Arms transfer decisions: considering development

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Introduction

The devastating impact of armed violence around the world is well known. Conflict and armed violence close schools, paralyse neighbourhoods, burden health-care services, discourage investment, and make lives less secure. Spending on arms or arms races can divert vital funds from public services such as education and health-care, and when such spending takes place without transparency it can aggravate corruption. Individually and cumulatively, these impacts undermine sustainable development and internationally agreed targets such as the Millennium Development Goals (MDGs).

At the same time, international arms transfers can contribute to states’ legitimate security provision, for example by strengthening the capacity of military, security, and police forces to protect states and their citizens from conflict and crime.

This paper has been written as a contribution to the international debate on the Arms Trade Treaty (ATT). It lays out the existing obligations of states regarding international arms transfers and development, and outlines how an ATT can support the implementation of these obligations in practice.

How can international arms transfers harm sustainable development?

Sustainable development is recognised as a combination of economic growth and social progress that meets the needs of the present without compromising the ability of future generations to meet their own needs.¹ It can be influenced by international arms transfers in several ways:

1 Fuelling armed violence that undermines development

Where international arms transfers risk aggravating conflict, or where weapons are being used for crime or for serious violations of human rights and international humanitarian law (IHL), they directly undermine opportunities for communities to meet their basic needs or to work their way out of poverty. Armed violence costs states millions of dollars every day in medical expenses, absent workforces, destruction of infrastructure, care for disabled people, lost investment, and more. Communities
abused by state actors with armed force are often unable to demand their rights, hold their governments to account, or ensure their sustainable development.

In 2006 armed violence cost Jamaica J$10.44bn (US$158 million) or 60 per cent of the total annual health expenditure. According to UNDP high levels of armed violence are the main contributor to the cost of violence in El Salvador which drains the economy of US$1.7 billion per year, equivalent to 11.5 per cent of the annual GDP, or the joint budget of the Ministry of Education and Health twice, or the equivalent of the fiscal taxes for the year. A recent NGO report calculated that Africa loses at least $18bn a year due to armed conflict, equal to the amount of aid received by the continent each year. Such figures indicate the extent of resources lost due to armed violence that might otherwise be used to address poverty and contribute to economic growth.

One striking example is that of Liberia, where years of armed conflict have devastated development; life expectancy is only 44, and the economy is rated by the World Bank as one of the hardest in which to do business. Arms controls and sanctions imposed on the country during the conflict had limited affect, with arms being illegally diverted to Charles Taylor’s forces and subsequently used to commit terrible atrocities in violation of IHL. Since 2003, however, Liberia has become a test case for UN sanctions and monitoring in support of post-conflict efforts, including strictly enforced rules on arms imports, training, and regular inspections. The fragile peace maintained shows how clear and enforced globally agreed rules on international arms transfers, in this case as part of a country-specific embargo, can support peace-building and development.

Legal transfers of arms that do not follow agreed standards on considering conflict could also undermine peace efforts. Research from Wayne State University in 2008 looking at five South-East Asian countries during the time span of 1990-2006 identified a direct correlation between the international transfer of small arms to countries in conflict and a reduced success rate in peace negotiations. The way in which a particular transfer aggravates conflict, supports peace-building, or affects opportunities for peace agreements will directly affect sustainable development.

2 The opportunity cost of spending on arms

When arms are purchased to fulfil a state’s legitimate and legal security needs, they can contribute towards long-term stability or development. All too often, however, decisions about arms purchases are made with little or no accountability to citizens. This can lead to international arms transfers that are not part of a national security strategy and may not be cost-effective. The costs of such purchases divert resources away from social spending that could benefit development – representing a direct opportunity cost. Conventional weapons such as frigates and fighter jets can cost hundreds of millions of dollars, making large conventional arms the greatest risk for opportunity cost.

In 2004, countries in Asia, the Middle East, Latin America, and Africa spent an estimated $22.5bn on arms. This figure is the same as the annual cost of putting every child in school and reducing child mortality by two-thirds, two of the MDGs. Whilst men are predominantly the victims of armed violence, choices around reduced social spending and the related reduction in access to essential services can have a severe impact on women and girls. They suffer most from unequal access to services and from the burden of having to provide welfare when it is not provided by the state.
High-cost arms transfers continue to raise concerns around the globe. The sale of four corvette ships by the Netherlands to Indonesia has provoked public questions and parliamentary debates. With the cost reportedly more than €700m and with cheaper alternatives available, questions have been raised about the appropriateness and opportunity cost of granting this transfer to a country that receives significant aid, including debt relief to assist reconstruction after the 2004 tsunami. In 2005, Indonesia spent more than eight times as much on debt servicing as it did on education and health care.\textsuperscript{10}

The sale of a frigate by South Korea to Bangladesh, agreed in 1998 at a reported cost of $100m, also illustrates the risks of opportunity cost to a country trying to meet development goals. Not only were questions raised about the appropriateness of the purchase but also about the value for money that it represented. Cheaper bids were reportedly available and after only eight months technical faults returned the frigate to the shipyard for five years.\textsuperscript{11}

3 Exacerbating high opportunity costs

Several factors can aggravate the risk of opportunity costs and drain resources away from spending on education and health care.

Corruption and lack of government accountability can encourage high levels of spending on arms transfers or inappropriate purchases. The arms trade is one of the most corrupt industries in the world, due in part to the high levels of secrecy surrounding defence and security decisions.\textsuperscript{12} Even when military budgets are presented to national parliaments, they rarely contain allocations for arms procurement, or they appear under ambiguous headings such as ‘other expenditures’.

Deals characterised by low levels of accountability can fuel corruption. For example, in 1998, when Uganda purchased helicopters for its military, corrupt payments to those who negotiated the deal were the most obvious motivation.\textsuperscript{13} Low levels of accountability can also encourage inappropriate purchases or higher prices for the transfer. In September 2006, following the military coup that ousted Prime Minister Thaksin Shinawatra in Thailand, despite no apparent change to the security environment military spending increased by 66 per cent, representing a significant opportunity cost. During this period the Swedish government came under pressure for its decision to negotiate the sale of 12 Gripen fighter aircraft to the country.\textsuperscript{14}

Hidden expenses are rarely considered and sometimes are deliberately concealed, such as the cost of replacing parts or machinery, or costs associated with ‘offset’ deals in which states agree to take on elements of production with the aim of providing employment and strengthening industry. Where international arms transfers involve long-term loans, they can lead to unsustainable debt and can significantly affect a country’s budget and social spending for decades to come.

Arms transfers form one part of military expenditure and debates continue regarding the impact such expenditure has on economic development. An academic analysis of all research to date on the impact of military expenditure on economic development concludes that, there is little or no evidence for a positive effect on economic growth and that it is more likely to have a negative effect, or at best no significant impact at all.\textsuperscript{15} More specifically, research from the Stockholm International Peace Research Institute (SIPRI) suggests that the nature of arms purchases within military expenditure means that there are likely to be few, if any, economic benefits of international arms transfers: for the most part, they constitute a drain on resources.\textsuperscript{16}
Arms races can divert significant funds from social spending when arms purchases in one country increase the arms purchases of neighbouring countries, in response to real or perceived security threats. Research shows that states respond in kind to military spending by their neighbours, even non-hostile ones.\(^\text{17}\) This is particularly aggravated when a state’s defence purchases are not part of a public policy that is accountable to the majority of its citizens.

India and Pakistan have long been considered to compete in terms of military spending, in a region where military expenditure is increasing at some of the highest rates in the world. According to SIPRI, India’s military expenditure grew by 74 per cent during the 1996–2005 period, while its neighbour Pakistan increased its military expenditure by 32 per cent during the same period. These figures represent a considerable cost to countries with high levels of poverty, and pose significant questions about how exporters and importers ensure their obligations to consider sustainable development and their commitments to development goals.

Legal basis and international standards

The sustainable development obligations of states are firmly grounded in international human rights law, including the UN Charter, the Universal Declaration of Human Rights, and the International Covenant on Economic, Social and Cultural Rights.

Article 51 of the United Nations Charter recognises that every state has a right to individual and collective self-defence. However, this right must be balanced with other Charter obligations including the promotion of "higher standards of living, full employment and conditions of economic and social progress and development" and "universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language or religion" (Article 55). The UN Charter also requires member states to uphold human rights and to ‘promote the establishment and maintenance of international peace and security with the least diversion for armaments of the world’s human and economic resources’ (Article 26).

These rights, and the obligations upon states to uphold them, have been reinforced by numerous summits, resolutions, and declarations. For example, the 1986 UN General Assembly Declaration on the Right to Development committed states to strengthening peace and security, to completing disarmament, and to ensuring that the resources released by effective disarmament measures were used for development.\(^\text{18}\)

The Millennium Development Goals agreed in September 2000 by all UN member states enshrined rights and obligations to sustainable development. The 2005 World Summit reaffirmed that ‘development is a central goal in itself’ and that development, peace, security, and human rights are ‘the pillars of the United Nations’ and ‘interlinked and mutually reinforcing’.\(^\text{19}\)

Under the UN Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects, states are committed to making ‘greater efforts to address problems related to human and sustainable development, taking into account existing and future social and developmental activities’.\(^\text{20}\)

Additional initiatives such as the Geneva Declaration on Armed Violence and Development serve to reinforce these legal obligations and commitments.\(^\text{21}\)
Interpreting and implementing the commitments

States must balance their defence and security needs with their obligations to achieve sustainable development and human dignity. Therefore, in order to fulfil their obligations to sustainable development, all international transfers of conventional arms and ammunition should be carried out in accordance with national laws and policies that recognise these obligations.

International obligations such as those under the UN Charter and agreed commitments such as those contained in the MDGs establish the need for an accountable arms procurement process, and the need to ensure that all aspects of governmental activity, including arms exports and imports, are assessed through a development lens. Any potential transfer of arms must be scrutinised for repercussions on developmental progress.

The commitment to consider sustainable development in arms transfer decisions is already reflected in most regional arms transfer instruments, which currently cover a total of 89 countries, including nine of the top 11 arms exporters and 14 of the 20 least developed countries. The recognition in these agreements of states’ obligations to ensure that international arms transfers are not used to violate human rights or international humanitarian law, or to undermine peace and security, also reinforces sustainable development.

Box 1: Inclusion of sustainable development considerations in global and regional arms transfer agreements

The UN Guidelines for International Arms Transfers (1996) endorsed by the UN General Assembly commits states to avoiding transfers that aggravate conflict, that will not be used for legitimate security needs, or that ‘seriously undermine a state’s economy’.

The Wassenaar Arrangement Best Practice Guidelines for Small Arms and Light Weapons (2002) and the Organisation for Security and Cooperation in Europe (OSCE) Principles Governing Conventional International arms transfers (1993) and Document on Small Arms and Light Weapons (2000) include identical text requiring participating states to take into account ‘the nature and cost of the arms to be transferred in relation to the circumstances of the recipient country, including its legitimate security and defence needs and the objective of the least diversion for armaments of human and economic resources’.

The ECOWAS Convention on small arms and light weapons, their ammunition, and other related materials (2006) states: ‘A transfer shall not be authorised if it is destined to … hinder or obstruct sustainable development and unduly divert human and economic resources to armaments of the states involved in the transfer.’

The Best Practice Guidelines for the Implementation of the Nairobi Protocol on small arms and light weapons (2004) stipulate that ‘States should not authorise the transfer if it is likely to … adversely affect sustainable development through the excessive or unjustifiable diversion of resources from social expenditure to military expenditure’.

The SICA Code: Code of Conduct of the Central American States Regarding the Transfer of Arms, Ammunition, Explosives and Other Related Materials requires states to prevent all international arms transfers to other states lacking democratic institutions that determine defence policies and ‘the spending of the armed forces and public security of the state’.

The EU Code of Conduct on Arms Exports (1998) requires states to consider ‘the compatibility of the arms exports with the technical and economic capacity of the recipient country, taking into account the desirability that states should achieve their legitimate needs of security and defence with the least diversion for armaments of human and economic resources’.
The obligations of states to consider sustainable development when authorising an international arms transfer are clear, and are reflected both in international treaties and in regional agreements covering most arms exporters and nearly half of all countries. However, this does not necessarily imply a common interpretation or application to specific international arms transfers, due in part to the lack of a global set of standards governing arms transfers that includes sustainable development. Box 2 contains examples of approaches taken by different importers and exporters.

Box 2: Existing approaches to considering development

Current practice: imports

It is clear that some importers are already recognising the importance of balancing development and defence needs. At the 5th Defence Ministerial of the Americas in 2002 and the XXXIII OAS General Assembly in 2003, Peru called for limitations on defence spending throughout Latin America in order to reallocate the funds to social spending. Peru, along with Costa Rica, introduced a resolution for adoption at the 32nd and 33rd General Assemblies that calls on all states of the hemisphere to reduce defence spending to the lowest levels possible in order to use the funds for ‘human development’.

In October 2007 the Malaysian deputy Prime Minister, Datuk Seri Dejib Razak, assured the public about recent arms spending saying, ‘We are spending within our means and are not doing it at the expense of socio-economic development’. Monitoring and oversight of such claims, however, is vital for ensuring they translate to policy within defence spending.

In Brazil a rigorous budgeting, procurement, and oversight process was initiated in 2001 to update the country’s air force. This involved Congress, the Brazilian military, and the National Defence Council, a civilian oversight committee that included government representatives. The criteria on which a purchase should take place were openly debated and a deal for 24 fighter aircraft was initially sought at a cost of $700m. After a change of government forced the NDC to renegotiate the deal and spending on social programmes took precedent, the order was amended to 12 refurbished fighters at a cost of €80m.

Whilst agreeing on appropriate defence purchases remains a challenge, consideration of sustainable development impacts and appropriate spending is already happening.

In 1999 South Africa was one of the first countries to undertake a detailed affordability study of its programme of large-scale arms procurement. The Government commissioned an assessment of the financial and economic impacts of the programme on the South African economy, and this concluded that it was likely to have a negative impact on expenditure by other government departments and would expose South Africa to extremely high levels of financial risk. Unfortunately, the study was ignored by exporters and the South African government alike, and the purchasing programme went ahead. Allegations of corruption and charges later brought successfully against people involved in the deal suggest that even systematic development considerations can be undermined by the economic incentives of corruption.

Current practice: exports

The EU Code of Conduct on Arms Exports includes requirements to consider conflict, human rights and corruption amongst others. Its Criterion 8 requires states to consider the compatibility of any proposed arms transfer with the ‘technical and economic capacity of the recipient country’ and to consider whether a transfer would ‘seriously hamper’ sustainable development. The EU has since elaborated a detailed methodology for making assessments under this criterion, as set out in User’s Guide to the EU Code of Conduct.

A 2007 survey (for this paper) of six major EU exporters revealed how this criterion was implemented in practice. This included, for example:

- Use of economic indicators to identify potential transfers of concern. Some of the indicators include: level of military expenditure related to health and education or other social welfare costs; military expenditure related to health and education or other social welfare costs; military expenditure as a percentage of gross national product; human
development indicators; military expenditure as a percentage of gross national income; life expectancy; and gross national income per capita.

- Technical assessments based on the recipient country’s capabilities to integrate and use the equipment in their national defence system. This includes, for example, whether the arms fit within the stated security needs, military budget and technical ability to use them.

- Use of in-depth, qualitative understanding of the countries economic and military needs.

- Consideration of the cumulative impact that the cost of international arms transfers could have on the recipient state in order to avoid an excessive accumulation of military equipment.

Of the six major EU exporters surveyed, all found that the methodology developed in the User’s Guide was a practical tool in aiding licensing officers when making assessments under Criterion 8. The User’s Guide methodology employs a two-stage ‘filter’ system to identify country level development concerns, and to focus on whether the financial value of the license application is significant to the recipient country. A list of a series of social and economic indicators to take into account is also provided.

Including sustainable development in the ATT

At present, without a global set of standards outlining states’ legal obligations that are relevant to international arms transfers, fulfilment of these obligations is varied and incoherent, and increases the likelihood that arms transfers will undermine sustainable development. Many states are unclear as to the full extent of their obligations under international law that have application to the international transfer of conventional arms. An Arms Trade Treaty that brings together states’ obligations in one international agreement will strengthen understanding and help to fulfil those obligations.

Work by NGOs to bring together states’ existing obligations in Global Principles for Arms Transfers proposes a comprehensive framework for the effective regulation of international transfers of conventional arms. Specifically these Global Principles propose that states shall not authorise international transfers of conventional arms or ammunition where they will:

- provoke or aggravate armed conflict in violation of their obligations under the UN Charter and existing treaties, including obligations to uphold arms embargoes;
- be used or likely to be used for serious violations of international human rights law or international humanitarian law (IHL);
- have an impact that would clearly undermine sustainable development or involve corrupt practices;
- contribute to an existing pattern of violent crime;
- or risk being diverted from the stated end-user to be used for one of these outcomes or for acts of terrorism.

The Global Principles explicitly recognise the need for states to consider their obligations to sustainable development and include other principles that both impact on and reinforce sustainable development objectives; such as considerations on conflict, on human rights and IHL, and on poverty eradication and international development goals.

Prevention of transfers that aggravate armed conflict. Whilst peace and security are aims in their own right they are also prerequisites for ensuring that sustainable
development goals can be reached. Thus an ATT should ensure that states prohibit transfers of conventional arms or ammunition that will cause or exacerbate conflict. States should be considering the following aspects of a particular transfer in order to ensure it doesn’t contribute to conflict:

- The potential violation of a UN or regional organisational arms embargo that a state is obligated to implement;
- The potential violation or hindrance to any regional peace agreements or peace initiatives, negotiation processes underway and recommendations made on levels of arms and risk of misuse;
- The stated security needs the arms transfer is intended to address;
- The process that identified this security need, the public oversight mechanism involved and whether it is part of an agreed national security strategy.

Prevention of transfers for serious violations of human rights and IHL. As outlined in the Global Principles, states should not authorise international transfers of arms or ammunition where they will be used or are likely to be used for serious violations of international human rights law or IHL.

Detailed reports on human rights and IHL have covered states’ obligations in this area with regards to international arms transfers. These considerations are vital in supporting sustainable development and the roles of civil society, especially poor and marginalised communities working to achieve their economic, social, and cultural rights.

Prevention of transfers that undermine poverty reduction and development goals. Other key areas for consideration by states when authorising international arms transfers should include their effect on regional security, violent crime, and corrupt practices, and whether they will adversely affect sustainable development.

The UN Charter calls on states to ensure the least diversion of resources to arms spending. This means that they must balance their spending on arms with their responsibility to provide for the economic, social, and cultural rights of their citizens. A dialogue between importer and exporter can help to ensure that both states fulfil these obligations when approving an international arms transfer.

Drawing on analysis and on experience gathered to date, we can distil some key principles that should guide discussions between importer and exporter states with regard to sustainable development:

a) A balance must be struck between arms spending and other public expenditure that can promote development. Of key importance is the development of transparent and accountable national planning and budgetary processes, including for defence spending.

b) A strong national policy and commitment to development is required, from which flows a national security strategy that identifies security needs and how they will be met with the least diversion of resources. This should correlate with any Poverty Reduction Strategy Paper; plan to achieve the MDGs, aid policy, or other appropriate mechanism.

c) There must be clarity that the purchase is appropriate. The purchase should correspond directly with defence needs, be consistent with national technical capabilities and infrastructure, and represent value for money. The cost-benefit analysis of proposed gains such as offsets or technology transfer should be a
requirement, and exporter states are responsible for monitoring their industries’ compliance with this requirement.
Notes

1 Definition based on that used in the UN World Commission on Environment and Development, Brundtland Report (1987) *Our Common Future*.

2 Ibid. p.36.


5 Liberia is rated 170 out of 178 countries on the ease of doing business. See World Bank Doing Business Project: www.doingbusiness.org/economyrankings/


10 F. Slijper, Case study, Netherlands to Indonesia (sources available on request).

11 F. Slijper, Case study, South Korea to Bangladesh (sources available on request).

12 The arms and defence sector was rated among the three most corrupt industries by Transparency International in 2006. www.transparency.org/news_room/in_focus/2006/defence_sector


14 F. Slijper, Case study, Sweden to Thailand (sources available on request).


18 General Assembly Resolution 41/128 of 4 December 1986.

19 World Summit Outcome (2005). Articles 10 and 9 respectively.

20 UN PoA (2001). Paragraph I.2 and Paragraph III.17 respectively.


24 K. Sanscullotte-Greenidge, Case study, Brazil, Bradford CICS (sources available on request).

26 See, for example, www.guardian.co.uk/world/2007/jan/06/bae.armstrade or www.caat.org.uk/issues/corruption.php

27 See http://www.sipri.org/contents/expcon/eucode.html


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