

IS THERE AN INDIA-PAKISTAN ARMS RACE?

Na Hou

Department of Economics, University of Birmingham

Edgbaston, Birmingham B15 2TT

ABSTRACT

India and Pakistan's security rivalry began at the same time of their creation as separate nation states in 1947 and they have been in conflict with each other constantly. There have at least four major wars and many small scale armed conflict. We believe this led the two countries to an arms race in spite of the presence of third parties. This paper investigates the hostility between India and Pakistan for the time period 1960-2005. Richardson type action-reaction model and some recent developments in time-series econometrics are used to analyze India-Pakistan arms race. Income and other related economic variables are introduced into the basic Richardson model. The empirical results suggest that there is a Richardson type arms race and some form of cointegration relationship between the defence spending in both countries.

Keywords: Arms Race, India and Pakistan, Cointegration, VECM