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The Price of Power Comparative Analysis of Militarization's Economic Effects in India and Pakistan

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Abstract

The purpose of the article is to analyze, from a critical perspective, the economic cost of militarization in South Asia with a particular emphasis on intra-area comparisons of India and Pakistan. With a historical context and security in mind, both countries over allocate to defense programs as this takes resources that could have been used for economic and social advancement. By collecting data from the year 2000 up to 2023, the research settles the disputes between deployment of funds for militarization and other sectors like education, health services and infrastructure development. It demonstrates that militarization although potentially eliminating immediate dangers, could come at a greater economic cost-targeted investment areas are sub-optimally addressed leading to poor humanitarian and development prospects for the region. The paper offers some implications advocating strategic direction as well as resource applications in a manner that secures the achievement of both militaristic and economic sustainable goals.

Key Words: Militarization, Economic Costs, India, Pakistan, South Asia, Defence Spending, Economic Development, Human Development.

Introduction

The South Asian region has historical volatility, with India and Pakistan in the middle of unresolved tensions. Partition of British India in 1947 led to numerous conflicts including the disputed region of Kashmir causing hosed nations to engage in a perennial arms race with staggering consumption of arms and ammunition.

According to SIPRI, India and Pakistan are habitual legislators on the military expenditures considering the ratio of it to their national income (SIPRI, 2023). In 2022, India's Military Spending crossed \$ 76.6 billion which is more than 300% increase since the year 2000 while Pakistan spent only about \$ 11 billion, an equally high percentage increase with less end value because of smaller GDP (World Bank, 2023). Sustained militarization factors in a softer economy where the channeled funds that would have otherwise gone to more productive areas such as education or health are tired to military build-up.

Research Problem

The research problem centers on understanding the economic consequences of sustained militarization in South Asia. While defense spending is often justified by security concerns, the economic trade-offs are profound. High military expenditure can lead to reduced investment in critical areas such as education, healthcare, and infrastructure, thereby hindering economic growth and human development (Deger & Sen, 1995).

Research Questions

- What are the economic costs of militarization in India and Pakistan?
- How does military expenditure affect economic growth and human development in these countries?
- What are the long-term implications of high defense spending for social welfare and regional stability?

Objectives

- To assess the scale of military spending in India and Pakistan.
- To analyse the impact of militarization on key economic indicators such as GDP growth, public debts, and human development.
- To provide a comparative analysis of the opportunity costs associated with military expenditure in both countries.

Literature Review

Theoretical Framework for Analysis

The study is grounded in the "guns versus butter" model, which posits that increased spending leads to reduced investment in civilian goods and services (Smith, 2009). This trade-off is particularly pronounced in developing countries like India and Pakistan, where the opportunity cost of military expenditure can be substantial, potentially stunting economic growth and exacerbating poverty (Sandler & Hartley, 1995).

Historical Context of Militarization in South Asia

The historical roots of militarization in India and Pakistan can be traced back to the post-colonial period. The partition of British India in 1947 resulted in significant geopolitical tensions, particularly over Kashmir. This unresolved territorial dispute has been a major driver of the arms race between the two countries, leading to several wars and numerous military standoffs (Cohen, 2024). The Kargil War in 1999 and the Mumbai attacks in 2008 are examples of incidents that have exacerbated these tensions, leading both nations to further prioritize military spending (Fair, 2014).

Comparative Studies on Militarization

According to the results of the related studies, it has been established that the level of economy is paramount in influencing the foreign, and defense spending of India and Pakistan as nations, given that both countries devote a similar percentage of their GDP to the defense sector. This is largely due to the fact that whereas Indias

economy is more diversified in size and scope, it is still able to maintain high absolute level of military spending without compromising the majority of economic development. Due to the lower strength of economy, the ratio of Pakistan for Defense and that of GDP are more influencing towards hungering developmental aspects of the economy (Bitzinger, 2017; Perlo-Freeman, 2029).

The effects of militarization on society have also been studied. This illustrates, that in both countries militarization seems as well to spend less on human education and healthcare so crucial for the wellbeing of the society (Acharya, 2014). To illustrate this point, Defense expenditure as a percentage of GDP in Pakistan was 4.5% and in education was 2.4% in the year 2022 (UNESCO, 2022; SIPRI, 2023). In India also there is a big gap as far as expenditure on education is concerned where the education spending is 3.1% of the Indian GDP as compared with 2.7% of the Indian GDP which is spent on defense except for the case of absolute numbers due to higher indian GDP (Ministry of Finance, Government of India, 2022).

The Economic Costs of Militarization

The economic costs of militarization are well beyond the direct financial costs of national defense. High military expenditure can crowd out investment and productivity in sectors outside defense, as public resources are used sub-optimally. High public debt and inflation could arise due to the mismatch between preferences of resource allocation and the development stage of the economy, exacerbating the substitute effect of military and civilian use of resources. Reduced resources are thus available for poverty alleviation and investments in social safety nets as well as infrastructure development. The opportunity costs of foregone investments in human capital and social welfare, therefore, are higher in a developing country like India as compared to countries with a higher average welfare level (Rani, 2019). In 2023 Pakistan is expected to see a rise, in its debt to GDP ratio from 71 87% due to sustained high defense spending according to the IMF report of 2023 Indias public debt to GDP ratio has also shown a steady increase and reached 84 % in the year 2023 as, per the RBI report of the same year Methodology.

Research Design

A mixed methods study was done which combined quantitative data analysis with qualitative insights. The study design employs a comparative case study of India and Pakistan between 2000 and 2023. The analysis is built around and military spending in order to assess the effects of overall economic reports and provides insight into broader socio-economic consequences.

Data Collection

Data on military expenditure were gathered from the SIPRI Military Expenditure Database, which offers information on defence expenditure by country over the past year in a comprehensive manner. The economic indicators of GDP growth rate, Public Debt Survey, Inflation, and Social expenditure were collected from various sources like World Bank, IMF, and National Statistical offices.

Data Analysis

The quantitative analysis ranged from simple descriptive statistics through the development of econometric models to assess relationships between military

expenditure and various economic indicators. Such methods as regression and Granger causality tests were applied to see the effect of defence expenditure on GDP growth, public debt, and human development indicators. Qualitative analysis was enriched by the content of policy documents, budget speeches, and expert interviews giving context and explication to the quantitative findings.

Findings/ Analysis

The Trends in Military Expenditure

India's military spending has grown consistently from \$1.5 billion in 2000 to \$76.6 billion in 2022. It has not only kept pace with inflation and the growth of the economy but also with a well-considered policy to provide the army with more modern capabilities based on the threats perceived from both Pakistan and China. By way of comparison, the rate of growth in Pakistan's military expenditure, as it also rises, is considered slower given that country has a much smaller economy and higher levels of public debt (World Bank, 2023).

Impact on Economic Development

According to the analysis, higher levels of military spending in both countries are directly related to lower social sector investments. In Pakistan, for example, low spending on education and healthcare compared to defence led to thousands of deaths and made the country perform poorly in literacy rates as well as life expectancy, infant mortality rates (IMF 2023; UNDP 2022). By 2022, only 59.1% of the nation was literate, a figure massively lower than the regional average of around four-fifths, or its life expectancy at birth of 67 years (UNESCO 2022; WHO, 2022). The size of the budget for social services has not kept up with the growing population demands, despite rapid economic appetite in India. For example, less than 1.5 per cent of GDP is spent on public health in India leading to widespread inequality in the access and quality of healthcare across the country.

Opportunity Costs

Militarization diverts resources, under funds public services and infrastructure building which is nothing but opportunity cost. For instance, the Human Development Index (HDI) for Pakistan are still very low where it was ranking 161 out of 189 countries in 2022(UNDP, 2022). In part, this has been due to defence spending trumping social programs, thereby preventing the government from investing in education, health care and poverty alleviation. Background Information: Global Hunger Index, 2022 The global hunger index would further be reflected by the border consequences of under-investment in social services (HGI 2022) for an instance Pakistan is ranked at 99th out of just 116 countries.

In India, while the GDI ranking is relatively higher at 132 out 189x countries, the gap between military and social spending raises concerns about the sustainability towards social services and infrastructure could enhance long-term economic growth and human development. Additionally, regional cooperation and confidence-building measures could help to reduce the perceived security threats that drive high levels of defence spending, thereby creating a more stable and prosperous South Asia (Cheema, 2016).

Comparative Analysis and Strategic Recalibration

In this context, therefore, comparison is extremely important as it explains the importance of a strategic review of defence spending in both countries. India has experienced its own distortions due to enormous defence spending and if one makes a comparative exercise it is different in scale and intensity. But the future prospects for human welfare and human development in both India and Pakistan certainly depend on calibrated defence spending. Pakistan desperately needs to recalibrate its defence spending at sustainable levels commensurate with its size and make economic transformation an immediate policy priority because it enters the next stage with higher debt. A strategic review of its security needs, extensive diplomatic outreach, reduced military solutions and attention to both internal and external development are some of the necessary steps for both India and Pakistan (Cheema, 2016).

Recommendations

Policy Reorientation. It is highly recommended that both nations reconsider the defunding priorities for their armies and try to do so on the trade-offs between military requirements and economic development. These should involve capping on the defence budgets and revealing clearly rates of military spending (Deger & Sen, 1995).

Increased Investment in Social Sectors. Reallocating a portion of militarized government spending to key social sectors such as education, health, and infrastructure can improve both human development indicators and economic growth. Increasingly investing in education in Pakistan is said to evade future of generational health, education outcomes, and improved economic opportunities (UNESCO, 2022).

Regional Cooperation. Mechanisms exist already at the regional level through confidence building measures and diplomatic dialogues to address security concerns and build trust. SAARC, for instance, could pave the way for dialogue and cooperation among the two countries (Bajpai, 2020).

Debt Management. Good debt management practices, strong mobilization of financial resources, and fiscal consolidation will assist developing economies with mitigating the risks associated with excessive debt due to high military spending. Debt relief and debt restructuring can be considered as well in order to provide additional fiscal space well beyond debt sustainability limits (IMF, 2013).

Public Awareness and Advocacy. A national dialogue to consider the opportunity costs and changes to aspiration and policy can generate a demand for social and economic goals from our voters before we invest in the military. NGOs and media in India can help reinforce this message.

Conclusion

This paper offers a thorough intended for the impact of militarization in South Asia, with a special focus on India and Pakistan. We find that security is a real issue that influences military spending, but the reallocation costs are significant. High military costs push money away from more profitable fields, leaving negative consequences on growth rate, social services, and government debt. These costs might be justified

to exit unsustainable growth path but governments would have to change their approach to achieving security in order to go back to potential, long term growth. Instead of sensitive investments in missile technology, they should prioritize on technology of productive work as technical advancements affect growth rate much more. Instead of gunning up and staying behind one step in front potential insurrection, they can just invest in good education and healthcare which pays off enormously.

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