

# **Drawdown to Instability: Defense Budgets and Mission Glide**

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## INTRODUCTION

Over the past decade, there has been an increase in the literature studying the defense budgets of Latin America, which is, as usual, both good and bad. With the changes in the region's security posture, and the attention paid to national economies as a means of improving development and standards of living, it is natural to question the defense portion of national expenditures. The literature has concentrated on the levels of expenditures, comparison studies, detailed studies of roles and missions, and analysis of force modernization. Most scholars take as a given that reduced armed forces are a by-product of the end of the Cold War, and a normal complement of civilian governments and democracy. It follows that as long as the national forces are subordinated to civilian control, these forces should remain "in the barracks" until needed, leaving governance and security issues in the realm of popularly elected governments.

Also taken for granted is the assumption that authoritarian tendencies and military ideology produced a history of coups, repression, demands for immunity, required military prerogatives and long-range economic security for the armed forces.<sup>2</sup> This idea makes sense, if, as some have asserted, that defense budgets are used to maintain the status quo

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The views expressed in this paper are those of the author, and do not reflect the official policy or position of the United States Navy, Department of Defense, or the United States Government.

<sup>2</sup> William C. Smith, and Carlos H. Acuña, "Arms and Democracy in the Southern Cone: Demilitarization and Regional Cooperation," North-South Issues IV(No. 1, 1995). Also in Fuerzas Armadas y Sociedad 10(#2, April/June 1995): 1-18.

and prestige of the military or the nation, rather than security per se.<sup>3</sup> I assume neither in this study, but will attempt to make some sense of the mind-numbing statistics of Gross Domestic Product (GDP), Central Government Expenditures (CGE), Defense Expenditures as a Percentage of GDP or CGE, Per Capita Military Expenditures, etc., etc. The basic underlying assumption is that each nation defines itself and its security differently, and spends money backing up that definition as it best sees fit. Some do it through ignorance, some through inertia, and a few follow specific guidance provided by national leaders.

One of the few givens that makes sense is that regional armed forces are still a major player in the national economies through expenditures, investments, and savings, in addition to providing employment and salaries. These figures are difficult to find, which makes a good debate on the topic an even more difficult proposition. Civilians argue that the public has a right to expect efficient use of national money. To this end there must be an understanding by the public of how the military works. Secrecy is essential in some areas, but strict limits must be applied, because public scrutiny is valuable as an analytical tool in elaborating defense budgets.<sup>4</sup> But traditionally this particular debate has not taken place, as few civilians have demonstrated the interest or knowledge of things military and how much they cost. Defense budget planning tends to become inertial, with the military getting what it asked for last year plus an adjustment for inflation. Recent budget cuts have stopped that argument short.

Thus, defense budgets are a factor in the evaluation of national power, a measure of deterrence capabilities against threats to the national sovereignty. The level of defense expenditures of a nation must depend on real or perceived external threat, as defined through national consensus. Defense or security expenditures should reflect a balance between the desired level of independent action and economic reality.<sup>5</sup> The way each

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<sup>4</sup> Eduardo Santos, "La Formulación de Presupuestos de Defensa y Destino del Gasto en Chile" Fuerzas Armadas y Sociedad 11(#1, January/March 1996): 41-48.

<sup>5</sup> Javier Salazar, "Presupuestos de Defensa" IN: Francisco Rojas Aravena, ed., Gasto Militar en América Latina: Procesos de Decisiones y Actores Claves (NP: Centro Internacional Para el Desarrollo Económico [CINDE] and Facultad Latinoamericana de Ciencias Sociales [FLACSO], 1994).

nation assigns its defense budget represents its capability for autonomy. Strategic studies of defense expenditures throughout Latin America demonstrated the lessons learned in W.W.II: the losers lacked the sovereignty they sought at the outset of conflicts (to impose their will on Europe and S. Asia). They have been forced to tolerate foreign-imposed limits to their sovereignty in the form of occupation troops, constitutional changes, limitations on types of weaponry, even reparations.

The principal security changes in the region have been in global military orientation, from Cold War bipolarity to regional security through integration, and governance through civilian institutions. Military roles and missions formerly taken for granted are increasingly being questioned not just within the armed forces, but increasingly within the national debate over the role of government as a whole. The debate varies greatly from country to country, but follows a general trend. Civilians in general argue over the need for armed forces in this new era of democratic regimes and low international threat. They see as too high the cost of maintaining an institution associated with human rights violations and a history of staging coups against popularly-elected governments. The internal military dialogue centers on finding either new justification for current missions or new missions such as the increased talk of peacekeeping missions and collective security.

The academic debate over defense budget cuts has created many myths in the discussion over general defense budget. Such erroneous ideas engender either a false sense of security throughout the population or a situation of insecurity at the hands of more violent forces in society (such as insurgencies). These myths include the following:<sup>6</sup>

- \* Democracies do not confront external and internal wars as much as do dictatorships. This is false; democracies need to achieve consensus on national security policy even more than do dictatorships, because authority and order are achieved through consensus in an open democracy.
- \* Poverty causes internal unrest. This is false; poverty does not fully explain internal unrest. It is only one of the factors to be considered during the national security debate.

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<sup>6</sup> Roldan

- \* A reduction in defense spending produces a "peace dividend." This is false; national budgets are programmed specifically for expenditures, not based on real cash flow. A decrease in force structure actually costs more money than maintaining status quo.
- \* Marxist insurgencies ended with the Cold War. False, Colombia is fighting three Marxist insurgencies, Peru is fighting two, Chile still hears occasional rumors from one. Crime and drugs have made insurgencies viable, by providing more income than Soviet or Cuban sources ever could.

Whether or not this national and hemispheric dialogue is based on reality, it is nonetheless healthy, of course, but needs to produce results soon or risk being overtaken by events. The longer Argentina waits to decide what to do with its armed forces, for instance, the more it will cost to refurbish and modernize its current order of battle. Colombia cannot afford to dialogue much longer because of the imminent threat to national survival at the hands of the insurgents and drug cartels. Other nations vary in the intensity and immediacy of this dialogue over the need for armed forces.

This paper will study the debate over the roles and missions of the armed forces, using the national defense or security budget as a measure of the intensity of the debate itself and the need for consensus over the proper role of the armed forces in a democratic environment. The principal nations to be studied include Argentina, Brazil, Chile, Colombia, and Peru. Each brings a unique perspective to the argument, and a different intensity over the decision on which the national debate centers:

- Argentina has the most distance between the arguments, with civilians generally debating the need for armed forces and the military successfully lobbying the government for money to maintain international multilateral operations
- Brazil has the largest armed forces, adequately funded, but has no real sense of mission and not enough public support to push a specific agenda
- Chile has perhaps the best funded military in the region, and the best defined set of roles and missions, but faces just enough public hostility that the future after General Augusto Pinochet's departure is a big question mark.
- Colombia has the most urgency in defining an adequate role for its armed forces because of the threat to national survival at the hands of the Marxist insurgents and drug traffickers
- Peru faces the popular perception of having lost a recent border skirmish against a much smaller military, an increasing threat of insurgency, and pressure from the armed forces for more funding and better military equipment.

The underlying theme in all of these situations is the quest by the armed forces for increasing budgets and opposition from the general public to such an expanded capability. The resulting debate has yielded a mixed result, especially as related to civil-military relations. Debate over defense budgets ranges from explanations for the benefits of military materiel production (industry) to abolishment of the armed forces and defense industries. Academic studies present variants of these arguments; the balance lies in the middle.

Regionally, there has been an overall reduction in GDP percentage on defense spending (down to 2% GDP). But the percentage of central government expenditures for defense has been reduced tremendously (from 6.8 in 1980 to 5.3 in 1991).<sup>7</sup> But these numbers can be deceiving: despite changing defense policies, expenditures increased during 1992 to 1995 at 1.8% of GDP yearly. There were glaring differences, however. Four nations (Mexico, Colombia, Venezuela, and Peru) were facing problems from either domestic or neighboring insurgencies. Brazil cut its security budget by 15% over the past decade; Argentina reduced its budget by 65% over the past decade, most of it during the last four years, down to 1.5% of its GDP.<sup>8</sup>

There are varying reasons for this drop in security budgets: various scholars attribute the cuts to the end of Cold War (no justification for combat against external enemy), the lowered communist threat, decreased regional military rivalries, increasing economic integration, or just plain economic rationale.<sup>9</sup> It has been argued that the end of the Cold War had no impact on defense spending, as this rhetoric was adopted by Latin American military personnel in order to acquire surplus US materiel and assistance.<sup>10</sup> Thus, with the Cold War Over, defense expenditures remain static minus the US foreign aid (which was dropping significantly of late anyway). The effort to privatize government programs and enhance economic activity have reduced the influence and demands on the

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<sup>7</sup> Francisco Rojas Aravena, "El Proceso de Asignación del Gasto Militar en América Latina." IN: Rojas Aravena, Gasto Militar (1994).

<sup>8</sup> Laurie Goering, "Argentine Military Is No Longer A Bully," Chicago Tribune (16 February 1995), p. A24.

<sup>9</sup> Patrice Franko, "DeFacto Militarization: Budget-Driven Downsizing in Latin America," Journal of InterAmerican Studies and World Affairs (Vol. 36 #1, Spring 1994), pp. 37-74.

<sup>10</sup> Rojas Aravena (1994).

defense budget. But at the same time privatization has also increased demands on military resources, as large government (or national resource) projects such as oil, coal, mining and maritime resources offshore still require government protection in regions vulnerable to either insurgent violence or foreign incursion.<sup>11</sup>

The demise of military governments, while coincidental, was not the precipitating cause of the latest round of security budget cuts; constrained economic growth was a primary cause. But the exit of military governments had an impact, depending on the military's institutional strength at the point of departure. The Chilean military, for instance, left government from a position of strength, and has not endured severe cuts. At the other end of the spectrum is the Argentine military, now suffering the worst cuts in the region, after ceding political control with little or no leverage after a "dirty war" against its own populace, and the Malvinas fiasco against the British armed forces.<sup>12</sup>

Another debate is over the specific force structure of the armed forces. This debate rages over the concept of retaining past defense posture, as opposed to reforming to meet future imponderable (i.e., debate after W.W.I over the role of merchants of death vs. League of Nations, realists vs. idealists.<sup>13</sup> Regardless of which approach is taken, reduced military budgets require a clear statement of roles and missions from the central civilian government. This perspective is not yet available in most of Latin America. Only Brazil has attempted to provide defense policy guidance in terms of reforming military force structure, as will be pointed out later.

## REVIEW OF BUDGETS

Defense budgets are an important factor in evaluating military power, but they are not the only one. In fact, they are a minor one because the principal players (military and civilian leaders) can effectively negotiate over the specifics involved. As such, budgets are more of a factor of influence for long-range analysis only. Some analysts argue that the role of defense expenditures in a measure of national power is more variable than other

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<sup>11</sup> Roldan

<sup>12</sup> Franko (1994).

<sup>13</sup> Paulo S. Wrobel, "Brasil y el Gasto Militar," IN: Rojas Aravena, Gasto Militar (1994).

factors, in that budget cuts in some cases have produced the favorable effect of more efficient and cheaper forces.<sup>14</sup> That is not the case in any of the military forces in this study, however. Moreover, this argument is accurate only if there has been precise and authoritative policy guidance from the central government head, be it civilian or military. More smaller and efficient armed forces geared toward specific defense postures tend to be more expensive, because the technology and mobility required to meet the mission are very expensive items to purchase and maintain in readiness.

Most analyses of Latin American defense budgets dedicate at least a paragraph marveling at how low these are in comparison with the rest of the world. But few devote much time to a description of just what these expenditures buy for the individual nations, to the detriment of the analysis. In fact, an examination of what Latin America gets in return for its expenditures demonstrates that actual spending on defense is even lower than shown by the raw data: approximately 50-60% of security spending goes for salaries and pensions, with in general 30% being dedicated to security (and in some cases defense) operations. This raises the argument among opponents of the military that, as there is little justification for such forces anymore, the government is "buying off" that sector of the population and government with the guns and power, in order to keep them in the barracks. The corollary, of course, is that the money would be best spent elsewhere. In other words, a society is paying a high percentage of declared defense budgets pay the government for not telling individuals how to run their lives by keeping the military out of politics. This is a somewhat convoluted line of argument, as it ignores the geopolitical foundations of the nation-state system in which autonomy is derived from a nation's ability to protect itself from foreign pressures. But it accurately points out a weakness in the current reality: most of the armed forces have no real military mission other than to wait for politicians to screw up, and society pays a high cost for that wait.<sup>15</sup>

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<sup>14</sup> Smith and Acuña (1995).

<sup>15</sup> The International Institute for Strategic Studies (IISS), The Military Balance 1996-96 (London: The Oxford University Press, 1997); "Renewed Debate Over Chilean Arms Build-up Irks Authorities in Santiago," Latin American Weekly Report (28 January 1997), p. 1.

## THE BUDGETARY PROCESS

For many years in Latin America, the only civilian control over the military has been that of budgetary issues. A principal reason is that the civilian sector has been disinterested because security was guaranteed regardless of the outcome. Control or guidance was left to the military for fear that anything interpreted as meddling would result in a coup. This has changed in varying degrees throughout the hemisphere, Brazil's new defense policy being an example that commits the executive and Congress to working with the military. It eliminates uncertainties over the budgets, and implements a coherent defense strategy.<sup>16</sup>

Chile provides an example of the budget request sequence common in the region. The different military services make fiscal proposals to their respective under-secretary, who passes the request on to the Ministry of Defense. There, the Armed Forces' budgets are added to national police or coast guard budget request (Carabineros and Investigations Police) and sent to the Ministry of Finance for inclusion in the government budget proposal. Congress then votes on budget as a whole, with no discussion of specifics within each ministry's proposal.

Many parts of defense expenditures (especially large-ticket items such as capital investment) are funded through foreign indebtedness. This makes economic management of the debt crucial to national security, assuming international rationale is the basis of the national economy.<sup>17</sup> But this portion of the budget is also one of the most difficult to describe and quantify, because it does not follow the standard procedure. Most regional defense budgets are incapable of supporting adequate military capital investment, so national procedures are instituted to circumvent such restrictions. Off-line budget items, dedicated taxes, profits from state-owned enterprises, defense industries (state operated or otherwise) are all methods used for the large amounts of money required to purchase ships, aircraft, high-tech materiel, or other purchases too large for the defense budget to

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<sup>16</sup> Mario César Flores, "Una Política de Defensa Inserta en la Realidad Actual," Paz y Seguridad en las Américas (Vol. 10, December 1996), p. 4.

<sup>17</sup> Roldan



handle. Some of these can be quantified because of the public nature of the debate surrounding the acquisition (Peruvian MiG-29s, for example), but others are more secretive or simply hidden from public view (the Brazilian nuclear submarine, for example). In all these cases, there is no set procedure to follow other than the domestic bureaucratic requirement enforced by each system. Needless to say, almost all of these are very personality-dependent, in which the president normally has the final say to approve the expenditure of money.

In one aspect, however, all of the countries of South America are similar: the national legislatures are practically absent from the defense budget process.<sup>18</sup> Traditionally, security has been guaranteed by the military, and as a result all decisions relating to national security policy are left to the military, resulting in policies not necessarily reflecting national interests.<sup>19</sup> In addition, and possibly as a result, defense budgets have traditionally been wrapped in secrecy, making public discourse (and research) on the topic extremely difficult, and decreasing the interest for public scrutiny.<sup>20</sup>

## ROLES AND MISSIONS

It is a given in this study that public debate over the military's proper role in government and an appropriate funding level are not only a good thing, but are also lacking in Latin America. National consensus on the monopoly of state force is basic to good governance: "Defense policy should not be made by budgetary default but should involve a systematic evaluation of security requirements and resources."<sup>21</sup> A public discussion of budget issues and roles and missions must involve guidance by civilian government not just domestically, but for international consumption as well; regional security needs confidence building measures, such as transparency of budget process and recognized mutual missions. Civilian administrations have the responsibility to intervene in the economics of certain sectors, and the armed forces are one of those. National stability

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<sup>18</sup> Rojas Aravena (1994).

<sup>19</sup> Fernando Thauby, "Política de Defensa y Política Militar: Dimensionamiento y Estructuración de las Fuerzas Militares," Fuerzas Armadas y Sociedad (Vol. 10 #4, October/December 1995), pp. 37-46.

<sup>20</sup> Santos (1996).

flows from the organism that maintains security, public order, and this institution must be adequately provided with resources and authorization, to adequately control the method of expenditures on the military.<sup>22</sup> Currently, however, the definition of security lags the proper definition of foreign relations, in some cases by design, in others by default. Internationalization and globalization in the different Foreign Ministers have not been matched by similar changes in security definition. Presidents Menem, Aylwin, Frei, Collor, Franco, and Cardoso all worked hard to improve the international participation and status of their respective nations, but have not done much to increase military's ability to participate in domestic, regional, or international operations, let alone match the international rhetoric of their respective foreign ministries. This is more true and critical in terms of defense policy guidance, with the exception of Cardoso's national security policy of 1997.<sup>23</sup>

The traditional military mission in Latin America is defense of sovereignty and geopolitical national security, a mission that has not changed substantially since the region achieved independence from Spain in the early 1800s. The 1950s adjusted that mission slightly to add the Cold War element of anti-Communism, but that era ended in the 1990s. The post-Cold War era, however, coincided with a change in governance from military authoritarianism to civilian-led democracy, raising the questions of what military missions are appropriate. Structuring military forces to confront the communist threat is no longer a justification for maintaining an outward-looking armed force, and democratic regimes do not want an inward-looking one. Thus, counter-insurgency (COIN), hemispheric defense, border protection, are in most nations gone as a primary military mission. There has been little public debate over new missions, mostly centered on externally-oriented operations such as include collective security, peacekeeping. This severe questioning of military roles and missions puts the very survival of the institutions in jeopardy, as none are configured for such power projection operations.<sup>24</sup>

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<sup>21</sup> Franko (1994), p. 57.

<sup>22</sup> Santos (1996).

<sup>23</sup> Franko (1994).

<sup>24</sup> Jack Chile, "Guns and Roses," *Hemisphere* 6(#3): 28-32.

For many reasons, border issues have remained as a key determinant in security thinking throughout the hemisphere.<sup>25</sup> Civilian neglect of adequate policy guidance, leaving the development of mission statements to military leaders is the principal factor in the lack of a debate over the proper role of the armed forces in a democratic regime. And even among military personnel there is no coherent debate. Albeit held in an international setting, the Second Conference of Defense Ministers (1996) in Bariloche took place in an environment of mistrust because of regional arms purchases a key indicator in military intent. The region is undergoing a run on the materiel market, in an effort to modernize forces equipped with weapons and logistics over 20 years old. It is expected that \$1 billion will be spent in the region in 1997,<sup>26</sup> and the normal ways in which acquisitions are made do not lend themselves to an environment of confidence and trust.

A significant factor in deciding appropriate budgets and military spending than policy guidance are domestic issues and stability. It is easy to justify high defense expenditures in an environment of instability, such as in Colombia (the FARC and ELN insurgencies and the drug cartels), and much more difficult in an environment of stability such as Chile. Nations with a strong sense of geopolitical theory (most of South America) have a tendency toward nationalistic protection of borders and a holistic definition of national security. Few trust their neighbors to keep regional interests at heart if domestic security issues arise. The bottom line is that economic and political stability are the best basis for developing a national security policy on which can be built an adequate defense budget.<sup>27</sup>

## BUDGETARY ISSUES

There are many aspects of the debate over military budgets, roles, and missions that require consideration for appropriate decision-making by military and civilian leaders. There are many technical military issues that most military planners either take for granted or are acquainted with enough to assume are common knowledge. Likewise, there are

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<sup>25</sup> Rojas Aravena (1994).

<sup>26</sup> Rui Nogueira, "Inter-American Affairs: Arms Race Causes 'Mutual Distrust' in Bariloche," Folha de São Paulo (8 October 1996), p. A1.

<sup>27</sup> Roldan

many technical bureaucratic or governmental issues with which these military leaders are not acquainted. This section will provide an overview of such issues as the linkage between defense, security, budgetary and economic policy, military logistics, maintenance and its impact on defense spending.

### GENERAL CHARACTERISTICS

In general, however, budgetary discussions have two characteristics, in that they refer to the composition, itemization and disbursal of governmental resources. They also refer to the technical criteria defining the composition of expenses and how these relate to the national strategy of security.<sup>28</sup> This relates to the actual writing of the budget proposal: who writes it, the integration of all the various requests, presentation, and allocation process. Of note on this topic, one of the more important components of this debate is that of the disbursal of funds, one of the most under-debated aspects in Latin America. It has been traditionally assumed that this is completely within the realm of the military, and civilian legislatures have abstained from participation.

Unfortunately, by not participating in the debate over force structure, acquisitions, and the like, civilian legislatures (and the executive, for that matter) have failed to provide adequate guidance and reform to the military. The latter, having no requirement to fund programs they either don't like or cannot agree on internally, will take the path of least resistance, keeping the military force structure within limits to the advantage of the military (instead of the nation). At worst, it has allowed for a system of corruption in which there is no oversight or accountability over the expenditure of funds. The lack of a common threat hurts the justification for any budget requests, but this fact has apparently not yet sunk into the military mindset in the countries covered by this study. Many persist in forcing Cold War mentality on budgetary requests, relying on their authority and political strength to force credibility.<sup>29</sup>

Of course, militarizing security policy is not the only danger, as the opposite is also true: the process can be completely politicized (left to the politicians). If given complete

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<sup>28</sup> Santos (1996).

<sup>29</sup> Rojas Aravena (1994).

control over the decision to allocate defense monies, corruption and clientelism come into play as readily as within the military. Defense contracts will be partitioned out according to individual congressional influence, to benefit the electorate of a specific congressperson, regardless of the impact on national security. In short, there is a serious drawback to either problem. The solution is to find a balance in the debate and decision-making process over security and defense. The issue must be one of national consensus, regardless of how difficult this is to achieve.<sup>30</sup>

Security planning via budget is a third danger in this process, as it means that policy is written based on budgetary concerns only, with no regard for national security. This is the most rigid method of writing policy, as it limits capabilities to a budgetary figure, usually a % of GDP or CGE. It does not recognize changes in regional security or environment. But it does put such expenses in national context, and allows for a transparency of effort that aids regional security. This is the method used in Chile and AR currently, to the benefit or disadvantage of the military, respectively. The Chilean military benefits by having a stable and relatively high level of expenditures; the Argentine military sees its budget become the whipping boy to satisfy national economic needs, to the detriment of national security.

## SECURITY VS MILITARY STRATEGY

The process of developing national security strategy, defense policy, military policy, and a budget involves a definition that covers not only current issues but also future requirements and capabilities. If declaratory or actual policy changes, force structure must change or adapt to meet new requirements.

Security policy is the more difficult one to develop, as it is the more basic of the documents involved, and all others flow from it. Security policy may be based on the founding document of the government (national charter or constitution) depending on what is stated therein. A discussion of security policy should take place within the civilian sector of government, as it involves more than just defense posture: it includes non-military topics such as the economy (domestic and international), international relations,

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<sup>30</sup> Thauby (1995).

geopolitics, and national strategy. It involves actors in government, business, academia, as well as the military. In many nations where the military has a role in domestic politics, the decision of national security policy has normally been left to the military, resulting in a policy not reflecting national interests. National security generally takes a back seat to inter-service rivalries, personal power trips, or even corruption. The military tradition of order, chain-of-command structure, and discipline pre-empt an environment of inclusion appropriate for the debate and consensus required in the formation of national security policy.<sup>31</sup>

Military policy deals directly with the application of the armed forces to national security policy. Thus it involves decisions of risk management, equipment, readiness, tactics, training, education, and relates to the dimension, structure, technical, and professional capacity of the armed forces. Actors involved in this debate are military strategists and managers. Military policy is part of defense policy, and must coordinate closely and specifically with the latter. It must be long-range to be successful, and yet reactive to changes in strategy and technology, in order to meet perceived threats to national security.<sup>32</sup>

Force planning is the sub-component of military strategy that deals with the acquisition of systems geared toward application of national power to meet national defense policy, and for that reason must be long-range. It is where the rubber meets the road in the application of security policy, dealing specifically with the modernization of current assets, readiness, and sustainability during times of crisis. Overall, force planning involves the structure or combination of capabilities to meet national requirements, and is developed by military specialists.

## OTHER

Other aspects to consider in the formulation of a defense budget include support, maintenance, training, sub-systems, quality of sources, compatibility. It is possible to purchase systems by volume and price alone, losing quality in the long run because of the

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<sup>31</sup> Thauby (1995).

<sup>32</sup> Thauby (1995).

increased logistical and maintenance requirements of incompatible weapon systems (multi-source vs. single country sources). These are difficult issues to understand, but must be mastered by budget planners.<sup>33</sup> Maintenance and sustainability of systems is a very complex process that includes not just the upkeep of actual systems (aircraft, tanks, ships, weapons, uniforms), but also the warehousing of spare parts, the ability to find and use spares without mixing them up with spares from other systems. If, for instance, a country purchases systems only from the US, it will naturally benefit from adopting the US system of tracking and recording parts, service schedules, maintenance, etc. If it purchases only from France, the same will be true. But if it purchases systems from the US, France, Russia, and the UK, the maintenance tracking job quadruples through either the use of four systems or developing a fifth system and all the work that involves.

A final short list of technical aspects that bear on the issue of defense budgeting includes the special arrangements for excepting classified portions of expenditures from public (though not congressional) debate; in some cases such as Colombia's war on insurgents requiring a law excepting the whole defense budget from austerity programs; and the handling of the military payroll and pension system separately from other government payroll laws.<sup>34</sup>

## CASES STUDIES

As mentioned above, the six cases chosen for this study are Argentina, for the distance between the debating sides; Brazil, for its policy guidance but lack of public support; Chile, for its well-defined and supported policy; Colombia, for its crisis of leadership; and Peru, for its chaotic and personalistic budgetary system. Each has been chosen because it represents a different method of budget planning, different type of security consensus and debate.

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<sup>33</sup> Santos (1996).

<sup>34</sup> Felipe MacGregor, José Luis Sardon, and Juan Mendoza, "Perú y el Gasto Militar." IN: Rojas Aravena, Gasto Militar (1994).

## ARGENTINA

The military loss in the Malvinas war became the prism for military reform and changes in Argentine civil/military relations. The Menem administration set the political agenda early in its tenure, which included improving relations with the US as a platform for participation on the global political arena, implementation of the Tlatelolco treaty, accession to the Non-Proliferation Treaty, the Missile Technology Control Regime, the London Club (nuclear safeguards), and United Nations Peace Keeping Operations.<sup>35</sup> As a result, the civilian sector has completely subordinated the military to its control, primarily through subverting the security policy to its fiscal policy. But the military needs to reform and modernize, if only to demonstrate that subordination does not imply deterioration of capabilities and institutions.<sup>36</sup> Unfortunately, the debate over a security policy has not yet produced any significant guidance other than “wait for the economy to improve.” This has been a political decision based on the assumption that there is no credible security threat in the near or mid-term. Should that assumption prove wrong, Menem’s decision will cost Argentina dearly in terms of sovereignty or money, depending on the threat.

## BUDGET PROCESS

The preparation of the Argentine defense budget is the responsibility of the president, normally delegated to the Minister of Defense. The Joint Staff (Estado Mayor de las Fuerzas Armadas, EMFA), working for the Minister of Defense, coordinates the three service budgets for presentation to the national congress. The congress votes on it, with little or no debate, normally approving whatever bill the president forwards.<sup>37</sup> The Law of National Defense (1988) and the Internal Security Law (1991) have been the guiding documents for security issues. There have been budgetary cuts, ostensibly because of a decreased security environment, but the structure of the armed forces has

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<sup>35</sup> Marcela Donadio, "La construcción de una Nueva Política de Defensa en Argentina," Fuerzas Armadas y Sociedad (Vol. 11 #2, April/June, 1996), pp. 3-8.

<sup>36</sup> Rosendo Fraga, "La Política de Defensa Argentina a Veinte Años del Ultimo Golpe," Fuerzas Armadas y Sociedad (Vol. 11 #2, April/June, 1996), pp. 15-18.

<sup>37</sup> Wrobel (1994).



remained the same. There has been no definition forthcoming from the civilian government for the reorganization of the armed forces.

In a 3 July 96 document, the Senate resolution stated that Argentina does not renounce the right to have armed forces; the resolution reaffirmed the rejection of violence and stated the need for re-affirmation of strategic defense based on a conventional regional balance (regional). This is bureaucratise for justifying drastic budget cuts because the military is politically vulnerable and politicians see no threat from neighboring nations and can think of no reason anyone would want to threaten Argentina.<sup>38</sup> Should this assumption be accurate, the nation stands to gain from the lack of defense expenditures. Should it prove wrong, sovereignty is threatened. The flaw in the debate, however, is that consensus was not achieved. The policy was imposed unilaterally by the Menem administration, with little or no guidance for what to do with the budget actually disbursed to the armed forces. Credible objectives of military reform include increasing the professionalism of the military through operational training and education, equipment modernization, and an increased empowering of the Joint Staff by inserting it in the chain of command. Unfortunately, the civilian-imposed budget cuts undermine all of these objectives. Perhaps the worst effect has been the lack of respect for the Joint staff's responsibilities and prerogatives, which shows the lack of policy guidance from the civilian government.

#### DEFENSE POLICY

Unfortunately, Argentina's military high leadership is tied to weapons, doctrines, of W.W.II (or possibly even W.W.I). Military reform is badly needed to regain a modicum of readiness and capability. The simple restructuring preferred by the current crop of generals is insufficient, because it assumes incorrectly that the present force structure is adequate to handle security contingencies. The problem lies in the politicians in the civilian sector: the presidency, MOD, and congress, who believe that if the military does not make waves, they can continue in their ways, spending 85% of the defense budget on salaries and pensions. The only exception is travel to the world of peace-

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<sup>38</sup> Donadio (1996).

keeping operations (PKO). The bottom line in the debate is that the nation's regional defense policy is forced to wait while the armed forces waste millions on a military unemployment policy.<sup>39</sup> Many officers complained privately of the reduced readiness: "The Argentine Armed Forces are incapable of defending themselves against any threat."<sup>40</sup>

### BUDGETARY WOES

In the meantime, the Argentine military is so poor it is now leasing property for commercial activity, offering tours of the Patagonia on Navy boats, renting air strips for car races, and raising cattle and crops on military bases to feed troops, all in an effort to make ends meet. During his tenure as Minister of Defense, Oscar Chameleon estimated that \$1 billion over 10 years could be raised through these measures, and as a result, during 1983-95, the budget was reduced from \$587 million to \$132 million per year. To make ends meet, the ranks of general officers were reduced from 80-37; officers from 6,600 to 5,000; troops from 100,000 to 20,000.<sup>41</sup>

In 1995, the defense budget totaled \$4.8 billion (1.5% GDP). Of this, \$2.5 billion (less than 1% GDP) was allocated directly to the armed services. The balance was spent on the border patrol (Gendarmería), coast guard (Prefectura), retirement pensions, and administration. There is a little off-line income from leasing property and Air Force aircraft, but not enough to make an impact on any of the figures. By 1996, the Air Force had only 4 aircraft operational, and navy's optempo was down to 9 days per year, from 9 days per month.<sup>42</sup>

Budget cuts unaccompanied by policy guidance began during Alfonsín, despite threat of military unrest. The armed forces are now in a state of insolvency: Menem cut spending by 50% over 5 years. The brunt of these cuts was borne by maintenance and modernization programs; imports were cut, which limited spending on operations. One of

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<sup>39</sup> Thomas Scheetz and Col. Gustavo Cáceres, "Breve Visión de una Reforma Militar Para Argentina," Fuerzas Armadas y Sociedad (Vol. 10 #2, April/June 1995), pp. 26-29.

<sup>40</sup> Calvin Sims, "Argentina's Military's Impoverished Generals Scrambling To Avoid Financial Collapse," (Minneapolis) Star Tribune (4 February 1996), p. 14A.

<sup>41</sup> Sims (1996).

<sup>42</sup> IISS (1997); Southern Cone Report, "Argentina: Military: Budget Cuts Leave Country Helpless: Commanders Complain They Cannot Pay Bills," Latin American News (28 December 1995).

the few organizational changes implemented was a restructuring of the MOD offices to combine many civilian positions. But these have not been saved either, many being cut as a cost-cutting measure. This move, however, which runs counter the interest of civilian control.<sup>43</sup>

The traditional vicious circle includes increased security costs that displace social expenditure. These in turn increase unrest, which increases demand for military action and expenditure. Recent demands on military capabilities include drug interdiction and domestic repression as missions because traditional missions are not affordable. The Malvinas fiasco was example: Argentine military technology, recently modernized, was not a match for real modern military organization and equipment (UK). The shining exceptions were the French Exocet missiles, seriously lacking in strength. The current military structure and equipment has not changed significantly since 1983, indicating that the Argentine military is incapable of guaranteeing national sovereignty.<sup>44</sup>

## BRAZIL

For many decades now Brazil has relied on diplomacy to provide its national security, and with good results. Despite having one of the lowest figure (total and % GDP or % CGE) dedicated to defense, Brazil has least number of border conflicts, hostile relations with neighbors, or serious international conflicts. Having a large economy accounts for much of this, but low regional security threat allows for such low expenditures. Nonetheless, brazil's endemic economic difficulties helped hide the true extent of expenditures, complicating transparency.<sup>45</sup>

## EXPENSE LAUNDERING

A proper and adequate examination of security expenditures in Brazil has always been a difficult proposition, because the defense budget has been fragmented and distributed willy-nilly throughout the national budget. During the military regime, for

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<sup>43</sup> Franko (1994).

<sup>44</sup> Scheetz (1995).

<sup>45</sup> Wrobel (1994).

instance, the national budget was mixed with that of the National Treasury, the Central Bank, and the Bank of Brazil. It thus became possible to "launder" security (or other) expenditures through several financial institutions and laws, thus hiding the true level of spending from view. In other words, no one knows for certain what the defense expenditures were from 1963-75. This leads analysts to question the validity of current reports, begging the question of the lack of evidence that such budget laundering does or does not still exist?<sup>46</sup>

The Brazilian military organization is much more dispersed than that of its neighbors, making it much more difficult to adequately study nation's security expenses. First and foremost, there is no unifying ministry of defense to serve as a central command to collate and distribute budgetary issues. Thus the task of presenting a spending plan to Congress and elaborating an efficient method of guaranteeing defense is left to the three services, who compete at the national level to fund specialized forces hard to justify to begin with. Add to that the problem of either a lack of civilian oversight or blatant ignorance of security issues by the oversight bodies, and the problem becomes apparent. Brazil's defense expenditures are asymptomatic of most military expenditures, being such a low percentage of the GDP. This factor has "blinded" most of the congress, which, lacking any point of comparison, has allowed military to "run amuck" with defense strategy. As it did not cost much and no one complained, the military has been left to devise its own force structure based on its own definition of security threat perception.<sup>47</sup>

## SECURITY POLICY

In the absence of an overarching guiding document from the civilian government, the branches of the military have in the past developed their own doctrine and strategic concepts, not always mutually compatible. The new 1996 defense policy defines the overall security objectives for Brazil. With this, each of the service branches will be able to recommend the instruments for accomplishing specific tasks. One side benefit is that taxpayers will know that their money is being well spent.<sup>48</sup> But given the normal attention

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<sup>46</sup> Wrobel (1994).

<sup>47</sup> Wrobel (1994).

<sup>48</sup> "Advantages of Defense Policy's Creation Seen," O Estado de São Paulo (17 September 1996).

paid to security affairs (other than directly related to civil liberties and human rights violations), Brazilians in general do not care how well their money is being spent.

During his mandate, President Fernando Collor de Mello reduced budgets without providing adequate definition of roles and missions. The military was left to figure out its own mission, or to poorly meet its previously mandated mission, based on geopolitical definitions of territorial integrity and national development. Not finding the budget allocation sufficient, military leaders then took to lobbying Franco for more funds as a mission.<sup>49</sup> They became very good at lobbying for funds, and also good at keeping overall levels a secret. The current Brazilian buzzword is anything referring to the Amazon threat as a credible argument to maintain or increase expenditures. Lobbying expertise is indicated by the fact that in 1993, two attempts to cut the defense budget were thwarted, after which the military succeeded in getting the \$1.4 billion SIVAM project approved for implementation. Projects under way in 1994 included: SIVAM, production of armor, electronic equipment for army, actual competition for the nuclear submarine ballistic missile, and satellite technology. All these projects are off-line budget items, financed through government agencies such as CNPQ, FINEP, BNDE, and other investigation sponsoring agencies.<sup>50</sup>

A secondary issue to consider is the fact that civilian governments have bought into the traditionally military government theory national development is a strategic component of national security. Elaborated over the centuries by the military in collusion with political elites, the idea has been sold in terms of "national development project," which includes such vulnerabilities as the need to expand the economy, exploit national reserves (mining), integrate national territory, and industrialize the economy. As a result of this co-optation of civilian oversight, defense expenditures remained higher than specifically required by the strictly defined security missions of the military. None of these are traditional military missions, but the failure of civilian government to meet this erroneous criteria has provided justification for intervention to correct a deficient national security mission. Traditional roles for the Brazilian military include territorial defense,

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<sup>49</sup> Franko (1994).

<sup>50</sup> Wrobel (1994).

nation-building, civic action, internal defense (especially in the Amazon), and technological development.<sup>51</sup> Interestingly, there is no mention of an external role, the justification traditionally presented by the Navy to bolster its requests for funding for an aircraft carrier, blue water capable combatants, and submarines.

Brazilian military governments in the past spent more (% GDP and % CGE) than did civilian governments on the defense sector of public expenditures, as illustrated below:

Year	% GDP
1965	2.10
1970	2.00
1975	1.19
1980	0.81
1985	0.76
1990	0.18
1993	0.20

The 1996 security budget for Brazil, totaled \$1,273,612,193,000 Reales, divided thus:

Military Court	1,930,000,000
Aeronautics	568,277,703,000
Army	404,243,829,000
Navy	299,160,661,000

Source: Paulo S. Wrobel (1994); IISS (1997)

The financial crisis in the arms industry adds fuel to the seriousness of the debate over the role of the armed forces after the Cold War, and the appropriate level of security expenditures. Here the supreme disinterest and lack of educated public becomes evident, and this debate has become so small as to be irrelevant. While domestic and social issues are much more important on the political arena, defense budgets and security are long-

<sup>51</sup> Paulo S. Wrobel, "Renewed Debate Over Chilean Arms Build-up Irks Authorities in Santiago," Latin American Weekly Report (28 January 1997), p. 1.

range issues that will continue on the national debate because of simple inertia, and are important to Brazil.<sup>52</sup>

That budget reductions have had no clear policy guidance is evident in the lack of vision for the security function of equipment or doctrine. The materiel modernization program was presented publicly long before the 1996 defense posture paper was published. The Brazilian military is currently surveying the market to spend \$10.6 billion Reales in 4-year plan. This modernization program involves purchasing Navy equipment (modernization of surface units, R&D for nuclear submarine), and the army's R&D for Amazon (SIVAM). But the new equipment was ordered with little consideration for its use in the larger framework of security policy.<sup>53</sup>

## CHILE

In comparison with its regional neighbors, Chile's defense policy is in general the best coordinated with national security and foreign policy. It is based on the idea that

"the sum of institutions and instruments destined to confront successfully threats and/or aggressions that may affect [Chile's] security, integrity, peace, quality of life, common good of the inhabitants, and in general the fundamental values as provided in the constitution. It is also that part of the national policy destined to guide the national defense to satisfy the need for security external to the nation, and as such is the national expression of the criteria and general alignment with which the nation conceives, structures, and guides national defense in a coordinated, harmonized manner with sufficient force to overcome external threats, risks, and conflicts."<sup>54</sup>

Acting Foreign Minister Mariano Fernandez expanded on that convoluted paragraph, stating that "We maintain a level of expenditures that allows us to develop a foreign security policy as any other nation, and we are by no means involved in an arms race."<sup>55</sup> In other words, Chile depends on itself for its own defense.

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<sup>52</sup> Wrobel (1997).

<sup>53</sup> Nogueira (1996); Franko (1994).

<sup>54</sup> Thauby (1995), p. 37.

<sup>55</sup> "Heavy Investments in Military Sector Denied," El Mercurio (28 January 1997), p. A1.

Civilian and military experts in Chile have traditionally agreed that the best method of ensuring security is to provide the military with forces ready for combat, trained in a joint doctrine for specific tasks. Military leaders can thus (using the example of a toolbox) pick and choose forces for specific missions. This method, including large joint exercises, is how the superpowers act. But this method is extremely costly; the question for Chile is not how it can improve on what its current defense posture, but rather how could the nation organize its forces if the force is to start from zero, knowing how modern forces are organized.<sup>56</sup> The major problem with defense budgets is not the source or sum of expenditures, but rather the effective use of the budget. Public debate over the efficient use of defense expenditures is good, but difficult because it is difficult to measure. If there is a war and Chile won, there would be no debate that the expenditures were effectively used. But if a war was prevented through deterrence, the value of specific items in the budget is difficult to measure.

Under the guidance of a military government, Chile set out in the 1970s to modernize its economic structure to overcome underdevelopment. As a result, the control over public expenditures is of utmost importance, especially as relates to hard to justify items such as the modernization of the armed forces. But the decision to adequately regulate the economy and still maintain adequate defense expenditures indicates a level of analysis not common in the region: defense is defined in official documents as a response to unknown events, with the resulting conclusion that maintaining an efficient system of defense requires time and money.<sup>57</sup>

## BUDGETARY PROCESS

Currently the chain of command goes from the president (CINC), MOD administers security matters for the president, depending on the service chiefs and the Joint Staff for implementation. The national security council is used as the president's advisory group. If the president gives no guidance, it has fallen to the budget cutters to set the priorities for the military. This is not a good thing, as the budget cutters do not

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<sup>56</sup> Santos (1996).

<sup>57</sup> Santos (1996).



know what is needed for defense, and only cut the overall figure.<sup>58</sup> Based on this chain of command, the Chilean defense budget process is as follows: after receiving requests for allocation from the services, the MOD presents a request to the national security council and the president's cabinet. Discussion has begun between other actors, such as the ministries of Economy and Social Issues, Commission for Public Works. The MOD leads the debate in-house, but only has one cabinet vote. The Ministerios de Gobierno and Hacienda are strong advocates in the debate. When debate has ended, the budget is added to the national budget, and sent to the national legislature for a vote. Only total figures are debated throughout; the military divides the funds for expenditure, and decides what to purchase with the funds.<sup>59</sup>

The Chilean Constitutional Organic Law of the Armed Forces 1948 establishes the framework for the defense budget. Article 93 states that the armed forces' budget will consist of economic resources available through the National Budgetary Law, internal income, and originating in other laws within this law. The law also specifies that the service chiefs will decide the necessary budget; the Minister of Defense approves their proposals and channels the state's contributions. Also, the law prohibits a re-assessment of the budgetary basis: every budget must be based on the 1989 budget as a baseline for expenditures.<sup>60</sup> This fiscal security and the income from the Copper Reserve Law effectively makes the military relatively autonomous from the political process. Add to this a lack of interest and ignorance on the part of the civilian sector, and the end result is that no changes are ever made to the budget requests forwarded from the MOD to the national legislature.<sup>61</sup>

## SOURCES AND ALLOCATIONS

There are three principal sources of funds for the Chilean defense budget: national defense expenditures (monies allocated to the specific services); fiscal allocations for security (direct contributions from the state); and the Ministry of Defense budget, which

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<sup>58</sup> Donadio (1996).

<sup>59</sup> Roldan

<sup>60</sup> Santos (1996).

<sup>61</sup> Franko (1994).

includes police and other non-military tasks. Among the second category are the Copper Reserve law 18.445 (10% of copper exports for acquisitions, divided equally among the services), and direct income for services rendered. The latter includes such national services as the Dirección del Territorio Marítimo (maritime navigation service), Dirección de Aeronáutica Civil (air traffic control), state corporations (ASMAR, FAMAE), and other special funds (Rotativo de Abastecimiento, Patrimonio de Afectación Fiscal).<sup>62</sup>

Chilean politicians recently engaged the academic community in a debate over the adequate measure of security expenditures. At issue was the inclusion of "non-military" expenditures in the overall defense budget. Unfortunately for the Chilean government, its own bureaucracy became its own enemy, as the figures published by the Ministry of Treasury coincided with the academic community's analysis (as it was the source of data to begin with). The data was as follows: the announced 1997 budget approved by the national legislature called for \$1.158 billion for defense (1.38% GDP). The Copper Reserve Law added \$240 million (0.28% GDP), and the Military Geographic Institute, Hydrographic and Oceanographic Institute, General Directorate for National Mobilization, Air Force Aerophotogrammetric Service, General Directorate of Civil Aeronautics, increased defense expenditures by \$119 million (0.14% GDP). Internationally published figures add also pensions (\$591 million, 0.2% GDP), Security and Order, Pensions for Investigative Police and Carabineros (\$850 million), because these have always been published by the Chilean government as part of security expenditures. The total figure is thus \$2.958 billion (3.48% GDP), as opposed to the 1.38% GDP preferred by the Presidency and Minister of Defense.<sup>63</sup>

All these monies are then grouped into expenditure categories of personnel, operations, infrastructure, and development. Some, such as the Copper Reserve Law funds are required to be used for capital development (acquisition of materiel). Each service spends its allocations differently, according to mission and organization. The Army, for instance, is much more labor intensive than the other services, and thus spends more on personnel, which account for approximately 2/3 of its expenses; the Air Force

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<sup>62</sup> Santos (1996).

<sup>63</sup> "PDC Enters Defence Spending Debate," Latin American Weekly Report (25 July 1996), pp. 335.

and Navy spend more on operations and development, because of the more technology intensive nature of their missions.<sup>64</sup>

But this allocation does not hold true consistently, because of the political power of the personalities involved. The Army has for some time received a larger portion of the funds because of the view of the Pinochet government that army assets were the best defense for the nation. Previous to that (and since then), the Navy has been the beneficiary because naval deterrence being considered the front line of security. This idea flows naturally in a nation dominated by the geopolitical reality of a 2300 mile coastline, and argues in favor of increasing Navy and Air Force budgets. Whether or not this is as a result of the civilian government's policy guidance through the MOD, the idea is to increase quantitative (more platforms) and qualitative (modern platforms) capabilities to provide adequate patrol and defensive deterrence. The political guidance for this force modernization is called the Alcazar Plan, which started in 1994 and is programmed to run through 2010.<sup>65</sup>

The current Chilean defense budget stability is demonstrated in the following chart (million USD):

Year	Armed Forces (% GDP)	Public Security (% GDP)	Total (% GDP)
1995	2,010,666 (3.0%)	731,000 (1.1%)	2,741,666 (4.1%)
1996	2,296,066 (3.1%)	813,134 (1.1%)	3,109,200 (4.2%)
1997	2,565,444 (3.1%)	949,930 (1.2%)	3,515,374 (4.3%)

These figures include allocations for Army, Navy, Air Force, Decentralized Institutions (i.e., Mobilization command, National Defense Staff, Institute of Military Geography, etc.), Copper law, Retirements under heading of Armed Forces; under Public Security, includes Carabineros, Investigations Police, Retirement (Carabineros). These figures were taken from the Ministry of Finance Budget Law publications for the year listed. Estimated GDP for 1997 is \$82.1 billion.

Security Expenditures, CI 1996 (million US\$):

Function	Total	% GDP	% CGE
DEFENSE:			

<sup>64</sup> Santos (1996).

<sup>65</sup> Nogueira (1996); Santos (1996).

Armed Forces (Army, Navy, AF)	1.057	1.40	8.33
Decentralized Institutions	108	0.14	0.85
Copper Reserve Law (est.)	285	0.38	2.25
Retirement	545	0.72	4.29
<b>SUBTOTAL DEFENSE</b>	<b>1.995</b>	<b>2.64</b>	<b>15.72</b>
<b>PUBLIC ORDER</b>			
Carabineros	336	0.45	2.65
Investigation Police	85	0.11	0.67
Retirement	322	0.43	2.54
<b>SUBTOTAL PUBLIC ORDER</b>	<b>743</b>	<b>0.99</b>	<b>5.86</b>
<b>TOTAL SECURITY EXPENDITURES</b>	<b>2.738</b>	<b>3.63</b>	<b>21.58</b>

Source: Eduardo Santos (1996)

Chilean theorists have elaborated on the two best methods of evaluating value of military: an external threat assessment (called the top-down method), and the institutional capability assessment (or, bottom-up review). In Chile, the external threat has almost (but not quite) disappeared so existing capabilities are considered probably adequate. But institutional capability is very antiquated, so if a threat appears, they will not serve their purpose. This puts Chile at a crossroads, requiring a lively debate ending in national consensus on the future of security and defense capabilities.

## COLOMBIA

Because of the on-going war against the Marxist insurgents and high level of violence at the hands of the drug cartels, the trend in Colombian defense budget increases runs counter to the downward trend in the rest of South America. There is a recognized need to stop current (and prevent future) insurgencies, in an on-going effort to stabilize politics. There are calls for drastic action, ranging from starting a “dirty war” to unilateral disarmament of non-military groups to stopping the flow of weapons.<sup>66</sup>

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<sup>66</sup> Roldan

## SECURITY POLICY

The security policy and budget process have never been treated with transparency, as the debate and policy have been restricted (or classified) from public disclosure. There is almost no public debate, and even the President has to insert himself forcefully to participate. The national security council is very weak, resulting in a fora not suitable for decision making on budgetary issues. The 1991 constitution opened the process somewhat, but not enough to overcome the military's distrust of the civilian sector.

Colombia relies on confidence building measures to achieve regional security, allowing the military to focus on domestic threats from the insurgents and drug cartels. In the absence of adequate guidance from the civilian government, the military has developed its own defense guidance. Ranked by importance, this policy includes the guerrilla threat, the drug traffickers, and other security threats. Interestingly, there is no mention of foreign threat.<sup>67</sup>

## BUDGETARY PROCESS

There is civilian participation in the defense budget preparation role: the President, Consejo de Ministros, COMPEs, who dominate the decision process. Public debate is opening gradually; the power of the MOD and its independence help foster public debate of the budget. The Organic Budget Law establishes that the Minister of Economy and Finance compiles a national budget, but that the Minister of Defense writes the military expenditure portion. This guarantees that the military has control over its budget, and all oversight is for total figures only.]<sup>68</sup>

Nevertheless, the budget process in Colombia was based on inertia until the 1980s: global strategy was incorporated into combat threats, and a cost figure added plus inflation. Defense policy through 1991 was based on a version of "import substitution," trying to obviate the need for insurgency by combating poverty and inequality. Since 1991, Colombia continued that strategy by opening the economic and political sectors, and

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<sup>67</sup> Roldan

<sup>68</sup> Roldan; MacGregor (1994).

used the military to support police action in counter-insurgency (COIN) and counterdrug operations.

The 1992-6 Five Year Plan raised defense budgets gradually, with the largest expenditures being salaries and capital investment. The greatest increase in cost has been personnel transfers, increased by 30% during the four years, from moving military personnel to combat zones and rotating through counterdrug operations. Retirement funds increased from \$48 billion pesos in 1991 to \$504 billion pesos in 1996. Severance pay was another big cost, increasing from \$15.5 billion in 1991 to \$195.5 billion pesos in 1996.<sup>69</sup>

The pattern of expenditures includes the 1971 emphasis on capital investment improvements for the Air Force, and the 1984 capital investment in equipment for the Navy. Thus, though on an average investment and operations have been even, in reality defense investment had two major spikes in expenditures. Expenditures on operations between 1972 and 1983 were relatively stable.

Missions to counter illegal drugs, guerrillas, and organized crime pushed up the defense budget during the 1980s and 1990s. Between 1985 and 1993, there was no consideration of foreign threat, with the emphasis being completely on domestic issues. This emphasis resulted in the 1992-1993 increase in expenditures, because of an increase in guerrilla activity. This increase has affected the national economy directly, because investment in the armed forces is done through international debt. Civilian administration must pay attention to defense expenditures, in an effort to carefully manage the national fiscal policy.<sup>70</sup>

That the guerrilla war has hurt the national economy is evident in the latest trend in defense expenditures. Colombia has implemented a \$130 million cut from the defense budget in the Budget Adjustment Law of December 1996, which will probably come from the military investment budget, a total of 30% of \$450 million. The net effect on readiness

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<sup>69</sup> "¿Economía de Guerra?" Semana (24 September 1996), pp. 46-56.

<sup>70</sup> Roldan

and force structure will be postponement of acquisition in boats and aircraft, maintenance, communications gear, spares, some training.<sup>71</sup>

Colombian Defense budgets, 1990-1994 (in million pesos):

Year	Total	% GDP
1989		4.22
1990	515,007	
1991	445,645	3.76
1992	557,227	3.13
1993	1,089,344	3.94
1994	697,775	2.86
1995		2.75
1996	2,909,900	2.64

The 1996 war bond issue expected to raise (US)\$440 million, to fund projects and procurement that the "law specifies [for] direct support of operations."

Source: IISS (1997); SEMANA (1996); Eduardo Santos (1996)

The government decided in 1996 to raise funding through issuing war bonds. But bonds are loans, and only increase funding in the short run. That means that in a couple of years, the portion of the defense budget dedicated to operations will be decreased to accommodate repayment of bonds. The indirect message from the civilian sector to the military is that the war effort is a marginal one, to be treated with only temporary measures. Increasing in popularity is the suggestion that a national debate be opened to begin the process of managing the insurgency to closure, starting a war economy. In other words, complete a civilian written and led doctrine and strategy, using all of the government, to end the war, rather than wait for a military solution. One such sector is justice, reforms to better combat the insurgents. Governance is another, by cutting the tremendous burden of bureaucracy and thus eliminating many of the insurgents' complaints about government.<sup>72</sup>

<sup>71</sup> IISS, (1997).

<sup>72</sup> Semana (1996).

## CIVILIAN INVOLVEMENT

There is a measure of civilian control over the actions of the military. For instance, the Samper government's rules of engagement prohibit administering justice to captured guerrillas, who must be turned over to civilian justice. Civilians design the theaters of operations, and appoint "tutelas," guardians over military commanders [presumably as oversight for human rights abuses]. Senators has entered the debate over the conduct of the war, proposed new laws to remove restrictions on the military, such as:<sup>73</sup>

- Administrative detention of civilian suspects for 7 days
- Military personnel to be tried only in military courts
- Substitution of the Procuraduría in military courts
- Suspension of oversight during periods of war
- Creation of public defense groups
- Creation of a national militia.

In the meantime, Colombia is increasingly on a war footing, effecting 431 armed clashes with insurgents during 1996. Between 1990 and 1004, the war cost Colombia \$12 billion pesos (4% GDP). Between 1991-96, defense budget increased 14%, from 2.11% GDP to 3.27% GDP. Military leaders have stated that this is not enough to meet their requirements, but still this figure is 50% higher than the average defense expenditures in South America.<sup>74</sup>

## PERU

Peruvian defense expenditures, similar in many aspects to those of Colombia, have over the past 40 years increased drastically, as a result of the internal war with two insurgent groups. The level of spending has reached up to 50% of public expenses, to the point of negatively affecting the economic performance of the country.<sup>75</sup>

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<sup>73</sup> Semana (1996).

<sup>74</sup> Semana (1996); Forecast International/DMS Inc./FI Market Intelligence. 1997.

<sup>75</sup> MacGregor (1994).



## BUDGETARY PROCESS

Key actors in the budget process in Peru are the president and the armed forces leaders, Ministry of Economy and Finance, Council of Ministers, and Parliament. The National Defense Secretariat and National Security Council write the national strategy upon which the budget is based. The Joint Command of the Armed Forces then attach budget figures to that strategy. The budget is then sent to the Minister of Defense, who presents it to the Minister of Economy and Finance. It then goes to the Council of Ministers, who forward it in bill form to the parliament. The debate in Parliament tends to be short, because most of the congressmen have little or no training in security issues, and have no basis for conducting such a debate. But the military is not dominant in the debate, as it is possible for the civilian sector to reduce the overall budget level in favor of non-military spending.

Parliament is the final decision-maker in the budgetary process, and the president is required to submit a national budget before 30 August of each year. A Budget Commission studies the proposed budget and its attachments (foreign debt estimates and macroeconomic assumptions) and must render a decision prior to 15 December of each year. If no decision is made, the budget enters into force by default.<sup>76</sup>

## POLICY GUIDANCE

Policy guidance from the civilian sector starts with the national charter, as the role of the military is spelled out in the 1993 constitution:<sup>77</sup>

The Armed Forces are constituted by the Army, Navy, and Air Force. Their prime objective is to guarantee the independence, sovereignty and territorial integrity of the Republic. They assume control of internal order, in conformance with article 231.

Other missions include maintaining order during periods of rule of exception, economic and social development, civil defense.

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<sup>76</sup> MacGregor (1994).

<sup>77</sup> MacGregor (1994).

Peruvian defense expenditures are considered classified information, and are thus hidden throughout the national budget, and involve off-line budget items. Thus, an overall figure is impossible to achieve. Published figures are all dependent on the researcher's methodology and level of access.

In the short run, Peruvian defense expenditures are considered to be cyclical for planning purposes, but in the long-run, tend to increase as a percentage of GDP. One study indicated that since 1970, defense expenditures have reduced domestic saving and investment rates by increasing the national debt, in the process creating inflationary pressures on the economy. Part of the reason is that defense expenditures, being import-dependent, hinder domestic employment by reducing labor requirements while at the same time increasing technological sophistication. A second negative effect is on the external sector of the economy, in that 20% of the foreign debt was due to the acquisition of military equipment.<sup>78</sup>

## ANALYSIS

Studies of defense expenditures throughout the 1980s have demonstrated the fact that while necessary, these have not been efficient in providing national security. Moreover, these have in general not been based on a consensus of what constitutes national security. Increased public awareness of security issues is needed to improve national security and ensure the efficient use of defense expenditures.<sup>79</sup>

Over the past decade, cuts made in the security budgets throughout Latin America have effected a de facto demilitarization, except in Chile. Some cases, and in Argentina specifically, have cut so far that it is doubtful reform or reorganization is possible without a complete refurbishment of materiel. In fact, further budget cuts could undermine the democratization effort throughout the region by reducing the government's monopoly on the use of power. The vacuum of power left by decreased military capabilities will be filled by those non-governmental organization with the funds and will to exercise their own power. It is dangerous for civilian governments to make security decisions on the

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<sup>78</sup> MacGregor (1994).

<sup>79</sup> MacGregor (1994).

basis of budget alone: "There is a need to rethink the demand for security for both the short and medium term."<sup>80</sup> This is especially so when there is no visible national consensus on the definition of security or defense, as is the case in Argentina and Colombia.

Small or developing nations cannot afford to change their foreign or security policy often, because they cannot afford the force structure adaptations required to meet such changes.<sup>81</sup> In other words, they cannot afford the equipment and infrastructure of high technological military equipment necessary for the types of missions being required of modern military institutions. In the case of Argentina, reform required for three main reasons: a lack of adequate human resources trained for external defense; as currently structured, the nation cannot afford the new technology required; and the military still represents the strongest lobby in Argentina, indicating a complete lack of political direction or national consensus to counter the vested interests of the armed forces in institutional survival and continuity. As currently stated, military doctrine in Argentina involves the defense of South Atlantic [without incursions into the Malvinas]. To adequately carry out this mission, the Argentine Navy requires a carrier defended by fighter aircraft, surface fleet with EW capability, submarines, and satellite communications. Given the state of the Argentine economy, such equipment are not forthcoming during the next decade. In all fairness, it must be pointed out that no developing country can afford that kind of capital investment in security forces. Modernized military technology requires massive amounts of money, which would overwhelm the social expenditures of any South American nation. Such spending (on the currently configured military) would have a negative to national development, sparking more than just a debate over the need for security on that level of definition.<sup>82</sup>

As superpower (and global in general) capabilities increase, South American security forces find their capabilities decreasing by not being able to keep up in the race for high technology. As a result, most military leaders have entered a state of siege

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<sup>80</sup> Franko (1994), p. 63.

<sup>81</sup> Thauby (1995).

<sup>82</sup> Thomas Scheetz, "Gastos Militares en Chile, Peru, y la Argentina," Desarrollo Económico (Vol. 25 #99, October/December 1985), pp. 315-327.

mentality, protecting what assets they have instead of reforming missions and capabilities. Thus bureaucratization has eliminated the capacity to plan ahead, preferring instead to preserve institutional survivability. Institutional coherency, normally based on appropriate policy guidance, is not present in Latin America. Joint structure, joint mentality, or even joint capability are alien concepts: which in turn makes the cost of military much higher.<sup>83</sup>

The civilian sector of the security debate does not help by shirking its contribution. If the democratic regimes in the region wish to attain true control over the military, the two best venues for doing so are the definition of security policy and a firm grasp on defense expenditures. By failing to provide only one or neither of these, civilian leaders are indicating to the military that there is an incomplete grasp on power in the region, a grasp the military will take up, believing it does so in the good faith of serving their Patria.

## CONCLUSION

The budgetary process for an appropriate defense system begins with a definition of threat and possible responses, together with the assignment of resources to maintain an adequate deterrence of the perceived threat. In a democracy, the civilian government must formulate a national strategic directive, with "lanes of the road" divisions for diplomatic, economic, domestic, and military fields of action to serve as a roadmap for short, medium, and long range goals. After consensus has been reached on the basic definition of security and what it takes to achieve it, resources can then be identified and programmed to meet those goals. The budgetary stage of this process is to program funds by year or budgetary cycle, within limits affordable to the nation.<sup>84</sup>

The treasury department must then establish a range of what is affordable, and this must be meshed with the military's specific requirements. The resulting negotiated document then becomes the budget proposal to be forwarded to the national legislature for approval. In the case of the United States, Congressional committees "authorize" the budget after analysis, and others "appropriate" the funds for authorized projects. This method is called "mission-led," for it identifies missions upon which the military can plan

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<sup>83</sup> Scheetz (1985).

<sup>84</sup> Santos (1996).

its force structure. In most of South America, budgetary rigidity has transformed this process into a scheme characterized by "add-on" decisions. This latter system guesses what is adequate (the Chilean 1989 budget, for instance) and inflation and minor variations are added on, without regard for strategic or economic evaluation. This method risks being taken over by events, having no real contingency for actually conducting a war:<sup>85</sup>

"The budgetary needs of each institution must be examined in terms of the roles and missions assigned within the defense policy [of the nation], within a framework of active deterrence, defined as the real capacity of our military power and not seen as a source of funds for other civil or military public functions, as can be seen through the study of comparative power within our neighborhood."

Current regional military capabilities cannot be measured in terms of range of weapons, as could be done throughout history. The global measure now is precision and reaction time, which adds to the debate terminology such as weapon systems, electronic support, and logistics. Budgetary planners must think in terms of staying updated technologically, a difficult thing since systems have a life of approximately 7 years of expensive upgrades before they must be replaced completely. Much of the cost involved is not visible or justifiable publicly, because there are no tangible results (i.e., modernized aircraft look pretty much the same on the outside before and after the modernization).<sup>86</sup>

Military technology costs are increasing dramatically, above the ability of most nations to afford it, if the military keeps to traditional ideas of defense. But military reform will be required in the near future, to maintain protections on a way of life the nations of the region require. The massive cost of modernizing or acquiring new materiel for the security posture now in place in each nation of the region is not an attainable luxury. The solution is a reform of military policy to reflect NATO policy in 1970s: non-provocative defense. The idea is to have forces capable and credible to mount a defense, but not an offense. This would mean eliminating such capital-intensive assets as carriers, naval infantry, tanks, fighter-bomber aircraft, and large standing armies. The remaining forces would be light, mobile, with short-range missiles. More importantly, they would be

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<sup>85</sup> Santos (1996), p. 44.

smaller and less bureaucratized.<sup>87</sup> It is debatable whether they would be cheaper, because of the tremendous cost of military technology and readiness. Whether the civilian governments of the region have the political will, budgetary assets, or interest in reorganizing their entire security apparatus is not readily apparent. There is little evidence of the knowledge base at the appropriate levels of the bureaucracy to create and implement such a defensive military structure.

Certainly there are advantages to such reorganization. The resulting forces would be purely defensive but with the high-firepower required to match regional security concerns. Concomitant benefits would include increased professionalism and decreased bureaucracy; increased individual morale and recruitment capabilities; a removal of military personnel from political power; reduced overall strength numbers (which may translate into increased individual pay). Such a reorganization would also transfer to civilian diplomacy the responsibility for regional security, reduce the cost of defense to the nation, while increasing real regional security.<sup>88</sup> Thus far, unfortunately, no one on the continent has attempted to provide such defense policy guidance in terms of reforming military force structure.

To sum up, then, it is clear that defense budgets are important in evaluating the military power of a nation. A more important measure, however, is the consensus between military and civilian leaders on what constitutes national security. None of the nations in this study have a well-balanced consensus or national dialogue on the topic of national security that is tied to a well-balanced funding procedure or system. Though the processes vary between the different nations, the bottom line in each is that the civilian government has abdicated its responsibility to provide that policy guidance upon which force structure and budgetary allocations can be adequately tailored. In the absence of such guidance, military planners fall back on their traditional thinking of geopolitics and W.W.II strategic concepts, using these as models for force structure. The result is a mismatch between civilian and military objectives, and in general a mismatch between budget appropriations and mission requirements.

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<sup>86</sup> Santos (1996).

<sup>87</sup> Scheetz (1985).

<sup>88</sup> Scheetz (1985).

A suggested solution to this mismatch is to further empower the civilian ministers of defense into the chain of command for policy and budgetary issues. This will serve to broaden the base of debate on the proper force structure of the armed forces, inserting a presidential appointee and cabinet member as both advocate to the president and oversight over the military as a conduit for information and guidance. A second suggestion is to increase the role of the national legislature in the debate. Congress has the final say, even if it is currently only as a rubber stamp, over the final budget allotment. If debate is held on this level over the appropriateness of the force structure, it will serve to inject a measure of discipline into the original budgetary request, balancing the wants of the military with the requirements of the civilian government, resulting in a national consensus over just what national security each nation wants and can afford.

Failure to come to grips with the problem of a consensus on the definition of national security, force structure, and adequate budgetary allocations for defense could be disastrous. Should the military ever be called to defend any of the nations in this study, there is serious doubt about their capability to do so. In a conventional war against another similarly-structured force, each could probably last about ten days before exhausting its capabilities. In the case of Colombia and Peru, currently facing threats from leftist insurgents, the current force structure has been unable to confront or end the conflict over the past two decades, pointing to a deficiency in tactics, strategy, force structure, and even definition of national security.

Reform and restructuring is required if the armed forces of the region are to keep up with defense technology, increasing threats to national and regional security. The responsibility for this reform falls square on the shoulders of the civilian, democratic regimes currently in place.

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Defense Budget, Argentina								
Year	1990	1991	1992	1993	1994	1995	1996	1997
Total	8.5	2.72	4.3	4.4	4.7	4.8	4.6	
% GDP	1.2	2.7	1.4	1.8	1	1.56		

Defense Budget, Brazil								
Year	1990	1991	1992	1993	1994	1995	1996	1997
Total	1.18	2.2	4.3	4.4	7.1	6.9	7	
% GDP	0.2	0.9	1	1				

Defense Budget, Chile								
Year	1990	1991	1992	1993	1994	1995	1996	1997
Total	0.927	1.2	1	1	1.6	1.9	2	
% GDP	3.7	3.2	2.6	2.2	3.3	3.8	3.5	

Defense Budget, Colombia								
Year	1990	1991	1992	1993	1994	1995	1996	1997
Total	0.904	1.18	1.1	0.95	1.2	1.2	1.4	
% GDP	2.2	2	2.5	2	2.1	2		

Defense Budget, Ecuador								
Year	1990	1991	1992	1993	1994	1995	1996	1997
Total	0.251	0.26	0.4	0.503	0.55	0.55	0.197	
% GDP	2.3	2.3	3.1	3	3.5	3.4		

Defense Budget, Peru								
Year	1990	1991	1992	1993	1994	1995	1996	1997
Total	0.641	0.701	0.782	0.699	0.769	0.817	0.762	
% GDP	2	1.2	1.6	1.5	1.6	1.5		