PREPARATORY COMMITTEE FOR THE
INTERNATIONAL CONFERENCE ON THE
RELATIONSHIP BETWEEN DISARMAMENT
AND DEVELOPMENT
New York, 1-11 April 1986
Agenda item 10

CONSIDERATION OF WAYS AND MEANS OF RELEASING ADDITIONAL RESOURCES
THROUGH DISARMAMENT MEASURES, FOR DEVELOPMENT PURPOSES, IN
PARTICULAR IN FAVOUR OF DEVELOPING COUNTRIES
Paragraph 20 of the report of the Preparatory Committee for the International Conference on the Relationship between Disarmament and Development, which was approved by the General Assembly in resolution 40/155 of 16 December 1985, requested the preparation, inter alia, of "a short succinct document" covering each of the three substantive agenda items. The present paper on agenda item 10 has been prepared in conformity with that request, although it should be borne in mind that in such a paper it is not possible to give full and comprehensive treatment to all the complex aspects of the issues involved.
## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Paragraphs</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. THE CONTEXT</td>
<td>1 - 5</td>
<td>4</td>
</tr>
<tr>
<td>II. WAYS AND MEANS OF RELEASING RESOURCES: SURVEY OF PROPOSALS</td>
<td>6 - 57</td>
<td>5</td>
</tr>
<tr>
<td>A. Proposals by States Members of the United Nations</td>
<td>10 - 42</td>
<td>5</td>
</tr>
<tr>
<td>1. Resources to be released</td>
<td>10 - 28</td>
<td>5</td>
</tr>
<tr>
<td>2. Mechanisms of reallocation</td>
<td>29 - 37</td>
<td>8</td>
</tr>
<tr>
<td>3. Resource reallocation</td>
<td>38 - 42</td>
<td>9</td>
</tr>
<tr>
<td>B. Proposals contained in various United Nations studies</td>
<td>43 - 48</td>
<td>10</td>
</tr>
<tr>
<td>1. Resources to be released</td>
<td>43 - 44</td>
<td>10</td>
</tr>
<tr>
<td>2. Mechanisms of reallocation</td>
<td>45 - 46</td>
<td>11</td>
</tr>
<tr>
<td>3. Resource reallocation</td>
<td>47 - 48</td>
<td>11</td>
</tr>
<tr>
<td>C. Various approaches</td>
<td>49 - 53</td>
<td>12</td>
</tr>
<tr>
<td>D. Further suggestions and ideas</td>
<td>54 - 57</td>
<td>13</td>
</tr>
<tr>
<td>III. CONVERSION AND TRANSFER OF RESOURCES</td>
<td>58 - 76</td>
<td>14</td>
</tr>
<tr>
<td>A. Finance</td>
<td>59 - 60</td>
<td>14</td>
</tr>
<tr>
<td>B. Human resources</td>
<td>61 - 68</td>
<td>14</td>
</tr>
<tr>
<td>C. Technology</td>
<td>69 - 76</td>
<td>15</td>
</tr>
<tr>
<td>IV. SOME CONCLUDING REMARKS</td>
<td>77 - 79</td>
<td>17</td>
</tr>
</tbody>
</table>
I. THE CONTEXT

1. The overall context for the consideration of various issues concerning the relationship between disarmament and development is reflected in other background papers. Generally, the Member States of the United Nations recognize, in principle, the desirability of redirecting resources released through disarmament for socio-economic development, particularly in favour of the developing countries. The possibilities of translating this widely shared recognition into an internationally acknowledged commitment and an operational reality, however, are influenced also by the problems which beset the prospects for disarmament and development as separate issues.

2. The prevailing patterns of global consumption of human, natural and material resources, particularly for military purposes, merit serious attention on their own as it is increasingly realized that resources, however defined, are not infinite. In addition, there is concern about the state of the global economy. World-wide demographic trends and prevailing patterns of global resource consumption seem to call for economic growth and development through the expansion of supply as well as the management of demand. Thus, to the extent that world-wide military consumption of various types of resources may aggravate constraints on global economic prospects, the levels and magnitude of continuing military expenditures also become a cause for concern.

3. Furthermore, the issue of military consumption of resources may also be related to efforts in arms limitation and disarmament as such. The international community has so far devoted considerable attention to bringing about disarmament through negotiations aimed at limiting and reducing the production, installation, deployment and use of items of military hardware which represent the end-products of the military consumption of resources. Some interest has also been aroused, therefore, in considering whether the prospects for arms limitation and disarmament could be improved by placing limits, through international agreement, on the growing use of resources which go into the making of weapons and the maintenance of armed forces at high levels.

4. In addition to positive security aspects, as discussed in document A/CONF.130/PC/INF/6, the benefits of releasing resources through disarmament measures, for purposes of socio-economic development, are not confined to the need for mobilizing additional resources for the developing countries. Among developed countries there is also considerable interest in economic adjustment at higher levels of output and in supply side expansion. Thus, the developed countries could also benefit from resources released through disarmament measures.

5. Developing countries are affected in several major ways by the current levels and magnitude of world-wide military expenditures. On the one hand, they are affected to the extent that their economies are vulnerable to the negative impact of their own national military expenditures. On the other hand, they are affected through the impact of the arms race on the economic performance of the industrialized States, including the ability of the latter to provide additional resources for the attainment of developmental goals in the developing countries.
Faced with an increase of some 23 per cent in their population between 1975 and 1985, these countries need strategies for sustained growth at higher, not lower, levels of output and employment. They stand to gain from resources released also through measures of arms limitation and disarmament both nationally and internationally.

II. WAYS AND MEANS OF RELEASING RESOURCES: SURVEY OF PROPOSALS

6. The question of releasing through disarmament additional resources for development has been the subject of several proposals. In order to facilitate the identification, wherever possible, of areas of similarity or convergence in approach, those proposals have been grouped under the following headings:

- Resources to be released;
- Mechanisms of reallocation;
- Resource allocation.

7. "Resources to be released" covers sources, nature and volume of resources to be released through disarmament measures. "Mechanisms of reallocation" includes institutional and organizational matters pertaining to collection, distribution and transfer of the released resources. "Resource allocation" relates primarily to redeployment of resources for developmental purposes.

8. These issues have been addressed in a number of proposals both within and outside the United Nations system. Among those are many by Member States of the United Nations and a number contained in the relevant expert studies of the Secretary-General prepared at the request of the General Assembly. In addition, proposals have been also made by institutions, non-governmental organizations and individuals.

9. The following survey presents extracts from proposals, particularly by Member States, which contain concrete and direct provisions concerning the elements related to the three main categories of issues referred to above. 2/ However, as this survey is intended to describe in a brief form the major aspects of past and existing proposals, their full meaning and substance can only be evaluated by direct reference to their original text.

A. Proposals by States Members of the United Nations

1. Resources to be released

10. In 1950, India suggested the creation of a United Nations Peace Fund, for development of underdeveloped areas, fed from savings effected by the reduction of armaments and from other sources. 3/
11. The United States declared in 1953 its readiness to ask its people to join with all nations in devoting a substantial percentage of the savings achieved by disarmament to a fund for world aid and reconstruction. 4/

12. The 1955 proposal of France for the establishment of an International Fund for Development and Mutual Assistance was intended to be implemented in conjunction with, and to form an integral component of, progress towards disarmament. It was to be part of a process aimed at reducing the volume of military expenditures, which meant reducing military personnel and conventional weapons, as well as eliminating weapons of mass destruction as soon as possible. The system to be set up was initially presented as a penalty system aimed at promoting disarmament; it was to be based on an agreed levy, to be increased every year, on the actual amount of global military expenditures. In particular, it provided that States which increased their military expenditures after the process had been set in motion would be denied any assistance from the Fund. 5/

13. In 1956, the Soviet Union proposed the establishment within the United Nations of a Special Fund for assistance to developing countries to be financed through military budget reductions. 6/

14. In 1958, the Soviet Union called for a reduction of at least 10 to 15 per cent in the military budgets of the four major Powers and the utilization of a part of the funds thus released for assistance to developing countries. 7/

15. In 1962, the Soviet Union submitted a draft declaration concerning the conversion to peaceful needs of resources released by disarmament. This document contained, among other things, a proposal for the General Assembly to request the Acting Secretary-General, without waiting for the conclusion of a treaty on general and complete disarmament, to initiate, with the Governments of the less economically developed countries, necessary consultations with a view to the preparation of an international programme of aid for these countries based on the use of a part of the resources released as a result of general and complete disarmament. 8/

16. In 1963, Brazil, proposed, inter alia, that militarily significant States should explore the possibility of allocating at least 25 per cent of the resources released by disarmament to the economic development programmes of the developing countries and that Member States should allocate at least 1 per cent of their military budgets to an international fund to promote the economic development of the developing countries. 9/

17. The 1964 initiative of Brazil was set in the light of the military budget reductions announced by the United States and the Soviet Union. It was aimed at obtaining a similar reduction from all Governments and at utilizing 20 per cent of the total value of the reductions for the establishment of an Industrial Conversion and Economic Development Fund. 10/

18. The 1973 proposal of the Soviet Union provided for a process whereby the five permanent members of the Security Council would reduce their military budgets by 10 per cent, and called for allocation of 10 per cent of the amounts thus released.
for social and economic development in the developing countries. Other States, particularly those having considerable economic and military potential, were urged to take similar measures. 11/

19. In 1975 and 1977, Romania called for a gradual reduction, according to a specific schedule, of the initial level of the military budgets of all States, starting with a reduction of at least 10 per cent and reaching a reduction of 25 to 30 per cent within a decade. Provision was made for corresponding reductions in armed forces and armaments, and the unconditional transfer of at least 50 per cent of the savings thus generated to a United Nations development fund to be established. 12/

20. In 1978, Senegal proposed the introduction of a 5 per cent tax on the total military budgets of all States without exception. The funds which could be thus released, estimated at time at $20 billion a year, were to be paid to the United Nations. 13/

21. In 1978, France proposed the establishment of an International Disarmament Fund for Development based on the resources released through the implementation of disarmament measures. Pending the availability of such resources, the fund would become operational, during a transition period, with the deposit of an initial lump-sum endowment of $1 billion. The nuclear-weapon States were to provide $500 million, pro-rated, for example, on the basis of the numbers of their nuclear-weapon delivery vehicles; the remaining $500 million was to be paid by the most heavily armed and most developed States, their respective contributions depending, for example, on their possession of certain conventional matériel that was particularly indicative of a military commitment. 14/

22. In 1979, Romania proposed gradual, irreversible and systematic reductions of military budgets of all States, starting with those of great, heavily armed countries and the reallocation of 50 per cent of the resources thus released for increasing development aid. 15/

23. In 1984, in a new proposal, France advocated making additional resources available immediately, pending the allocation of a portion of the resources released through the subsequent implementation of disarmament measures and as a way of anticipating them; those resources could come from voluntary contributions or could result from a binding agreement establishing a mandatory tax in proportion to expenditure on armaments. The stated objective was to make available immediately the equivalent of 1 or 2 per cent of current military expenditure. The amount of such contributions was to be considered interim as payments of the sums to be released subsequently through disarmament measures. Pending the establishment of this system, France proposed that, initially, the nuclear-weapon States could make an advance payment of their contributions, prorated on the basis of the number of their nuclear-weapon delivery vehicles. 16/

24. In 1984, Senegal put forward the view that, if disarmament measures, as well as the establishment of an arms tax, continued to be obstructed, a provisional yardstick (gross national product (GNP) or economic growth rate, for example) could be used in order to enable resources to be released immediately. 17/
25. In 1984, Tunisia recommended that within the framework of a fund to be based on savings achieved through a reduction in arms and military expenditures, voluntary contributions should be contemplated by militarily important countries. It also called for mandatory contributions which would be indexed to the arms sales transactions of producing and exporting countries. 18/

26. In 1984, Italy suggested consideration of the possibility that, in connection with balanced and gradual measures in the field of conventional and nuclear disarmament, the militarily more advanced States might give fund advances on the savings to be achieved through a reduction in military expenditures based on the size of their military arsenals. 19/

27. In 1984, Mexico proposed that, in addition to a fund financed from the resources that would be released through the implementation of specific disarmament measures, consideration should be given to the reallocation of a portion of the funds saved through a gradual reduction, on an agreed basis, in the military budgets of the 10 States that together accounted for over 80 per cent of military expenditures in the world. 20/

28. In 1985, Sri Lanka proposed that agreement be reached between the two major Powers to reduce military expenditures by 10 per cent for five consecutive years beginning in 1986-1987 and to apply a significant portion towards the reduction of the international debt of the poorer nations. 21/

2. Mechanisms of reallocation

29. In 1950, India called for the establishment of a United Nations Peace Fund for the development of underdeveloped areas.

30. The 1953 proposal of the United States, envisaging a fund for world aid and reconstruction, provided for a broad membership and the possibility of associating private and public initiatives.

31. In 1955, France proposed the establishment of an International Fund for Development and Mutual Assistance comprising a governing council, a permanent executive commission and an international secretariat. It was suggested that the management of the fund and the use of its resources should be the responsibility of a board of trustees composed of representatives of the four Powers (France, Soviet Union, United Kingdom and United States), representatives of participating nations and representatives of countries chosen from among the likely beneficiaries of the resources of the fund. Recourse to existing bodies, such as the International Bank for Reconstruction and Development and other United Nations organizations, was envisaged for the execution of programmes.

32. In 1956, the Soviet Union proposed the establishment within the United Nations of a Special Fund for assistance to developing countries to be financed through military budget reductions.
33. The proposal of the Soviet Union in 1962 called for an international disarmament organization and utilization of the funds released through disarmament measures.

34. In its 1973 proposal, the Soviet Union recommended that the distribution of the funds released should be entrusted to a special committee composed of the five permanent members of the Security Council (whose contributions were required), three countries from each of the regional groups of Africa, Asia and Latin America, and two from each of the regional groups of Eastern Europe and Western Europe and other States. The distribution of the funds was to be on an equitable basis, having regard to the most urgent needs of the recipient countries, and without discrimination of any kind.

35. According to the 1978 proposal of France, the International Disarmament Fund for Development was to be a specialized agency of the United Nations, composed of contributor countries and potential beneficiaries of the fund's activities. The principle of balance between those groups was to be observed in the structures and rules for decision-making. In general, the fund would rely on the services of international agencies for the consideration of projects and programmes submitted to it, and for the administration of loans and grants.

36. In 1984, France submitted a document on the modalities of the fund, specifying that the majority of the programmes could be agreed on and managed by international organizations already active in that field.

37. In 1978 and again in 1984, Mexico proposed that a special ad hoc account should be opened in the United Nations Development Programme (UNDP), on a provisional basis, until the establishment of the International Disarmament Fund for Development.

3. Resource reallocation

38. Proposals made during the past 40 years have generally attributed a special role to the disarmament process, although in different formulas, in promoting development assistance to developing countries. Some proposals stressed the new and additional role to be played by measures implemented in the framework of the relationship between disarmament and development. The 1973 proposal of the Soviet Union advocated in this context "the provision of assistance to developing countries as an addition to the assistance that is already provided to them through the existing channels". The 1984 proposal of France referred to "additional resources", and "additional development programmes".

39. Some other proposals suggested further broadening of the scope of action. The proposal of India in 1950 envisaged the development of underdeveloped areas. In the proposal of the United States in 1953, the objective was to promote development and reconstruction, particularly in the developing countries. France, in 1955, proposed "the improvement of levels of living and the development of underdeveloped regions". Brazil, in 1964, recommended the "conversion of an economy of war into an economy of peace and projects aimed at developing economically and socially all regions markedly affected by poverty and by underdevelopment". Romania, in 1977,
advocated "support for development efforts, particularly in countries with a national income of less than $200 per capita".

40. In its proposal of 1979, Romania called for the allocation of 50 per cent of the resources released through disarmament measures for increasing the development aid and for the selection of recipient countries among the poorest ones whose GNP amounts to less than $400 per capita, and which at the same time devote less than 5 per cent of their GNP to military expenditures and allocate more than 20 per cent of their GNP for the development efforts.

41. France, in 1984, considered that contributions should be used "partly ... for activities to benefit the least developed countries (and) partly ... for countries and regions that are most hard hit by international disturbances, tensions or conflicts, through emergency aid to the affected populations, including refugees".

42. Although it does not have a direct impact on the choice of beneficiaries but relates to the economic activity and thus to the development of the donor, the special provision of the 1955 proposal of France could be noted. According to that provision, 75 per cent of the amounts provided by States to the proposed International Fund for Development and Mutual Assistance should be used for orders placed in the countries where the resources originated.

B. Proposals contained in various United Nations studies

1. Resources to be released

43. In their 1981 study on the relationship between disarmament and development, 22/ the Group of Governmental Experts suggested that the arms limitation treaties between the United States and the Soviet Union, or their respective alliances, might provide for the allocation of a portion of the savings to development assistance (para. 335). It suggested further that until the technical and political difficulties involved in evaluating the savings had been overcome, the parties to arms limitation agreements could stipulate by mutual agreement the savings which would accrue to them over a period of years, under the assumption that a fixed percentage of the disarmament dividend would go to a fund.

44. In 1984, in a study by the United Nations Institute for Disarmament Research (UNIDIR) on the modalities of an international fund, 23/ it was noted that the method of using resources released through disarmament measures was the only one fully in keeping with the purpose of a fund; nevertheless, levying taxes on armaments would make it possible to anticipate disarmament and, no doubt, to encourage it. In the study the view was expressed that the establishment of a fund would give tangible expression to the link between disarmament and development, initiate a process of transferring resources and exert a positive influence on the climate of international relations. It was also suggested that the five nuclear-weapon States should agree on an initial endowment. This, according to it, could be based, for example, on the number of nuclear-weapon delivery vehicles and nuclear warheads in their possession. According to the study, other States could supplement this endowment through an appropriate cost-sharing procedure or by means
of voluntary contributions with due account taken of their armament outlays and levels of development. Moreover, it was stated that the resources intended for the fund should not be included in the 0.7 per cent of gross national product which the developed countries were called upon, by United Nations resolutions, to devote to development.

2. Mechanisms of reallocation

45. The 1981 Study on the Relationship between Disarmament and Development suggested that the fund envisaged in the 1978 French proposal should be given a separate identity and visibility within the organizational structure of an existing institution, in line with the Mexican proposal for a special disarmament fund account within UNDP (para. 390). It recommended that a study of the administrative and technical modalities of the operation of the fund should be further investigated (para. 426.7) — a recommendation which was adopted by the General Assembly in 1982 and led to the above-mentioned study by UNIDIR.

46. In 1984, the UNIDIR study noted that regardless of the solution decided on, the development of an excessive administrative and bureaucratic apparatus should be avoided. It pointed out that the institutional options were essentially dependent on the extent of the resources placed at the disposal of the fund. It also indicated that in the event of the creation of an autonomous institution, the principles of universality (direct or indirect participation) and of equitable representation of contributors, on the one hand, and of recipients, on the other, should be respected. Specialists on disarmament questions as well as specialists on development matters should be grouped together within the responsible organs. The same principle would apply if an existing institution was to be selected to perform these functions. In that case, the study recommended the selection of UNDP. It also suggested that a certain identity should be given to the fund within such a body through, for example, the establishment of its own governing council. In addition, it was considered that the administrative structure of the fund should evolve in successive stages in relation to the volume of resources mobilized.

3. Resource reallocation

47. In 1981, the study on the relationship between disarmament and development devoted an entire chapter to the opportunities for conversion and redeployment of resources released from military uses through disarmament measures for economic and social development purposes, and to the problems raised by the conversion process (paras. 242-328). The study dealt very generally with questions concerning economic resources and the production of goods. It recommended, in particular, that additional studies on the subject be undertaken.

48. The UNIDIR study also suggested that the organizational structures, once in place, should be of help in the conversion of military items into non-military items. The study brought out both the benefits which could be drawn from material goods produced through conversion of military items, and the demand which could be created for the conversion of such items for non-military use. The study envisaged
the redeployment and transfer of military goods, transport equipment, communications materials and miscellaneous surpluses, and considered that studies would be necessary in order to make further progress in this direction.

C. Various approaches

49. For a number of years within the United Nations various ways and means have been debated of releasing resources through disarmament and their reallocation for development, including a suggestion by the Secretary-General in 1978 "to devote to national and international disarmament efforts $1 million for every $1,000 million currently spent on arms". Recently, the issue has been discussed in various organs and subsidiary bodies of the General Assembly, and most extensively by the Disarmament Commission in 1984. The positions of many Member States in this regard have also been expressed in their replies to a questionnaire sent out by the Secretary-General and are contained in document A/CN.10/57 and Add.1-16.

50. Over the years, discussions within the United Nations have generally suggested that a significant part of the resources released through disarmament should come from the major military spenders. Three different, although by some seen as potentially complementary, types of approaches have been considered: an armament levy, voluntary contributions and a disarmament dividend. Lending itself to taxing military expenditures, the armament levy approach has invited reservations on various grounds including that it may, if accepted, allow the arms race to continue unabated as it does not call for measures to halt and reverse it. Also, doubts have been expressed about the possibility of determining individual contributions in the absence of precise information about the nature and volume of armaments and of resources devoted to military purposes. Reliance on voluntary contributions is sometimes questioned as being uncertain, although the experience of a number of United Nations programmes funded on a voluntary basis is also cited as giving grounds for optimism.

51. The disarmament dividend approach relates disarmament to development both in political and operational terms. While pointing out that progress towards development should not be made contingent upon disarmament, this approach emphasizes that progress in the field of disarmament would be required in order to release additional resources towards development. The disarmament dividend approach may also be seen as a gradual process of combining various approaches. At an initial phase, it could gain from voluntary contributions; at an intermediate stage, it could gain from a mutually agreed upon release of additional resources through specific measures of arms limitation and eventually from disarmament.

52. As for setting up an administrative machinery, it has been suggested, on the one hand, that there is no need to create a new institution and that the reallocation of any resources released through disarmament could be channelled through an existing United Nations programme, e.g. UNDP. On the other hand, it has also been said that the creation of a new autonomous body could promote the possibilities for innovative procedures and dealing with sectoral concerns specific to each region. In such a view, even if for technical reasons existing administrative arrangements within the United Nations system were to be used, there
should be a supervisory body to set the broad outlines of policies for
reallocation, in which the major Powers and the developing countries would be
adequately represented.

53. With regard to contributors and mechanisms, there are also different views on
whether reallocations should be made on the basis of regions or on the basis of
development objectives or projects. Involvement of regional institutions is
sometimes seen as providing a support base both in terms of helping to determine
need and evaluate development objectives and programmes, and also in providing
assistance in administering them.

D. Further suggestions and ideas

54. A number of suggestions and ideas have been put forward by institutions,
non-governmental organizations and individuals in recent years relating a release
of resources to the process of disarmament, specifying the nature and volume of
resources, as well as possible mechanisms for reallocations. Many of these
suggestions stress the importance of making advance preparations for conversion and
reallocation of resources ahead of concrete measures of arms limitation and
dismantling, a matter which was also the subject of a recent in-depth study carried
out in Sweden. 24/

55. A commonly shared feature amongst the suggestions is that they view resources
in much broader terms than finances. Thus capital and equipment as well as human
skills and scientific knowledge have been included among suggestions for creating a
United Nations machinery to administer resource allocations for socio-economic
development.

56. Many of these ideas concentrate on the civilian uses of released resources and
provide detailed illustrative examples of possible peaceful uses of finances,
labour and technology presently devoted to military purposes. Another approach,
suggested by one of the members of the steering group of the UNIDIR study, proposed
the use of military engineers to construct bridges, ports, roads and buildings, to
provide hospital, educational and communication services and to transport
foodstuffs. Others take a view that one of the ways to promote military restraint
would be to consider the establishment of international arrangements for preventing
the military use of resources. 25/

57. Considerable attention has also been paid to envisaging appropriate
international mechanisms for redeployment and reallocation of resources released
through disarmament. In some cases, consideration has been given to making this
issue a part of the ongoing negotiations on arms limitation and disarmament. In
others, greater emphasis has been attached to the establishment of an independent
international institution or agency that would consider each measure of arms
limitation in terms of its impact on resource consumption and make appropriate
recommendations. 26/
III. CONVERSION AND TRANSFER OF RESOURCES

58. Agreements on arms limitation have generally concentrated on eliminating or banning the use of certain kinds of weapons, prohibiting the stationing of certain weapons in specific areas and limiting the deployment of and placing ceilings on some categories of weapon systems. Current negotiations and discussions also include issues related to military technological capabilities. Separately, there has been a series of proposals in various fora for limitation, reduction and/or elimination of some categories of weapons and for reducing military matériel, personnel and their deployment. The types of resources to be released through such measures would include capital, industrial capacity, as well as labour and technology. The action required in the conversion and transfer of such resources would differ depending on whether it would take place within national economies, or internationally among economies at different levels of development.

A. Finance

59. Most of the existing ideas and proposals about ways and means of releasing resources through disarmament have been concerned primarily with one type of resource, i.e. finance. Part of the explanation may lie in the fact that financial restraints on military expenditures could be seen as a way of narrowing the overall framework within which other kinds of resources are devoted to military purposes. Furthermore, it would be less difficult to measure finances than to determine the nature and volume of other kinds of resources used. There may also be the consideration that of all types of resources, finance lends itself more easily to conversion and transfer within various sectors of an economy and among economies.

60. In this context, a distinction needs to be made between the military and the economic implications of a specific measure of arms limitation and disarmament. A reduction in the volume of financial resources, relative to gross national product (GNP) or even in absolute terms, could in some instances be offset by qualitative developments in weaponry. Moreover, not all measures of arms limitation and disarmament may result in the release of resources which can be easily transferred among economies at different levels of development.

B. Human resources

61. Military-related expenditure is associated with the allocation of labour-time to military purposes. In addition to the services provided by the military personnel, it includes the work-time used in the production of goods, services and infrastructure corresponding to perceived defence needs; supply of military goods and services for export; and the export of civilian products to obtain the means for importing military products and ancillary services. Disarmament will reduce the military-related demand on labour-time, releasing labour for the production of other goods and services. However, neither the magnitude of such a release of labour-time nor the sectors in which it would occur can be seen in isolation from the measures of disarmament eventually agreed upon.
62. It has been estimated that if the world as a whole is spending 3 per cent of its gross domestic product (GDP) on military expenditure, then perhaps 2 per cent of its labour force is involved in military-related activities, i.e. over 50 million persons. If the share of the labour force were to be 3 per cent, then the estimate might raise to some 80 million. 27/ Looking more specifically at production, there are perhaps 8 million workers involved directly in arms production. Thus, estimates of military-related employment, taking military and civilian workers into account, suggest that as a share of the overall labour force it is somewhat below the share of military expenditure in GDP.

63. One aspect of military-related industrial production is that basically there is no "defence industry" as such - apart from a limited number of enterprises producing goods which are solely required for defence. Although military production is generally associated with particular sets of skills most of them could also be used elsewhere. Furthermore, military-related industrial production has essentially one group of purchasers, i.e. Governments.

64. The pattern of final demand for military products will be affected by measures of disarmament. Much of the discussion about the conversion of defence-related manpower is basically addressing the issue of changes in the pattern of demand so that it continues to match the skill structure of the labour force as closely as possible.

65. When conversion takes place in a purely national context, certain immediate unemployment problems may occur among the economies not facing situations of labour shortage or pent up demand for civilian goods. But when conversion is envisaged in a global context, the increased possibilities for export of non-military products could compensate for the loss of demand for military products.

66. There is considerable experience in many countries of the way in which labour markets might respond under conditions of conversion in general. It has often proved possible for many production workers to find new employment, with the Government's role in many cases limited to providing labour market information and, where applicable, unemployment benefits or welfare payments.

67. However, in addition to reliance on the labour market to find new job opportunities, governmental planning mechanisms have been seen as alleviating the problems of adjustment. The role of Governments in the process of adjustment or conversion would depend on its weight in defence production as well as in the overall economy. In all circumstances detailed planning would be required in order to obtain an efficient pattern of redeployment.

68. There are only a few developing countries with a significant defence production. These countries may also face short-term problems of effective labour conversion in the event of disarmament.

C. Technology

69. As a resource, technology includes both a body of knowledge and the skills, machinery and equipment incorporating that knowledge. For product performance as
well as efficient ways of producing, technological progress is crucial both for the military and civilian sectors.

70. In considering the types of resources currently devoted to military purposes, the role of technology has drawn increasing attention. The pace of scientific and technological research and development and its application for military use is much faster than that of the process of arms limitation and disarmament. The extent to which there have been beneficial spin-offs in the civilian sector from military technology has been the subject of considerable discussion.

71. The major share of the resources which may be released in the event of reorientation of technology towards peaceful purposes will be in the developed countries. The need for use of technology for civilian ends is however, a global one involving both developed and developing countries. At the national level, a reorientation of technology could yield results through positive effects on economic performance to the extent that its military use is a factor in affecting the productivity and competitiveness of civilian sectors of the economy. Several recent studies suggest that countries concentrating on military technology may have experienced slower rates of growth than countries which do not, although there is as yet no exhaustive empirical evidence supporting that hypothesis.

72. At the international level, the body of expertise or knowledge and the scientific and technical personnel involved in dual-purpose technologies may offer particular opportunities for redirection. Some illustrative areas for civilian uses of military-related technology could be: electricity generation; medical applications of nuclear technologies; chemical and biological technologies for agriculture; underwater sonar technologies for geophysical purposes; electronic and computer technologies for industrial purposes; and laser technology for industrial and medical applications.

73. The economic and technological feasibility of redeploying human and technological resources from military to civilian purposes has been the subject of several studies. Release, diversion and conversion of resources in the civilian sector is a part of national economic experience and is constantly occurring. In addition, changes in the nature and assessment of threats to national security, shifts in emphasis from one to another type of weapon system, fluctuations in the demand and supply of resources needed for military use continue to create situations for redeployment. This was already recognized in the 1962 report of the Secretary-General on the economic and social consequences of disarmament. 28/

74. In this context, examples are often cited of the success of the post-Second World War experience in the United States and the Soviet Union. In both cases, specific historical conditions of the immediate post-war years are believed to have contributed to the success of the operation. There are also other instances of redeployment within the national economies of both industrialized and developing countries. By and large, the efforts involved in meeting such situations so far have called for sectoral adjustments within the same economy.

75. In general, any large scale release of resources through disarmament measures could involve transfers among economies at different levels of development. In those cases, considerations of differences in industrial infrastructure as well as
the absorptive capacity of the economy receiving such transfers would be important elements. Relevant also would be the short- and long-term implications of the transfer of technology, which by now has become a major factor in the development prospects of the developing countries.

76. An act of technology transfer invariably involves two kinds of costs: the initial domestic cost of obtaining it and the subsequent cost of its application. Depending upon their technical and managerial competence, the size of their industry, the nature of their research and development activities and the level of their development, many developing countries incur heavier costs for importing technological know-how from more developed countries than are incurred in the transfer of technology between countries with roughly similar levels of development. In principle, the more sophisticated the technology, the greater are the economic adjustments implicit in its transfer process, from its introduction to its successful application. A major obstacle to a better economic performance of the developing countries is widely recognized to be related to the fact that advanced civilian technology is often too expensive, inapplicable or not available.

IV. SOME CONCLUDING REMARKS

77. Besides its positive socio-economic implications, a release of resources through disarmament is also seen as having beneficial effects for the improvement of the international political climate. A release of additional resources, in particular in favour of developing countries, could therefore be in the interests of both developed and developing countries. The scope for and effects of reallocating some of the released resources have been demonstrated by input-output simulations of the global economy, including that summarized in the 1981 report of the Secretary-General on the relationship between disarmament and development.

78. More recent simulations also come to essentially the same conclusions. Most of the exercises stress a mutuality of interests among developed and developing countries, although a number of important provisos are also mentioned. Thus, reductions in military expenditures and development assistance are seen as having positive effects especially when supported by other appropriate international measures, including those affecting trade and credit, as gains from measures of disarmament could be diminished by adverse terms of trade or increased interest rates. However, extra resources generated by such reductions would not suffice by themselves to deal with all the manifold problems of development. Major efforts are required also on the part of the developing countries. They cannot rely only upon external assistance to solve their economic problems any more than the developed countries can ignore possible implications of inaction for the international economic and security situation.

79. Harsh economic conditions, hunger, poverty and political instability are natural allies. Not to address the wider implications of the challenge of development may well lead to significantly greater problems in the future. A global response based upon a mutuality of interests could provide an appropriate political framework for considering ways and means of releasing additional resources through disarmament measures for development purposes, in particular in favour of the developing countries.
Notes


2/ See also document A/CONF.130/PC/INF/3, pp. 5-10 and document A/CONF.130/PC/INF/5, annex I.


8/ Ibid., Seventeenth Session, Annexes, agenda items 33 and 94, document A/C.2/L.646.


11/ Resolution 3093 A (XXVIII).


13/ Ibid., Tenth Special Session, Plenary Meetings, 17th meeting.

14/ A/S-10/AC.1/28.

15/ TD/L.145.

16/ A/CN.10/57/Add.1.

17/ A/CN.10/57/Add.1.

18/ A/CN.10/57/Add.6.

19/ A/CN.10/57/Add.11.

20/ A/CN.10/57/Add.13.

/...
Notes (continued)

21/ A/40/PV.44.

22/ The Relationship between Disarmament and Development (United Nations publication, Sales No. E.82.IX.1).


25/ See also Helge Hveem and Raino Malnes, Military Use of Natural Resources, The Case for Conversion and Control (Oslo, International Peace Research Institute, 1980).


27/ This section is partly based on a paper prepared by the International Labour Organisation.

28/ Economic and Social Consequences of Disarmament (United Nations publication, Sales No. 62.IX.1), para. 125.

29/ Economic and Social Consequences of the Arms Race and of Military Expenditures (United Nations publication, Sales No. E.83.IX.2).

-----