recommended that the preliminary list include countries with military expenditures (ME) in excess of \$1 billion annually, with military expenditures per capita in excess of \$300, with a military expenditure to GNP percentage of over 5.0, and with either arms imports or exports of over \$200 million. With the exception of the first criteria, which would encompass 23 of the largest spenders, each of the other criteria is at a natural break point in the rank order presented. Each of the criteria encompasses some 20 nations, except military expenditures per capita, which encompasses 7, since this criteria is likely to be significant only in extreme ranges.

## JAPANESE REG FLAGS

<u>Recipient Rank</u>	<u>&gt;\$1 bil</u>	<u>&gt;\$300PC</u>	<u>&gt;5.0 %</u>	<u>&gt;\$200 M</u>
1. Indonesia	X			
2. China	X			X (M)
3. Thailand	X			X
6. India	X			X
7. S. Korea	X			X
8. Pakistan	X		X	X
13. Brazil	X			X (X&M)
14. Egypt	X		X	X
17. Turkey	X			X
23. Yemen			X	X
25. Zambia			X	
26. Mozambique			X	
27. Syria	X		X	X
32. Argentina	X			
35. Peru	X		X	
36. Mexico	X			
39. Morocco	X		X	
43. Laos			X	
44. Zimbabwe			X	
49. Singapore	X	X	X	X
54. Jordan		X	X	X
55. Ethiopia				X
59. Botswana				X
* Oman	X	X	X	
* Gabon			X	

## U.S. RED FLAGS

<u>Recipient Rank</u>	<u>&gt;\$1 bil</u>	<u>&gt;\$300PC</u>	<u>&gt;5.0 %</u>	<u>&gt;\$200 M</u>
1. Israei	X	X	X	X
2. Egypt	X		X	X
3. Pakistan	X		X	X
6. India	X			X
14. Indonesia	X			
15. Morocco	X		X	
17. Jordan		X	X	X
21. Turkey	X			X
24. Peru	X		X	
25. Portugal	X			
27. Afghanistan			X	X
28. Yemen			X	X
30. Greece	X	X		X
31. Mozambique			X	
32. Thailand	X			X
38. Ethiopia			X	X
42. Mexico	X			
43. Zambia			X	
48. Zimbabwe			X	
49. Botswana			X	
* Oman	X	X	X	
* Brazil	X			X

Based on the data presented, it appears that 25 Japanese recipients and 22 American recipients head the list of countries most likely to raise concerns regarding Japanese policy with respect to military expenditures and arms trade. One Japanese recipient, Singapore, is above the threshold in all four categories; Pakistan, Egypt, Syria, Jordan and Oman cross it in three categories, and China, India, Brazil, Turkey, Thailand and Yemen in two. This total of twelve Japanese recipients likely to raise concern based on more than one criteria compares to fifteen for the United States. Leading the list is Israel with four, Egypt, Pakistan, Jordan, Greece, and Oman with three, and India, Morocco, Turkey, Peru, Afghanistan, Yemen, Thailand, Ethiopia, and Brazil with two.

Initial comparison of the tables also shows that there are six significant Japanese aid recipients to which the United States provides no aid: China, South Korea, Syria, Argentina, Laos, and Singapore. The United States provides aid to four countries not assisted by Japan: Israel, Portugal, Afghanistan, and Greece. Countries for which there are extreme differences in aid levels include Brazil, Thailand, and Gabon, to which Japan gives far greater aid than does the United States, and Jordan, for which the U.S. a significantly greater donor. With respect to the fifteen other countries listed, both Japan and the United States are on common ground, providing either at least \$20 million each or, in the cases of Ethiopia, Zimbabwe, Botswana and Oman a lesser sum but with each donor within 50 percent of the aid level of the other.

Further evaluation of the degree to which any of these countries could become problems with respect to Japanese policy is related to their potential for developing, possessing, transferring or using weapons of mass destruction. In particular, data pertinent to recipient chemical, biological and nuclear weapons capabilities, including both the munitions themselves and their delivery mechanisms, need to be considered both for these and other aid recipients.

#### Chemical and Biological Weapons Proliferation

International concern over chemical weapons proliferation, which had been elevated by the Iran-Iraq war, has reached a new level of concern in the wake of the Iraqi invasion of Kuwait. Not only is Japan linking this proliferation to its aid program, but Germany has indicated its intention to do the same.(20) The United States, meanwhile, has strongly endorsed efforts of the Conference on Disarmament to achieve a Chemical Weapons Convention that would completely ban the production, possession, transfer and use of chemical weapons. In May 1991 U.S. negotiators dropped several of their conditions to the Convention, and called for its completion within 12 months. As part of its effort, the U.S. also declared its intention to destroy all its chemical weapons stocks within ten years. (21)

Unclassified data on which countries can be positively identified as having a chemical warfare (CW) capability varies considerably, depending on the source and definitions used. For the purposes of this study, two categories will be used. Those recipients which have been reported by U.S. Government officials, on the record, as developing, producing or possessing CW will be listed as "identified." Those reported by Western government officials, usually off the record, as possessing or attempting to acquire CW capability, are listed as "suspected." Based on these definitions, the following recipient countries are cited: (22)

#### RECIPIENT NATION CHEMICAL WEAPONS

<u>Identified</u>	<u>Suspected</u>
China	Angola
Egypt	Argentina
Ethiopia	Indonesia
India	Laos
Israel	Somalia
Myanmar	South Korea
Pakistan	Thailand
Syria	

Other nations are listed by various sources as "doubtful" or "monitored," and may obviously become nations of future concern. For the present, however, those listed as "identified" are clearly of present concern with respect to Japanese (and others) policy. Unlike the aforementioned "red flag" lists, this list is not preliminary. Countries listed as "identified," unless they agree to alter policies leading to their CW capability, can be expected to be prime targets for any action taken to implement the Japanese aid policy in this regard. Israel, which is the only country not a significant Japanese aid recipient, might avoid scrutiny unless Japan chooses to raise it in reaction to U.S. pressure on its policy with respect to other nations. Countries listed as "suspected" are also quite vulnerable, since the presumption is they are pursuing a CW program. The activities of both categories runs counter to U.S. and international efforts to curtail and halt the development, possession, transfer and use of CW weapons.

Japan is playing an active role in these efforts, supporting not only efforts in the Conference on Disarmament, but also joining with the United States in the Australia Group, a collection of twenty industrialized nations formed in 1984 in reaction to CW use

in the Iran-Iraq war and dedicated to supporting a total ban on CW in the Conference on Disarmament in Geneva.(23) One of the avowed purposes of the Australia Group is to enlist the support of as many nations as possible for the CW Convention. With support presently estimated at some 100 nations and growing, the issue of recipient behavior in this matter may well be a point of aid policy discussion between U.S. and Japanese interlocutors. The issue formal agreement to renounce CW weapons is all the more cogent because of their relative ease of manufacture, especially from dual-use precursors, as Giovanni Snidle has noted elsewhere:(24)

The production of chemical weapons is relatively inexpensive, and their manufacture requires little technological sophistication. In almost every case, the chemicals and equipment required to produce chemical agents have legitimate industrial applications and have become more available as the petrochemical, fertilizer, pesticide and pharmaceutical industries have expanded.

Biological agents are a potentially even more devastating element of weapons of mass destruction. CIA Director William Webster has testified that "biological warfare agents--including toxins-- are more potent than the most deadly chemical warfare agents, and provide the broadest area coverage per pound of payload than any weapon system." Like CW weapons, unclassified data on biological weapons states varies by source and definition. Also like CW weapons, biological weapons are relatively simple to produce, as Judge Webster also notes: "Any nation with a modestly developed pharmaceutical industry can produce biological warfare agents, if it chooses."(25)

Thus it is generally agreed that international agreements renouncing the use of biological weapons is the best practical way of limiting their proliferation. The Convention on the Prohibition and Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons, ratified by the United States in 1975, now numbers over 100 signatories.(26) By renouncing everything included in the title of the Convention, the states party to it seek the complete elimination of this form of war-fighting capability. As with CW weapons, the willingness of states to adhere to this Convention could well be a point of discussion with Japanese counterparts. In this regard it is noted that Syria, Egypt and Israel, three major recipients of Japanese or American aid, have yet to join in this Convention. Syria and China, moreover, have developed a bacteriological warfare capability, rendering them doubly vulnerable to any decision to apply aid restrictions based on the provisions of the Japanese policy.(27)

### Nuclear Weapons and Ballistic Missile Proliferation

The great connecting link between CW and bacteriological agents, and nuclear explosive devices is, of course, the delivery system. Ballistic missiles, as seen in the recent Gulf war, constituted a conventional threat, but were described by General Norman Schwartzkopf as of little or no military significance without chemical munitions. As with chemical munitions, the marriage of biological or nuclear munitions with ballistic missiles is widely recognized as a dangerous escalation in lethal capability. In many cases, moreover, it is considered both militarily and economically wasteful to use a ballistic missile for attacks which could be carried out by aircraft and other means.

Among Japanese or American aid recipient countries, nine are listed by the U.S. Arms Control and Disarmament Agency as possessing developing or already possessing ballistic missiles.(28) Not included in the list is China, which has possessed nuclear weapons since 1964 and is the only declared nuclear capable state currently receiving Japanese aid. Thus the ten states of concern in this category are:

#### RECIPIENTS WITH BALLISTIC MISSILES (In Production or R&D)

Egypt	Israel
Syria	Yemen
China	India
Pakistan	South Korea
Argentina	Brazil

Efforts to contain the spread of ballistic missiles in the Third World have concentrated on expansion of the Missile Technology Control Regime (MTCR) and, since 1988, in applying concepts from the INF Treaty. Japan, along with the United States, is a member of the MTCR and could use this avenue to approach limiting weapons of mass destruction if it so decides. Of particular concern is China, whose past exports of ballistic missiles to Saudi Arabia and reported export of missile technology to Pakistan and suspected intention to export its M-9 (approximate range 375 miles) and M-11 (approximate range 180 miles) missiles to both Syria and Pakistan has drawn strong opposition from the Administration and the Congress. The arms race on the Subcontinent is also drawing increasing U.S. attention; India has reportedly test-fired an Agni IRBM while Pakistan appears to seek a several hundred mile range delivery vehicle for its incipient nuclear arsenal. (29) Concern for Syrian activity is also great, but the effectiveness of Japanese aid cut-backs in this case may be futile in the absence of a similar cut-backs Saudi aid, which has reportedly grown considerably since the Gulf War (30)

As far as the nuclear programs of recipient states are concerned, the issue is much clearer than with either CW or biological weapons. An enormous amount of effort has gone into monitoring nuclear developments in the Third World, and there is general agreement among the experts that India, Pakistan, and Israel now have nuclear weapons in their possession, while Brazil and Argentina are considered to have programs with the potential to develop nuclear weapons. (31)

India, of course, exploded a bomb (a so-called peaceful nuclear explosion) in 1974. Initially begun in reaction to the 1962 border conflict with China and subsequent Chinese nuclear developments, the Indian program accelerated in the 1980s in response to reports of the Pakistani nuclear program. (Spector) Interestingly from an aid perspective, there is good evidence that India suspended much of its nuclear weapons program in late 1987 in order to support efforts in the U.S. Congress to obtain a Pakistani aid cut-off based on that country's nuclear program. When the Congress approved \$480 million in military and economic aid to Pakistan, India resumed its program with vigor and is now estimated to be producing some 15 nuclear devices annually. Coupled with the new Agni IRBM, India will be able to deliver nuclear warheads in most of China and well into the Middle East.

Pakistan has been the subject of intense scrutiny over the years and in October 1990 had its U.S. economic and military assistance suspended because President Bush was unable to certify that it did not possess a nuclear explosive device. (CRS) As with India, the use of aid as a foreign policy lever over Pakistan is instructive. While the subject of intense debate throughout the 1980s and in retrospect, it is clear that U.S. aid totaling an average \$500 million per year since 1982 did not dissuade Pakistan from developing the bomb. Pakistan today is considered to have some 5 to 10 nuclear weapons. (32)

Israel, the other major nuclear entrant, is estimated to have a stockpile of some 100 nuclear weapons, and perhaps more. The acceleration of its program in recent years is attributed to the perceived need for a powerful second strike capability in the event some of its hostile neighbors attempt to use their developing short range ballistic missiles against it. According to Leonard Spector, a noted authority on nuclear proliferation, "Israel has deployed medium-range (400 mile) surface-to-surface ballistic missiles intended for use with nuclear warheads...Israel has been developing one or more new missiles and has been testing a version with a 900 mile range."(33)

Neither Brazil nor Argentina are considered to possess nuclear weapons, but both have built facilities for a nuclear weapons capability. Although present governments in both states are not actively supporting a nuclear weapons program, there are forces within each state which wish to do so, and both have facilities not subject to safeguards by the International Atomic Energy Agency.

None of these five aid recipients cited in this section is party to the Nuclear Non-Proliferation Treaty (NPT). The following is a list of recipient states which have not signed and ratified the Treaty.(34) It includes their 1989 aid totals.

<u>Recipient</u>	<u>Japanese ODA</u> (\$ millions)	<u>U.S. ODA</u> (\$ millions)
Algeria	1.7	
Angola		1.0
Argentina	34.6	
Brazil	135.4	2.2
Myanmar	81.6	2.0
Chile	19.6	5.3
China	833.3	
Comoros	3.8	1.0
Djibouti	3.8	4.0
Guyana	1.3	7.0
India	353.7	172.0
Israel	0.4	1189.0
Mauritania	9.3	12.0
Mozambique	51.6	34.0
Niger	15.2	31.0
Oman	6.1	8.0
Pakistan	231.4	344.0
Tanzania	66.0	7.0
Vanuatu	2.9	
Zambia	63.0	20.0
Zimbabwe	20.4	17.0

The list takes on added importance in light of the announced Japanese aid policy of "strengthening the efforts by the international community for prevention of proliferation of mass destructive weapons such as atomic weapons and missiles."

One example of how it might apply is the case of China. With the recent announcement in Paris that France will sign the NPT, China will be the only Permanent Member of the U.N. Security Council not signatory to the NPT. In June 1991 Beijing indicated it is considering signing the NPT, as well as joining the Missile Technology Control Regime (MCTR). (35) In August Prime Minister Kaifu visited China to discuss this and other matters, and on August 13 Chinese Premier Li Peng promised Kaifu that China would sign the Nuclear Non-Proliferation Treaty. With Japanese ODA levels approaching a billion dollars, a case could be made that Japanese aid influenced the Chinese action, even though there is no evidence it was explicitly raised. Japan prefers a non-confrontational approach in such matters, and would likely be more amenable to adjustments in increases of aid as a carrot rather than the stick of sharp cut-backs. In the area of Chinese military exports, on the other hand, the Chinese Premier rebuffed Kaifu's suggestions that China limit its shipments and adhere to the Japan/U.K. plan for an international registry of arms transfers.

Another example is the case of Argentina. Although not signatory to the NPT, Argentina has taken certain steps to distance itself from a nuclear program. One of these was the cancellation of the Condor II ballistic missile program in April 1990.(36) Argentina is a major Japanese aid recipient. Under the Japanese aid policy, acknowledgment by Japanese diplomats of Argentine moves of the sort indicated in conjunction with discussions of any aid increases, could significantly reinforce the non-proliferation message being conveyed by the United States and concerned international agencies.

On the other hand, countries whose programs of "weapons of mass destruction" move forward without restraint could become the target of Japanese aid reductions, or at least reductions in the rate of increase of Japanese aid. Japanese recipients with ballistic missile programs, as well as developing or possessing chemical, biological or nuclear weapons include China, India, Pakistan, Egypt, and Syria. The same list applies to U.S. recipients with the replacement of Syria by Israel. The six countries concerned form two triangles: Egypt/Israel/Syria, and China/India/Pakistan. Each triangle has experienced warfare leading directly to their member concentration on weapons of mass destruction. For example, the Indian nuclear program developed from fear of a nuclear China and, later, Pakistani nuclear developments. Aid alterations to any of these states based on the new policy would do well, therefore, to take into account the programs of the other states of their respective triangle. This was well illustrated in May 1991, when Deputy Foreign Minister Hisashi Owada visited Pakistan to reiterate the importance Japan places on its new policy. In response to Owada's request that Pakistan sign the Nuclear Non-Proliferation Treaty, Pakistani Foreign Secretary Shaharyar Khan stated that his

country will sign the Treaty only if India agrees to do likewise.(37)

#### A Focus on Trends

The Japanese policy in all categories of arms control, including military expenditures, arms trade, and weapons of mass destruction, focuses on trends. One indicator of trends in the area of military expenditures is the degree to which they increased or decreased over the past ten years. While numerous and more current measures may be applied to measure such trends, it is concluded from available data that over a dozen Japanese and American aid recipients have more than doubled their military expenditures over the past ten years, while a half dozen countries have reduced such expenditures some 50 percent or more. The following is a list of these countries.(38)

#### TRENDS IN MILITARY EXPENDITURES

<u>Doubled Military Expenditures (1978-1983)</u>	<u>Reduced Military Expenditures by Half (1978-1988)</u>
Afghanistan	Brazil
Benin	Guinea
Botswana	Mauritania
Cameroon	Nigeria
Columbia	Somalia
Ethiopia	Zaire

(Continued on p. 31)

Fiji  
 Guyana  
 Lesotho  
 Liberia  
 Mozambique  
 Nicaragua  
 Pakistan  
 Panama  
 Singapore  
 Sri Lanka  
 Tunisia  
 Yemen

In light of the Japanese policy, some consideration might be given to the current trends of these nations in particular. One major aid recipient which has increased its military expenditures spectacularly is Sri Lanka, with a sixfold increase in response to its internal security problems. On the other hand, Nigeria has dramatically reduced its military expenditures, from \$873 million in 1978 to \$223 million in 1988 (in constant dollars), while reducing its percentage of GNP from 3.1 to 0.8 percent.

The policy might also apply to the countries of Eastern Europe. Through 1989 Japan had not provided ODA for the countries of Eastern Europe, but in 1990, during a visit to Europe, Prime Minister Kaifu announced assistance measures for Poland and Hungary. The assistance was designed to support the political and economic reforms in those countries and to improve East-West relations.(39) Since that time, Romania and Bulgaria have received Japanese food aid, while Japan has cut Poland's debt of 190 million yen in half and held discussions with Hungary to expedite private investment.(40) As in all cases, the relative influence of the policy will result from the confluence of many factors, but in the case of Eastern Europe the very high historic levels of military spending, coupled with the dramatic political shifts since 1989, provide a window of opportunity in which Japanese aid could play an important role. The following list demonstrates the high levels of military spending just prior to the political sea change:(41)

**EAST EUROPEAN AND SOVIET MILITARY EXPENDITURES AND ARMS TRADE**  
(millions of dollars)

<u>Country</u>	<u>Mil. Expd.</u>	<u>Arms Exports</u>	<u>Arms Imports</u>
Bulgaria	6,842	380	400
Czech	9,818	850	210
Hungary	4,489	160	60
Poland	15,660	675	1,000
Romania	7,670	150	20
Yugoslavia	2,080	200	40
USSR	299,800	21,400	1,100

The massive levels of expenditures of the Soviet Union and the nations of Eastern Europe makes them likely subjects of scrutiny under the Japanese policy. Tokyo has been reluctant to provide substantial assistance to these countries without their undergoing substantial economic restructuring, which, in Japan's view, includes the restructuring of defense industry to civilian production. Of concern to both Japan and the United States is the high military export level of these countries. Soviet, Czech and Polish exports were particularly high, and directed to areas where their impact was likely to be destabilizing.

The Soviet Union is a special case for Japan. According to MOFA officials, Moscow will also be rejected from consideration of aid unless or until it returns the Northern Territories (the islands of Kunashiri, Etorofu, Shikotan and Habomai--all off the coast of Hokkaido). This is a particularly sensitive issue for the Government, which failed in to secure any Soviet commitment during the visit of President Gorbachev this spring, and also was embarrassed by the failure of the subsequent mission to Moscow, led by former LDP Secretary General Ichiro Ozawa, who reportedly was prepared to offer \$26 billion in economic assistance in exchange for the return of the islands. With the demise of Soviet Communist central authority in late August, Japanese officials are once again seeking to regain the Northern Territories with the enticement of an aid program.(42)

Implementation of Japanese Policy(43)

Like most new Japanese policies, the policy linking foreign assistance to arms control criteria is likely to be implemented very gradually. Announced in April 1991, the policy has yet to receive implementing guidelines from the Ministry of Foreign Affairs. The policy has, however, been transmitted to all Japanese

embassies worldwide and its contents have been delivered to the host governments. Implementing guidelines, according to a MOFA official, can be expected to appear in the 1991 ODA Annual Report, to be drafted by October 5, 1991, and translated and published by March 1992.

Further inhibiting implementation, according to a Japanese official, are three concerns of the Foreign Ministry: first, that the LDC recipients might criticize Japan for its own level of military expenditures (listed at \$29 billion in 1988); second, that the purpose of the policy might come into question, as to whether it would really enhance the stability of the country concerned; and third, the issue of whether aid can truly be an effective lever for the stated goals. The policy rationale is stability; insofar as arms supplies and military expenditures etc. lead to instability they are considered dangerous, but MOFA is well aware that a nation must have enough military strength for its own defense.

The strong Asian bias in Japanese ODA also means that cuts in this area would be difficult domestically. For example, Japan is not about to cut its aid to China, which it views as promoting both free-enterprise and stability in that country. The non-confrontational aspect of Japanese international political behavior is accentuated in its approach to aid with its Asian neighbors.

It is, however, unlikely that the policy will not be implemented. The Prime Minister cannot just announce a policy without follow-up. Moreover, the policy conforms well with Japanese pacifist sentiment, as well as the strong anti-nuclear feeling of its population. The following comments were conveyed to the author by a participant in the policy formulation:(44)

It was felt that democratic countries generally had less difficulty with unjustified levels of military expenditure and that therefore military coups will generally be frowned upon. Kato (see reference p. 3) felt strongly about this in the first days of the Thai coup. MOFA would feel strongly about this in the event of a coup in the Philippines.

In general, the policy will be implemented so as to reinforce good behavior on the issues listed, but in some cases negative aspects could also arise. For example, MOFA does not wish to see further expansion of the Indian naval build-up. It does not wish to see diversification of Chinese nuclear capabilities. It does not want to see Iraq become the bully again. It does not want to see an attack by any aid recipient against its neighbors.

In cases where the need for aid is very great, it is considered that we can have some diplomatic leverage. In most cases, however, we recognize our aid lever is limited; many other foreign policy concerns must be taken into account. Therefore, we are being deliberately vague

in our policy statement.

We will treat each country on a case-by-case basis; not as a yardstick but as one factor for consideration, looking especially at the trends. However, we have told all of them of our new policy and that we will be observing recipient behavior in light of our aid levels.

Our older generation is particularly sensitive to charges from LDCs in Asia regarding past Japanese behavior. The younger generation is not so sensitive but recognizes this will limit our policy somewhat in this area. We also feel the past error was in Japanese bullying them with our military, and feel we do not want to so bully them with our money in the present circumstance.

There will be a review in five years. At that time each country will be informed of how well it is doing in light of the policy. Meanwhile, incremental changes are likely to be the order of the day. Certain countries may not get any increase, for example, if they violate the policy.

Aside from Iraq, the policy has thus far not inhibited Japanese ODA to countries of the Middle East. Indeed, the reaction of Japan to charges that it was not participating in the Gulf war effort has been to increase its aid in the region, with totals announced for Jordan and Turkey of \$700 million each, and \$600 million for Egypt. (45) Moreover, in what seems to contradict the new policy, Japan offered Syria mixed commodity and project loans of \$500 million. Although Foreign Minister Nakayama reportedly stated Japan's concern over the Syrian arms build-up, including the import of Scud missiles from North Korea, the aid has been justified as part of Japan's post-Gulf war contributions in the region. According to one official, "The decision to extend loans to Syria was made much earlier than the Prime Minister's announced guidelines and we do not intend to apply them retroactively." (46)

Aid to Pakistan and India has likewise not been inhibited. Japan has already pledged \$300 million to India in response to Indian claims of the drying up of international remittances due to the Gulf war, while its aid to Pakistan is reportedly sharply increased despite the aforementioned Pakistani rejection of Japan's request that it sign the Nuclear Non-Proliferation Treaty. (47)

In a few cases, however, Japanese aid has been delayed because of military issues. Because of the military coup in Thailand, an 80 billion yen package continues to be held up at mid-summer, even though the Japanese team had completed its project evaluations in February and approval was expected by April. (48) In a related move Japan has delayed for over six months the export of a supercomputer with potential military uses to Brazil. According to the Japan Economic Journal, "the atmosphere of self-restraint reflects Japan's concern about exacerbating tensions with

leading trade partners, particularly the U.S., and an apparent consensus that Japan should take a leading role in choking international arms trade."(49)

Domestically there is little criticism of the policy. The leftists argue for cutting aid to the Philippines and other governments which they suspect will divert the aid to military use, but they are a weakening minority which cannot use the policy to any political advantage. Prime Minister Kaifu himself is identified with the somewhat pacifist-oriented Komoto faction, and had to be persuaded to take any action in the Gulf crisis.

Overall, the new policy is likely to be implemented gradually and pragmatically, with aid cut-backs only where it is in Japan's interest, or simply where Japan has no strong interest. The objective of Japanese policy is to influence recipient behavior as well as to justify changes which Japan may wish to make for entirely different reasons. Coming in the wake of criticism of wasteful and unprincipled aid implementation, it gives a rationale for what Japan may wish to do in any case, but for which it lacks justification from a policy perspective.

#### Implications of Implementation for the United States

From the foregoing it should be clear that there are no immediate and serious concerns arising from the Japanese policy for American developmental assistance to particular countries. Equally clear, however, is that the policy could have substantial impact on U.S. programs over the long term. This would be particularly true if the United States continues to justify aid programs based on Cold War criteria. Although Japan continued to recognize a Soviet threat well after most Europeans declared the Cold War ended, recent events make it likely that Japan will perceive a reduced Soviet threat that lowers the rationale for U.S. aid based on security reasons.

Japan itself appears serious about the policy over the long term, so that considerable interaction with the United States on the policy can be expected. Japan has long been seeking to play a more active and autonomous role in foreign policy, and its strong domestic support for limiting military allocations, combined with its growing capability to increase foreign aid, appears to enable Japan to do just that. Just one more indication of Japanese support for the policy was its collaboration with Britain during the recent G-7 Conference, in calling for transparency in global arms trade by requiring states to declare their arms transactions before the U.N. in an international register. (50)

The lists of potential problem areas for the United States are enumerated in the above sections. The "red flag" countries listed on pages 21 and 22 on the basis of military expenditures and arms trade, are reinforced and supplemented by the countries identified

on pages 23 to 30 as posing problems from the point of view of chemical, biological and nuclear warfare capability. These lists will not be repeated here, but a brief regional summation is presented to clarify the points made above.

The primary area of policy concern is the Middle East. It should be noted, especially in view of the high ratio of Middle Eastern countries on the lists, that the states of the region with the highest levels of military expenditures and arms imports (much from the U.S.) are the oil producing nations, which are not aid recipients. Their poorer Semitic cousins (both Arab and Jew) seem forced to compete by arms expenditures and imports which they cannot afford without massive infusions of foreign assistance. While the U.S. and Japan might affect their behavior through coordinated or uncoordinated bilateral aid programs, the effect is likely to be marginal at best without cooperation from the oil-rich donors. Israel is clearly the state of greatest concern for the United States. Although not a recipient of appreciable Japanese assistance, Israel is of potential concern both because it is the largest U.S. aid recipient and the greatest military power in the region. Very nervous with respect to its security, Israel spends more money on arms per capita than any Japanese or American aid recipient in the world, and has developed a CBR capability which includes operational ballistic missiles. Given the enormity of its security concerns, any unilateral effort by the United States based on Japanese policy is bound to fail. Coupled with action by Japanese and oil-rich financiers in the region, however, U.S. action could conceivably provide a means of influencing the spiraling arms race thus far afflicting the region. The same conclusion applies to Syria, which does receive significant Japanese aid, but which receives even greater Arab oil money, without whose constraint any Japanese aid curtailment would be only marginally effective.

With regard to the Soviet Union and Eastern Europe, Japanese policy appears to support U.S. interests. In fact, the United States has already linked Soviet military expenditures to any possibility of aid, and within Soviet domestic politics the reform debate is taking due note of the linkage. For example, Victor Karpov, a top Soviet arms control negotiator, recently called for an extension of glasnost to the area of military expenditures, citing the need for accurate knowledge in this area because of its implications for the future of the economy. U.S. concern for high levels of Soviet and Eastern European military exports, particularly to the Middle East, also matches nicely with the Japanese policy. As stated previously, Japan links aid to recovery of the Northern Territories, a goal also supported by the United States and emphasized by Nagao Hyodo, Director General of MOFA's European and Oceanic Affairs Bureau, who stated August 25 that progress on the island dispute "will help enable Japan to take a big step toward providing financial assistance to the Soviet Union."(51)

In East Asia the U.S. effort to constrain Chinese military exports is undoubtedly the greatest area of concern for U.S.-Japanese

dialogue on the new policy. As demonstrated earlier in this text, there is no doubt that China is the greatest violator of the policy, yet it is also clear from Japanese domestic considerations previously mentioned that a cut-back of Japanese aid based upon the policy alone is not likely. Nevertheless, Chinese adherence to the Nuclear Non-Proliferation Treaty and its exports of military equipment have already been raised by Prime Minister Kaifu, and are potentially subject to a combination of U.S. action on other issues and Japanese action on ODA. The U.S. debate over MFN for China applies equally to Japanese foreign aid, with both our nations needing domestic support for any policy consensus. Elsewhere in East Asia, Thailand and South Korea, because of their high levels of military effort and the fact that they are significant Japanese aid recipients, might technically also come under scrutiny based on the policy. However, given traditional U.S. support for their military efforts, the likelihood of conflict with Japan over these states is minimal. The Japanese attitude toward the Philippines also conforms well with U.S. policy. Both our nations are strongly opposed to military intervention in the democratic process of the Philippines, and Japanese linkage of aid to this question appears supportive of U.S. policy. Finally, the military government of Myanmar, having lost its minuscule U.S. assistance, risks further reduction of its fairly substantial Japanese aid.

South Asia provides perhaps the most difficult test for the new Japanese aid policy. The confrontation between India and Pakistan, with China and the United States having militarily assisted Pakistan for different reasons, and the Soviet Union having militarily assisted both India and Afghanistan, has spurred the momentum of an arms race in the region. The Soviet pull-out from Afghanistan, the inability of the President to certify that Pakistan does not possess a nuclear weapon ("device"), and the subsequent suspension of U.S. ODA to Pakistan, have altered the landscape to the point where the new Japanese policy definitely has a better chance of implementation now than it did two years ago. It is worth noting in this regard that combined U.S. and Japanese aid to India in 1989 exceeded half a billion dollars. Previously cited Japanese concern regarding the Subcontinent might conflict with American Cold War concerns, but the new equation in global and regional politics renders this area a prime test of how a new arms control policy might fare in the new world order.

In Latin America and Africa there is also considerable commonality in Japanese and American policy objectives. Although not as heavily armed as other regions, both areas have several centers of political volatility, and both have an acute need for humanitarian assistance, particularly Africa. As previously discussed, Japan and the United States share the common objective of curtailment of the nuclear programs in Brazil and Argentina. In addition we both support international adherence to the Nuclear Non-Proliferation Treaty, which eight African and four Latin American aid recipients have yet to sign. The leading Japanese recipient in both regions is Nigeria, which has sharply cut back its military expenditures in the past decade. The leading U.S. recipient is El Salvador,

which is not a Japanese aid recipient and could present a problem from the Japanese point of view. El Salvador, however, does not show up as a "red flag" under any of the criteria listed in this study, and is arguably one of the few areas of the world where Marxist/Leninist ideology holds significant appeal. Opportunities for application of the policy abound in both areas. One example is Ethiopia, where a nation desperate for assistance may be strongly influenced in the wake of its bloody protracted conflict. Increases above the 1989 ODA levels of \$13 million and \$26 million from Japan and the United States respectively, could well be linked in some way to a reduction in Ethiopian military expenditures, which were estimated above 8 percent of GNP. Moreover, Ethiopia has been suspected of developing a chemical warfare capability, which could also be the subject of joint U.S.-Japanese linkage.

The results of this study clearly demonstrate that the Japanese policy supports American objectives across a wide range of political and arms control issues. Predicated upon the supposition, as stated by Japanese officials to the author, that implementation will be gradual and pragmatic, problem areas between our two nations are likely to be quite narrow and subsumed in other initiatives, such as the Middle East peace initiative now underway. Indeed, the Japanese policy should present opportunities for American officials to enlist Japanese support in efforts to attain important political objectives, such as the cessation of ballistic missile development and transfer by recipient countries. While Israel could be a problem area for Japan, China and Syria are likely problem areas from the U.S. perspective. The issue of how to handle aid flows in the Subcontinent could provoke controversy, but our underlying common interests indicate they should be manageable. Any of the "red flag" countries listed, as well as any of those cited under CBR warfare headings could become a problem for either country. Despite these and other differences which may arise from time to time, the United States and Japan both recognize that foreign aid is given for strategic reasons. That the Japanese policy at long length takes cognizance of this fact is a positive element in redirecting aid for those reasons. The importance of this potential is highlighted by expected continued rises in Japanese ODA, made even more likely by the recent revelation of an unexpected Governmental surplus of a trillion yen.

Finally, the Japanese policy will impact strongly on the United States because it appears to have been adopted by yet another major donor, Germany. In August 1991 Germany announced that its 1992 foreign aid budget, due to be presented in September, will reflect a new policy of linking foreign aid to recipient military expenditures. Press reports indicate that China, India, Pakistan, Syria and Indonesia were likely candidates for cuts.(52) Although substantial German aid itself could be an incentive for recipient states to moderate their military behavior, the synergistic effect of donor collaboration on such issues is likely to have far greater impact, and likewise to require far greater donor consultation.

Critical Questions List

1. We understand that in the past the Ministry of Foreign Affairs has resisted attaching political conditions to foreign aid. To what extent does the new Japanese policy linking ODA to strategic purposes represent a departure from previous policy? How committed is MOFA to the new policy, which we understand received considerable impetus from the LDP Policy Research Council?
2. What are Japanese intentions in linking the new aid policy to assistance to China? Did the matter come up during Prime Minister Kaifu's discussions with Premier Li Peng in August? Recognizing that Japan has important political and economic interests in China, does Tokyo believe Chinese exports of ballistic missiles is a subject it is willing to raise with China in this context? Was it raised by anyone in the Prime Minister's delegation? If not, why not?
3. How do you evaluate the potential effectiveness of the policy? Is a country like China, which has been earning over \$3 billion annually on arms exports in recent years, and Syria, which also receives considerable Arab oil money, vulnerable to pressure from the policy?
4. In applying the new policy will Japan consider the entire foreign and defense situations of the countries concerned? For example, do you believe it is important to ask whether recipient states, like Israel, are actively engaged in a peace process before applying the policy?
5. Do you think the policy might be utilized to nudge certain countries to sign the Nuclear Non-Proliferation Treaty? Was it instrumental in China's announcement during the Kaifu visit that it would sign the Treaty? Do you think the policy would be more effective in the case of Pakistan if it included other donor nations, such as the United States and Germany?
6. Do you believe a suspension of Japanese aid to Pakistan would help or hinder arms control objectives in that state? Do you believe Pakistan would, in case of a cut-off, seek foreign exchange by trading nuclear technology with various states in the Middle East?
7. What is Japan's attitude toward Eastern Europe from the point of view of this policy? Will Japanese aid be withheld in cases of Eastern European countries selling off weapons inventories produced before the 1989 sea-change? What will be Japan's attitude if the countries of Eastern Europe artificially stimulate defense production by keeping lines open for employment or arms export reasons? Is the restructuring of East European defense industry a positive incentive for Japan to initiate aid?

8 How do you foresee linking the new policy to the two triangles of hostility--China/India/Pakistan, and Syria/Israel/Egypt, both of which have been the scene of severe warfare in the past generation?

9. Do you believe some of your aid recipients view your assistance as an entitlement? Specifically, what would be the result of your cutting aid to India, which has actively pursued a massive military build-up in recent years, including increased production of nuclear weapons?

10. What is your intention on aid to Pakistan, which has reportedly increased despite rejection of MOFA Deputy Secretary Owada's request during a May visit that Pakistan sign the Nuclear Non-Proliferation Treaty?

11. How do you evaluate the need to cooperate and, possibly collaborate, with the United States in implementing the new policy? Do you foresee Japan (a) consulting with the United States prior to policy implementation? (b) informing the U.S. of its intentions? (c) acting upon U.S. request? and (d) requesting the U.S. to take action with respect to its aid recipients?

12. In view of the fact that joint U.S./Japanese collaboration on aid policy would more strongly affect recipient behavior in the areas of your policy, do you see a need for greater consultation between the U.S. and Japan in this regard? What fora might you suggest for such consultation?

13. In view of the German Foreign Ministry's announcement of a policy similar to that of Japan, do you believe an aid donor consortium would be effective in attaining desired arms control objectives? Do you think forming such a consortium is realistic?

14. Your policy statement focuses on trends in all categories of arms control (military expenditures, arms transfers and CBR weapons). What are some of the ways you may identify and evaluate these trends?

15. How do you estimate the potential effectiveness of your policy? For example, do you consider the ratio of ODA to arms imports an important measure of international capital flow subject to influence? What about the ratio of ODA to military expenditures? to arms exports?

16. What are some of the positive ways in which aid might reward countries which act consistent with the policy?

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## APPENDIX

- A. Relative Burden of Military Expenditures, (ACDA, WMEAT, 1990).
- B. Proliferant Developing Countries: Missile and CW Capabilities, (Leonard Spector, Nuclear Ambitions, 1990).
- C. The Spread of Nuclear Weapons: 1989-1990, (ibid).
- D. Emerging Nuclear Weapons Nations: 1989-1990, (ibid).
- E. Germany to Cut Aid to Countries That Spend Heavily on Weapons, (New York Times, August 3, 1991).

Figure 16  
Relative Burden of Military Expenditures — 1988

ME/GNP* (%)	GNP PER CAPITA (1988 dollars)					
	Under \$200	\$200-499	\$500-999	\$1,000-2,999	\$3,000-9,999	\$10,000 and over
10% and over	Cambodia+	Guyana Nicaragua+ Vietnam+ Yemen (Aden)+	Cape Verde+	Jordan Mongolia North Korea Syria	Bulgaria Iraq+ Libya+ Oman Saudi Arabia Soviet Union	Israel Qatar+
8-9.99%	Ethiopia+ Laos+ Mozambique+	Afghanistan+ Pakistan	Albania Congo+ Morocco Yemen (Sanaa) Zimbabwe	Angola+ Botswana Egypt Lebanon+	Bahrain Czechoslovakia Gabon Greece Hungary Poland Romania Singapore Taiwan	East Germany Kuwait Un. Arab Emir. United States
2-4.99%	Chad Guinea-Bissau+ Madagascar Malawi Tanzania	Benin Burkina Faso Burma Burundi+ Equat. Guinea+ India Kenya Liberia Mali Mauritania+ Sri Lanka Sudan Togo+ Zambia+	Bolivia China Honduras Ivory Coast Senegal	Algeria Chile El Salvador Fiji Malaysia Panama Peru+ South Africa Suriname Thailand Tunisia Turkey Uruguay Yugoslavia	Argentina Cuba Iran+ Portugal South Korea Spain Trinidad & Tob.+	Australia Belgium Canada Denmark France Italy Netherlands New Zealand Norway Sweden Switzerland United Kingdom West Germany
1-1.99%	Bangladesh+ Nepal	Ken. Afr. Rep.+ Guinea Haiti Indonesia Lesotho+ Rwanda Somalia+ Uganda	Dominican Rep. Ecuador Guatemala Papua N. Guin. Philippines Swaziland	Cameroon+ Colombia Jamaica Paraguay	Cyprus Ireland Malta Venezuela	Austria Finland Japan
Under 1%	Zaire	Ghana Niger Nigeria Sao Tome & Prin + Sierra Leone The Gambia+		Brazil Costa Rica Mauritius Mexico	Barbados	Iceland Luxembourg

\* Countries are listed within columns in alphabetical order.

† Countries in brackets on a rough approximation of one or more variables for which 1988 data or reliable estimates are not available.

15

Figure 2. Proliferant Developing Countries: Missile and CW Capabilities

COUNTRY	MISSILES <sup>1</sup>				CHEMICAL WEAPONS <sup>4</sup>
	RESEARCH & DEVELOPMENT			DEPLOYED	
	MIL <sup>2</sup>	SLV <sup>3</sup>			
Argentina		X	X		Potential
Brazil		X	X		Potential
Egypt	SCUD	X			Suspected
India		X	X		Potential
Iran	SCUD	X			Confirmed
Iraq	SCUD	X	X		Confirmed
Israel	JERICHO	X	X		Suspected
N. Korea	SCUD	X			Suspected
S. Korea	KSSM	X	X		Potential
Libya	SCUD	X			Confirmed
Pakistan		X	X		Potential
Saudi Arabia	CSS-2				Potential
South Africa		X			Potential
South Yemen	SCUD				None
Syria	SCUD	?			Confirmed
Taiwan		?			Suspected

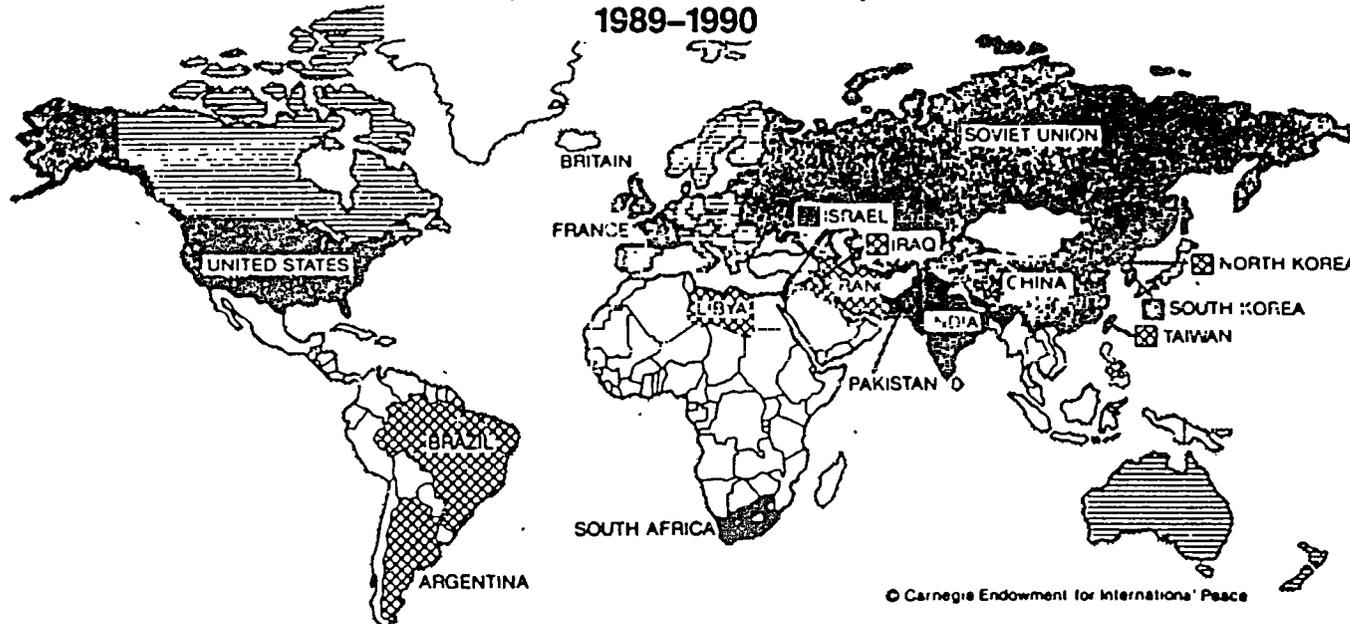
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2. Military missile development program

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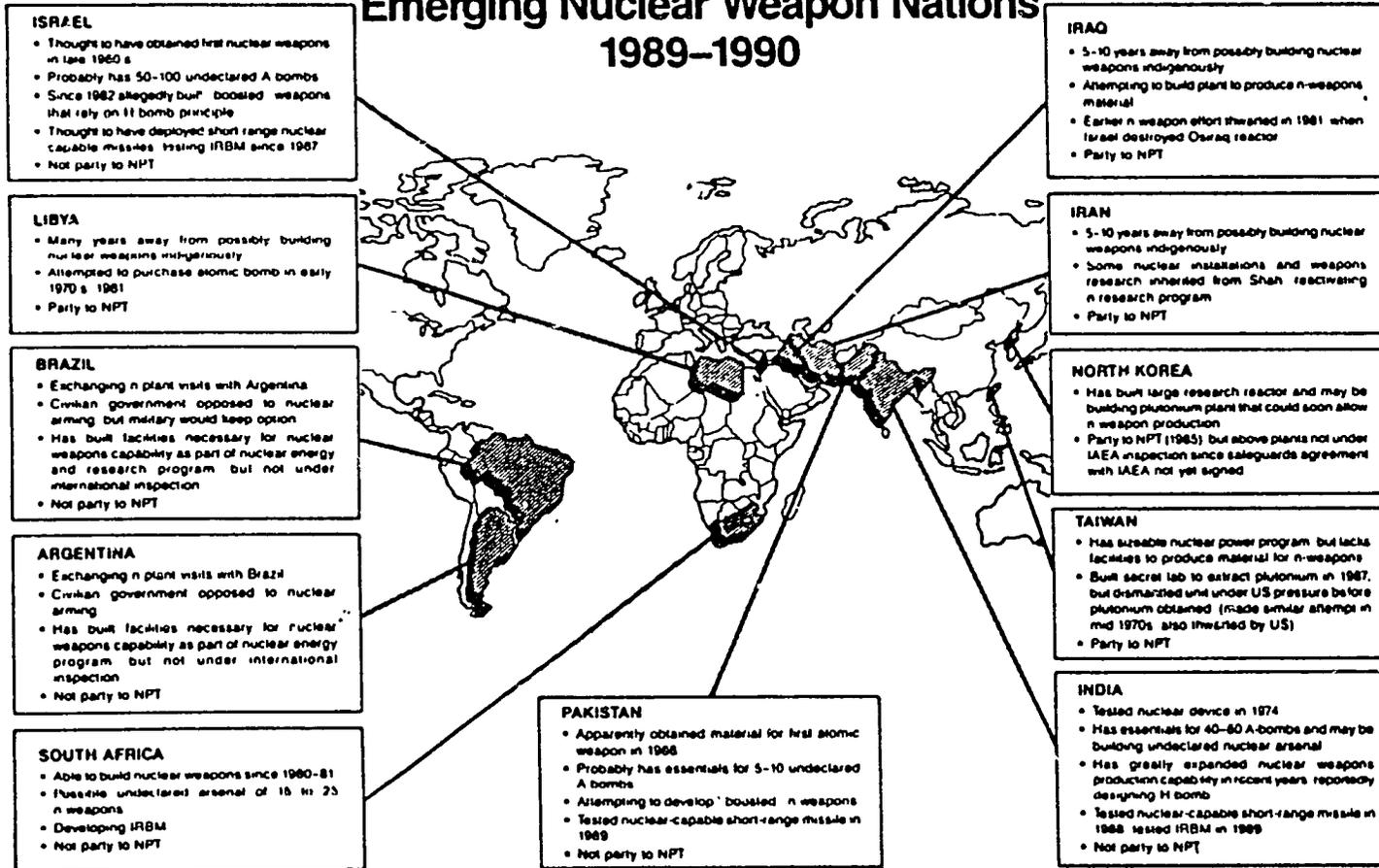
### The Spread of Nuclear Weapons 1989-1990



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	<b>Declared nuclear weapon nations</b>		<b>Countries of past concern.</b> These countries took steps to develop nuclear weapon capabilities during the 1970's but have terminated these activities
	<b>De facto nuclear weapon nations.</b> These countries are thought able to deploy one or more nuclear weapons within months or to have already deployed them.		<b>Abstaining countries.</b> These countries have the technological base, but not the intent, to develop nuclear weapons. A number have installations under international inspection that can produce nuclear weapons material
	<b>Countries to monitor.</b> These countries have taken steps since 1980 to develop nuclear weapon capabilities or to acquire nuclear weapons — or appear strongly motivated to do so		

## Emerging Nuclear Weapon Nations 1989-1990



**NPT—The Nuclear Non-Proliferation Treaty.** Requires all nuclear installations in a signatory country to be placed under International Atomic Energy Agency inspection

Carnegie Endowment for International Peace

New York Times. August 3, 1991, p.3

## Germany to Cut Aid to Countries That Spend Heavily on Weapons

By STEPHEN KINZER

Special to The New York Times

BONN, Aug. 2 — In a move that may set a precedent for other industrialized nations, Germany will soon begin cutting its foreign aid to countries that spend too much on weapons.

The German foreign aid budget for 1992, which is due to be presented in September, will be the first to reflect this new policy, the Minister of Economic Cooperation, Carl-Dieter Spranger, said in an interview today.

"In our experience with the countries of the third world, we have learned that development aid can only be effective under certain conditions," Mr. Spranger said.

"We are going to be looking closely at the level of spending for arms, and also at factors such as human rights and economic freedoms in the various countries," Mr. Spranger said. "Our help will be directed to countries with efficient and honest administrations, countries that enjoy what is generally called good government."

### Likely Targets of Policy

Mr. Spranger would not identify the countries whose aid may be reduced, but internal ministry documents obtained by German reporters this week suggested that China, India, Pakistan, Syria and Indonesia were likely candidates.

One of the principal dilemmas of foreign aid is that in many countries, cor-

rupt or inefficient governments use it in ways that do not benefit the needy. Donor countries are often reluctant to insist on too much control over foreign projects for fear of alienating host governments.

The new policy adopted by Mr. Spranger has already caused some friction within the German Government. According to a report in the newspaper Die Welt today, he wants to cut all aid to Syria, but Foreign Minister Hans-Dietrich Genscher wants to provide \$25 million "on foreign policy grounds."

### Favorable Response

Such disputes will be resolved by the full Cabinet, with Chancellor Helmut Kohl having the final say. Final decisions are expected in the coming weeks.

Mr. Spranger, who assumed his ministerial post this year, said he expected other donor countries to adopt versions of the new German approach.

"This is the beginning of an international consensus on the way aid should be conditioned," he said. "I presented this idea to the European Community in February, and I was recently in the United States to discuss it. The response has been surprisingly favorable."