

"An Arms Race in Our Hemisphere?"

Discussing the Trends and Implications of Military Spending and Arms Acquisitions in South America

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Introduction

In September 2006 Óscar Arias, President of Costa Rica, citing recent purchases by Chile, Venezuela and others, declared that the region 'has begun a new arms race'.¹ More recently, the President's of Uruguay and Peru have also raised the spectre of an arms race in the region.²

Arms races are very difficult to identify as they usually extend over prolonged periods of time, sometimes decades. The classic arms race model was laid down by L. F. Richardson in the 1940s. He defined an arms race as a situation in which a state's build-up of weaponry is positively related to the amount of weaponry its rival has and to the grievance felt towards the rival and negatively related to the amount of arms it has already.³ However, this model is designed for situations in which 20–30 years of time series data are available, something we don't currently have in South America. Also, the definition is based on an assessment of the total defence spending of the states in question, rather

than particular aspects of a states' defence acquisitions.

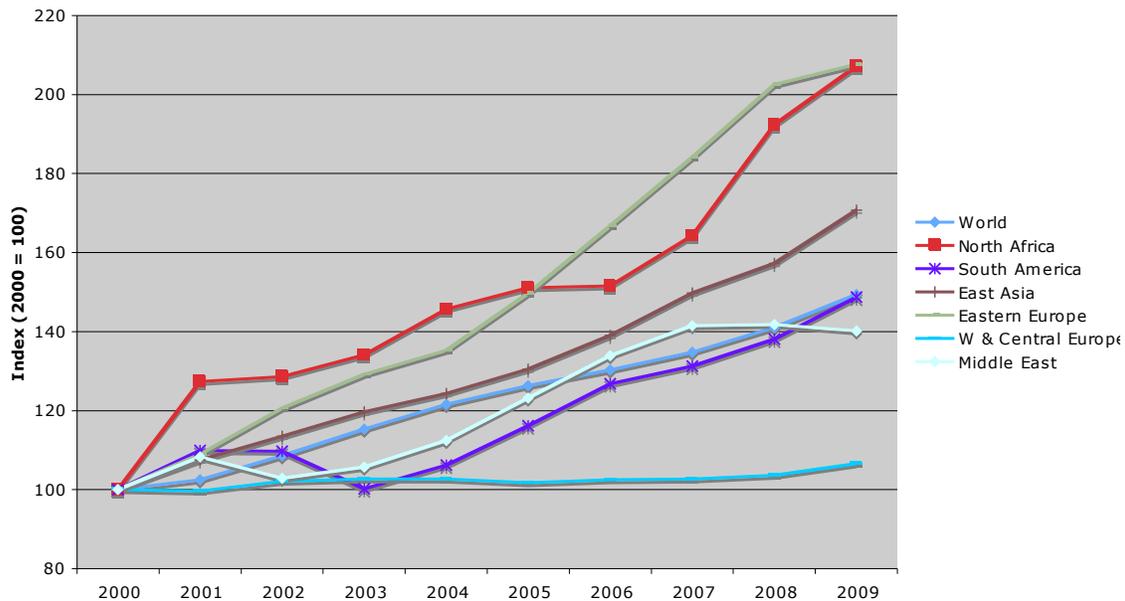
Other analysts use the term 'arms race' more colloquially, to refer to situations of competitive behaviour in arms purchases, something which can clearly be seen in South America today. For example, Brazil's apparent desire to keep pace with Venezuela's modernizations seems to be driving certain of its acquisition decisions. Meanwhile, certain purchases by Peru and Colombia seem to be in response to recent buys on the part of Chile and Venezuela, respectively. While these cases might qualify as arms races under a very broad understanding of the term, they would fall far short of Richardson's classic definition.

This article will provide an objective and evidence-based analysis of the current trends in arms acquisitions and defence spending across the region.

Data on military spending

Military spending in South America rose to \$51.8 billion in 2009, a 7.6 per cent increase on the 2008 figure and a 50 per cent rise on the 2000 amount.⁴ The rate of increase over the past decade is almost double what it was in the previous ten years. The financial crisis appears to have had a minimal impact on the overall rise in military spending. South America's overall GDP fell in 2009 but the region has been less affected by the crisis than had been expected, particularly among states that are not overly reliant on commodity exports.⁵

Table 1: World and regional growth rates - 2000-2009



Source: SIPRI Military Expenditure Database, <www.sipri.org>

Brazil and Colombia, the biggest spenders in the region, increased their military budgets by 16 per cent and 11 per cent. Other countries that have seen significant jumps in their defence spending include Uruguay where spending rose by 24% - and Ecuador - where spending rose by 18%. However, Chile and Venezuela both cut their military budgets in 2009. In the case of Venezuela, 2009 saw a 25 per cent fall in defence spending, the largest in the region. However, in recent years Venezuela's actual military expenditure has consistently exceeded the initial budget. Thus, the recent drop in Venezuela's defence budget may not be realized. Some of the increases, especially the sharp ones can be paired up to eventual purchases of new or second hand equipment and therefore constitute an exception rather than a trend. This helps to explain Ecuador's recent sharp rise in spending and Venezuela's decline.

While the jump in defence spending over the past decade has been significant, the rate of increase has been broadly in line with the global average (Table 1). Nonetheless, the rise in spending in South America has attracted attention, largely because it represents such a shift with recent trends in the region. Since the end of the Cold War, Latin America has enjoyed a prolonged period of limited regional tension. With the exception of the 1995 Alto-Cenepa War between Ecuador and Peru there have been no interstate conflicts and the region has seen the development of several initiatives aimed at economic and security cooperation and integration. Most of the interstate disputes over border demarcation that have led to

conflict in previous years were resolved.⁶ Following prolonged periods of extensive militarisation during the many military dictatorships of the 1970s and 1980s, defence spending remained low and activity in the global arms market was limited as new civilian governments sought to assert control over defence policies.

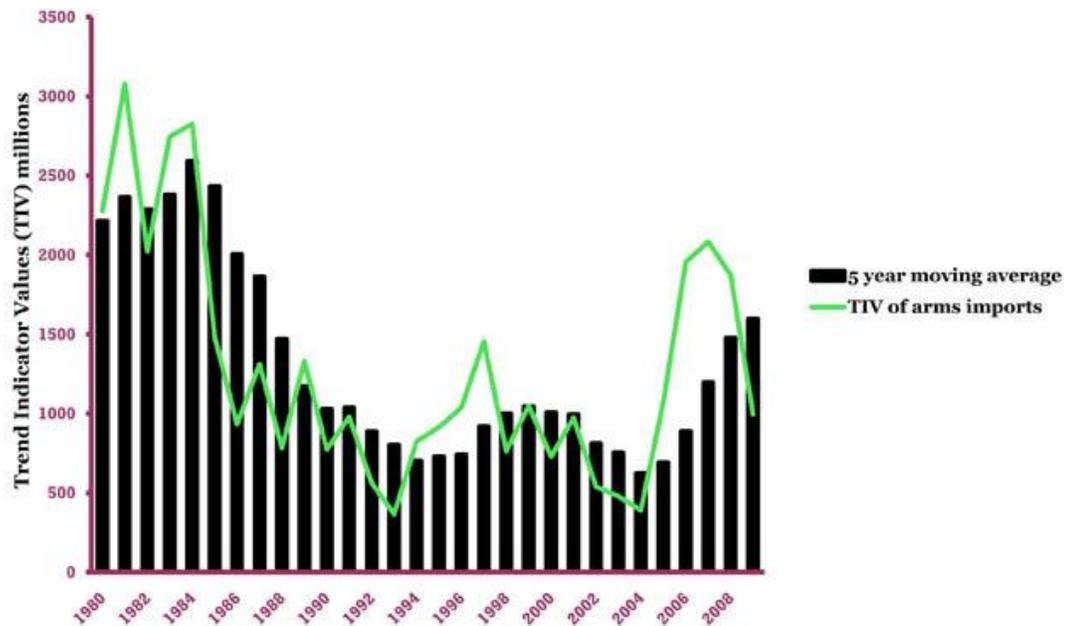
The rise in military spending in the region has also raised eyebrows because of the environment in which they are taking place - one in which bilateral tensions are on the rise and mutual accusations are rife.

Data on arms transfers

There is no necessary, direct relationship between military spending and arms imports. The majority of states' military expenditure is spent on personnel costs, rather than equipment. Moreover, states in South America, as in other parts of the world, often fund acquisitions through borrowing. This means the costs of a particular purchase may not show up in a States' defence budgets for several years. This has been the case with recent purchases by Brazil, Bolivia and Venezuela.⁷

In addition, it should be remembered that data on arms transfers may offer only a partial or skewed picture of overall arms acquisitions in the region since certain states - particularly Brazil and Argentina have traditionally been able to source many of their equipment needs domestically.

Table 2: Trend in arms transfers to South America 1980-2009



Source: SIPRI Arms Transfers Database, <www.sipri.org>

Nonetheless, data on international arms transfers to South America reflect the rapid growth in military expenditure in recent years - indicating that the rise in spending has been largely driven by procurement (Table 2). Arms transfers to South America were 150 per cent higher in 2005–2009 than in 2000–2004.⁸ This exceeds the rise in transfers to South-East Asia and North Africa - two other areas where the spectre of a potential arms race has been raised.

Interestingly, the volume of transfers to South America has actually fallen in 2008 and 2009, although this is yet to be reflected in the 5-year moving average. This drop is driven by a fall in deliveries to both Chile and Venezuela - the two countries that have largely driven the recent rise in transfers to South America. Together, Chile and Venezuela account for nearly 65 per cent of transfers over the last 5 years. However, transfers to Chile peaked in 2006 and to Venezuela in 2007 as both countries took final delivery of many the large orders that were placed in the early to mid-2000s.

This trend may not last. Venezuela has clearly indicated that its current round of acquisitions is far from over and has recently signed orders for

tanks and air defence systems from Russia.⁹ Meanwhile, Brazil has recently signed an ambitious series of defence deals covering submarines, helicopters and armoured vehicles that will likely see it move up the ranks of arms importers and producers.¹⁰ Colombia has also announced ambitious force modernisation plans, which centre on developing its deterrence capabilities.¹¹

Behind the data

The key factor driving the recent rise in military spending and arms acquisitions in South America has been an ongoing process of force modernisation on the part of several states in the region.

The reduced rates of military spending which the region saw in the 1990s created their own pressures. Most of the weapons systems in the region were originally acquired in the 1970's and underwent life extension updates during the 1990s. During this period, several governments in the region were criticised by their own militaries for failing to maintain or replace out-of-date equipment. Acquisition programmes were delayed or cancelled leading to the loss of certain capabilities. For example, as of November 2007, reports claimed that only a third of the Brazilian Air Force's fleet were deemed airworthy.¹²

However, while force modernisation has driven the overall rise in military spending and arms acquisitions in the region, the potential for arms races - particularly of the more limited kind - is still apparent. In particular, there are four pressure points where tensions remain high and there is a strong potential for action-reaction acquisition processes spiralling out of control.

The first pressure point, and the one which has made the most headlines in recent years, is the Colombia-Venezuela relationship. Since the launch of the Democratic Security Consolidation policy in 2002, Colombia's defense procurement and expenditure has been considerable, although this has been almost exclusively geared towards addressing its internal security situation. Colombia has diverted some of its investment towards attaining a credible conventional defence capability, leading some to claim a reversal of the government's previous emphasis on counter-insurgency equipment. However, concrete acquisitions to date have been

limited to 15 artillery pieces and a dozen (Kfir) fighter jets in an attempt to homogenize or standardize its fleet.

If recent reports concerning Colombia's acquisition of tanks come to fruition then this would be a concrete indication that Colombia is reacting to Venezuela's acquisitions, and directly engaging in competitive arms acquisitions. However, latest reports suggest that Colombia will not proceed with the deal.

The Venezuelan case is extremely interesting. The government is justifying its large modernization process on the grounds that it needs to address a perceived external threat, coming from either the United States, Colombia or both.

However, there is a discrepancy between what the current Venezuelan leadership announces it will acquire and the over-excited reaction of certain sections of the media. Since 2006, the Venezuelan armed forces have acquired two dozen Sukhoi Su-30MKV jet fighters that have replaced its ageing F-5 and Mirage 50's, 18 Chinese K-8W armed jet trainers that effectively attend a requirement first laid out by their air force in the early 1980's, 10 Mi-35 combat helicopters, eight Spanish-built patrol vessels and a few hundred Iгла short range air defense missiles.

The reported tanks, armour, artillery, submarines, strategic transports, tankers, advanced jet fighters and strategic air defense systems remain either un-ordered or un-delivered.

With overexcitement and rhetoric aside, most of Venezuela's conventional acquisitions remain under normal levels and are replacing or restoring rather than increasing its combat capabilities.

The second pressure point is the Peru-Chile relationship. Chile has just finished a long-term cycle of defence upgrades that has seen its equipment and its forces updated to the highest standards in its history. However, Chile has shown signs of restraint by acquiring second hand equipment from NATO sources rather than buying brand new weapons. During the past decade Chile has replaced or reinforced its surface and submarine fleet, its fighter, artillery and tank inventories.

Peru has therefore been subjected to largely internal pressures to compete with Chile. The announcement of an international tender to buy tanks and artillery systems in order to counter Chile's acquisitions, plus the added pressure from the unsettled international maritime boundary dispute took both countries dangerously into the arms race arena in late 2009 and early 2010. The Peruvian government's decision to halt these

tenders and address actual security needs has been very positive.¹³ Peru currently leads the region in an effort to curtail an arms race. However, its proposal to cut defence spending overall by 5% and procurement budgets by 3% would mainly impact upon salaries and service, maintenance and training capabilities while failing to directly address the core issues.

The third pressure point is in the Bolivia-Paraguay relationship, a region where USD100 million in arms procurement can have a serious impact on the military balance. When Bolivia announced it would seek a credit line with Russia, Paraguay's congress reacted by holding a series of sessions to determine whether their country's existence was at stake.¹⁴ Since then, Bolivia's arms negotiations with Russia have reportedly tripled, yet the sense of urgency in Paraguay has passed, at least on that front, thanks to rapid rapprochement and transparency assurances from Bolivia.

Last but by no means least, is the new Brazilian National Defense Strategy and its adhered Re-equipment and Modernization Plan.¹⁵ Brazil is acquiring a new generation of jet fighters, armour, submarines, destroyers, frigates and helicopters along with the capabilities to indigenously produce, service and support them. Long-term ambitions include fielding a two carrier navy, a space-based presence and a cyber warfare capability.

Brazil's defence spending has risen in the past few years and it now accounts for roughly half of the region's overall outlays in this field, roughly in line with Brazil's relative geography, economy and population. Nonetheless, it remains unclear how Brazil's plans will be received by other states in the region and whether they will produce any significant reaction in terms of acquisitions.

The need for transparency and confidence building

With the current round of acquisitions far from over - and with political attention firmly focussed on the issue - the current target of regional and international efforts should be squarely placed on developing mechanisms for managing defence budgets and arms purchases so as to limit their negative fall-out. A first step in this direction would involve the implementation of effective mechanisms of transparency and confidence building in the field of military expenditure and arms acquisitions.

As events in South America have demonstrated - certain acquisitions have the potential to alter the balance of power in a region and - if not carried out in an open accountable way - can provoke mistrust and instability. What this points to is the need for transparent procurement processes that allow governments in the region - and the wider public - to see what is being purchased and why.

The recent declaration of UNASUR is clearly of great significance in this regard. In September last year the members of UNASUR committed themselves to sharing information on a range of defence related issues including arms acquisitions and military spending.¹⁶ However, it is also worth remembering that there are already several regional and international transparency mechanisms in these areas which are not being implemented to their fullest potential.

In 1999 states in the Americas established the OAS Transparency Convention, which creates a legal obligation to share information on all acquisitions of major conventional weapons - both from abroad and domestically - within 90 days of their entering in to service. However, participation in the OAS transparency convention has been far from universal: to date 20 of the 34 OAS member states have signed the Convention and only 13 have ratified.

The poor level of states' current engagement with transparency mechanisms is most clearly illustrated by participation in the UN Register on Conventional Arms. Every state in South America has submitted information to the UN Register on at least one occasion over the last 10 years. However, the overall number of submissions has fallen in recent years - to around half what it was at the beginning of the 2000s. Meanwhile only two states in the region - Brazil and Chile - have consistently submitted information to the UN Register since 1998.

There is nothing intrinsically wrong with developing new reporting instruments under UNASUR. Indeed, if the different reporting systems under UNASUR, the UN and the OAS follow the same format, the submission of different reports could be as simple as an official sending three emails rather than one. However, the general trend - of failing to fulfil commitments in the field of reporting and information exchange - is a dangerous one.

The point of transparency mechanisms for a region like South America is not to make the information known - its known already - it is to make

the information known in a transparent and accountable way. To create a groundwork for deeper discussions on defence postures and policies. However, failing to make available information that you have promised to provide - particularly when it is information that can be found elsewhere - implies you have something to hide - further eroding trust in the region.

Other actions that can help to build trust and confidence in the region include well-planned procurement programmes and defence budgets and, when possible, cooperative acquisition policies. This sort of thinking can take the region towards more interdependence and enhanced trust rather than conflict.

Conclusion

Clearly there are broader political issues at stake within South America. Many of these deeper political disagreements go beyond the issues of military spending and arms acquisitions and cannot be dispelled by improving transparency in these areas. However, sharing information that states have already agreed to provide and upholding commitments that have already been made in this area would go a long way towards de-toxifying the issue and building trust and confidence in the region.

Modern and capable Armed forces in Latin America are different from other regions, they are not exclusively tailored for the traditional roles of defense. They provide protection for their citizens from the growing number of non-traditional threats. They also form the first line of reaction to the calamities of mother-nature. Overwhelmingly, Latin American militaries possess the only capable logistic infrastructure to attend national or even regional emergencies. Failing to keep such forces up to date would represent a dereliction of duty.

A modern military is not only equipped with the latest technology and the most revised doctrine, it is also a transparent force that is accountable to its citizens and institutions. It is an organization that respects and protects human rights and should be structured as a force for good.

Notes

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2. "Peru slates 'needless' arms spending in Latin America", UPI, 19 May 2010; and "Uruguay and US express concern over possible arms race in South America", MercoPress, 16 September 2009.

3. L. F. Richardson, "Arms and Insecurity: A Mathematical Study of Causes and Origins of War" (Boxwood Press: Pittsburgh, Pa., 1960)
4. All figures on military spending are taken from the SIPRI Military Expenditure Database <<http://milexdata.sipri.org/>>
5. See 5. Military expenditure
Sam Perlo-Freeman, Olawale Ismail and Carina Solmirano, 'Chapter 5: Military Spending' in SIPRI Yearbook 2010, (Oxford, OUP; 2010), pp. 177-200.
6. Arévalo de León, Bernado, 'Good Governance In Security Sector As Confidence Building Measures In The Americas: Towards Pax Democratica', DCAF, Geneva, 2002.
7. Where some acquisitions rest outside of the defence budget due to them being financed by long term credits.
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9. 'Venezuela to build strong air defenses with Russian aid', RIA Novosti, 14 Sep. 2009,
http://en.rian.ru/military_news/20090914/156118402.html
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12. 'Fighter deal green light to update Brazilian air Force, Flight International, 12 Nov. 2007
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Iñigo Guevara is a Latin American defense and security consultant. He is editor and co-founder of Centuria siglo XXI, a Mexican magazine dedicated to Latin American defense issues. He has a Master's in Security Studies from Georgetown University where he specialized in arms transfers to Latin America. He is the author of Latin American Fighters, a reference book on jet fighters in service with Latin American countries since 1947. Guevara is a member of the International Institute for Strategic Studies (IISS) and is in regular communication with the department that produces the annual publication The Military Balance. He is also a network member of the Stockholm International Peace Research Institute (SIPRI)'s Military Expenditure Program and Arms Transfer Program, and has contributed to publications such as the SIPRI Yearbook. He has published over 50 articles related to Latin American defense issues in more than a dozen international publications.