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## **INTERNATIONAL TRADE AND MILITARY EXPENDITURE: FRIENDS OR FOE?**

### **Abstract:**

The success of many developing countries, following an outward-orientated development strategy, became increasingly visible during the early 1980s. This stood in sharp contrast to the relatively unsuccessful inward-orientated, import substitution strategy followed by some other countries. East Asian and more recently, Latin American countries, showed the path in terms of following an outward-oriented strategy. Contrary to this, African countries have been hesitant in following this trend, with its share in world trade declining in general. Military expenditure, on the other hand, remains an important aspect in overall government expenditure in most African countries. The purpose of this paper is to determine what the effect is, if any, between the level of trade and military expenditure within a selection of African countries.

The relationship between international trade and military expenditure is generally the cause of much debate. It seems that varying arguments are forwarded such as, trade enhances peaceful interaction, trade may influence and cause tension between trading partners and that trade simply has no effect in terms of conflict whatsoever. Different studies on different parts of the world (O'Loughlin and Anselin, 1996; Dorussen, 1999; Martin, Mayer and Thoenig, 2007; Dieter and Higgott, 2007; Yakolev, 2007; Mamoon and Murshed, 2009; Keshk, Reuveny and Pollins, 2010) seem to stimulate this debate of disagreement.

This study attempts to empirically show the impact of trade openness on military expenditure as a proportion of gross domestic product. Using the data on a selection of southern African countries over a period of ten years, a linear panel regression model will be used to show the estimated effects of the included variables.

### **Keywords:**

International trade, military expenditure, southern Africa

**JEL Classification:** F10, F14