

[H heads of government attending the London economic summit will have no excuses if they fail to curb the level of arms exports.] A new definitive study by the International Monetary Fund, not generally known, for its liberal views, makes it plain that high levels of arms spending in some developing countries have retorted social programmes, economic development projects and the private sector; the latter an issue with which the seven richest market economies can identify.

The IMF, however, pick out 10 consistent offenders among developing countries which spend more than 15 percent of their GDP on the military, they are: Israel, Angola, Oman, Yemen, Jordan, Saudi Arabia, Iraq, Syria, Egypt and Libya. Employing some unusually forceful language the Fund says: [High levels of military expenditure certainly led to low growth and domestic economic hardship in some countries by diverting funds from social programmes, economic development projects and the private social sector.]

[The study poses a couple of other serious problems for the summit. It shows for instance, that military expenditure is very sensitive to financial constraints.] [Thus, if countries are deprived of resources then they are forced to cut back on armaments.]

Questions

- (a)** What are the heads of government doing at the summit? (4)
- (b)** What are the findings of the new study? (4)
- (c)** How does military expenditure affect domestic economy of a country and in what ways? (4)
- (d)** What is the relationship between spending and economic growth? (4)
- (e)** How military expenditure is related resources? (4)

COMPREHENSION

- a- The world leaders gathered at London economic summit to discuss the issue of increasing arms exports. Their agenda is to reach at the consensus to reduce the arms supply to countries. Failure to reach at an agreement would be an unexplainable failure.
- b- A new report of International Monetary Funds depicts that developing countries are spending more arms and weapons. Such an expenditure is coming at the cost of slow economic, social and private sector development in those countries.
- c- Higher levels of military spendings cause retarded growth and economic problems because the capital, which was to be used in public development, economic development and private sector growth is used in military spendings.
- d- The higher the spending on military weapons, the lower the economic growth. Hence, there exists an inverse relation between spending and growth. This is because the capital needed for economic growth is utilized in military spending.
- e- A resource rich country always enjoy high levels of economic freedom. The higher capital available, the more it can be spent on armaments. and vice versa. For example, Saudi Arabia is a resource rich country so it spends more than 15 percent of the GDP on military.