INTERNATIONAL CONFERENCE ON THE
RELATIONSHIP BETWEEN DISARMAMENT
AND DEVELOPMENT
Committee of the Whole

Report of Working Group II to the Committee of the Whole

1. In accordance with Rule 29 of its Rules of Procedure, the International Conference on the Relationship between Disarmament and Development established Working Group II to deal with agenda item 10 entitled "Consideration of the implications of the level and magnitude of the continuing military expenditures, in particular those of the nuclear-weapon States and other militarily important States, for the world economy and the international economic and social situation, particularly for developing countries, and elaboration of appropriate recommendations for remedial measures". At its second plenary meeting on 25 August 1987, the Conference appointed Mr. Oscar Oramas-Oliva of Cuba as Chairman of the Working Group.

2. In carrying out its task, the Working Group decided at its first meeting, on 28 August, that the text of the "Draft for a Final Document of the Conference" in connection with agenda item 10 (paras. 18-29, annex III, A/CONF.130/1) prepared by the Preparatory Committee of the Conference should be the basis for consideration of the Group, taking into account all other relevant documents submitted by delegations.

3. The Working Group held five meetings from 28 August to 3 September. During this period the Group also held informal consultations. In the course of deliberations, different views were expressed and a large number of amendments and proposals to the draft text of the Final Document of the Conference in connection with agenda item 10 were submitted, as contained in the compilation prepared by the Secretariat (A/CONF.130/WG.II/CRP.1 and 2). Taking into account various views and amendments proposed during the discussions, the Chairman of the Working Group prepared a paper for consideration with a view to reaching agreement on a consensus text (A/CONF.130/WG.II/CRP.3).
4. At its 5th meeting on 3 September 1987, the Working Group decided to transmit the following text, which has a considerable support, to the Committee of the Whole for further consideration:

"18. The current level of global military spending in pursuit of security interests represents a real increase of between four and five times since the end of the Second World War. It also reflects approximately 6 per cent of world GNP and has been estimated to be more than 20 times as large as all official development assistance to developing countries. During the 1980s, global military expenditure has grown on an average at a faster rate than during the second half of the 1970s.

"19. The bulk of global military spending remains concentrated among some developed countries who also carry out almost all the world's military research and development. It has been estimated that global expenditure on military research and development represents approximately one quarter of the world's expenditure on all research and development. During recent years, as weapons have become more sophisticated, the rate of increase in spending on military research and development has been higher than the general increase in military expenditures.

"20. The military sector also consumes a significant proportion of world energy resources and non-energy minerals and diverts skilled manpower and industrial production, which could be utilized in other sectors. Moreover, the production and stockpiling of armaments, particularly of nuclear and chemical weapons, poses a significant threat to the environment.

"21. The developing countries account for a major share of arms imports, however the rate of increase in imports by them has declined since 1982. Arms exports are dominated by a number of developed countries. The adverse development implications of such transfers outweigh immediate trade benefits to the suppliers and security gains to the recipients.

"22. In contrast to the current level and trends in global military expenditure, the state of the world economy in the 1980s has been characterized by a slowdown in growth of demand and output, compared with the preceding two decades, generally lower rates of inflation, difficulties in many countries in adapting to structural changes, a mounting stock of debt, high real interest rates, inadequate net flows of financial resources, shifts in exchange rates, high and increasing levels of protection, commodity prices depressed to their lowest level in fifty years, terms-of-trade losses sustained by commodity exporting countries, and a generally insecure economic environment in which millions of people still lack the basic conditions for a decent life.

"23. The use of resources for military purposes always amounts to a reduction of resources for the civilian sector. Military spending provides little basis for future industrial civilian production. Military goods are generally destroyed or soon used up. True, there are some civilian by-products of military research and training but that is a poor route to follow in order to
enhance the stock of human capital. There are better direct non-military routes.

"24. The opportunity cost of military expenditures over the past 40 years has been and continues to be borne both by developed and developing countries, as there is a pressing need for additional resources for development in both groups of countries. In developing countries, it has been estimated that close to one billion people are below the poverty line, 780 million people are undernourished, 850 million are illiterate, 1.5 billion have no access to medical facilities, an equally large number are unemployed, and one billion people are inadequately housed. In developed countries, resources are required, inter alia, for meeting the priority needs of urban renewal, restoration of some of the infrastructures, reduction of unemployment, protection of the environment, further development of the welfare system and development of non-conventional sources of energy. The developing countries are doubly affected: first, in proportion to the expenditure they incur themselves and again due to the disturbing effect of military expenditure of the industrial countries as their economic interaction with these countries is crucial.

"25. The present world economic crisis should also be seen in the context of the arms race: burgeoning military expenditures contribute in certain countries to high deficits that cause interest rates to rise which has the effect of diverting substantial flows of capital away from development activities. In this sense, the whole world subsidizes the arms race.

"26. The burden of the arms race in terms of diversion of resources from economic and social purposes is a serious obstacle to social and economic development. Moreover, military-related production tends to be capital-intensive, usually creating fewer jobs than would result if an equivalent amount of public funds had been spent on civil projects. Inefficiency associated with the non-competitive conditions of the military market place has a negative effect throughout the economy, including productivity and cost, and on its competitive position in the international market.

"27. Global military expenditure has an impact on the world economy through interdependence among nations and the interrelationship between the global macro-economic variables. Any effort to understand the present problematic world economic situation should take adequate account of the current levels of military expenditures. Similarly, the current imbalance between military expenditure and resources required to meet civilian needs is bound to figure prominently in any strategy conducive to attaining stable and sustainable growth."