

Distr.
LIMITED

TD/B/39(2)/L.1/Add.2
24 March 1993

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Thirty-ninth session, second part
Geneva, 15 March 1993
Agenda item 13

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD
ON THE SECOND PART OF ITS THIRTY-NINTH SESSION

Held at the Palais des Nations, Geneva,
from 15 to 26 March 1993

Rapporteur: Mr. Banmali Prasad Lacoul (Nepal)

Addendum

CONTENTS

<u>Chapter</u>		<u>Paragraphs</u>
II.	Follow-up to the decision of the Trade and Development Board at the first part of its thirty-ninth session (Board decision 399 (XXIX) of 9 October 1992) on the establishment of an ad hoc working group to explore the issue of structural adjustment for the transition of disarmament (agenda item 7)	1 - 17

Chapter II

FOLLOW-UP TO THE DECISION OF THE TRADE AND DEVELOPMENT
BOARD AT THE FIRST PART OF ITS THIRTY-NINTH SESSION
(BOARD DECISION 399 (XXXIX) OF 9 OCTOBER 1992) ON
THE ESTABLISHMENT OF AN AD HOC WORKING GROUP TO
EXPLORE THE ISSUE OF STRUCTURAL ADJUSTMENT FOR
THE TRANSITION TO DISARMAMENT

(Agenda item 7)

1. For its consideration of this item, the Board had before it the following documents:

"Report on the activities of the United Nations system in the area of structural adjustment for the transition to disarmament, prepared by the secretariat of UNCTAD in response to Trade and Development Board decision 399 (XXXIX), paragraph 2 (a)" (TD/B/39(2)/20)

"Ad Hoc Working Group to explore the issue of structural adjustment for the transition to disarmament: draft terms of reference - Note by the UNCTAD secretariat (TD/B/39(2)/Misc.1).

2. The representative of Chile said that, while the draft terms of reference for the Ad Hoc Working Group were a good basis for discussion, he suggested that the draft should include the following points:

(a) An educational campaign to make countries aware that disarmament is an investment process;

(b) An analysis of the economic, technical, financial and environmental aspects of conversion;

(c) Government participation in formulating policies and legislation to facilitate disarmament;

(d) Greater transparency in arms transfers and, to that end, establishment by UNCTAD of an information network;

(e) Technical and financial assistance to developing countries to facilitate conversion;

(f) Study of the global impact of the conversion process on international trade;

(g) Raising the awareness of the military and business sectors on the need to adopt policies at the local, national, regional and global levels related to the benefits of disarmament and conversion;

(h) Analysis of the role played by the military industry in the international and national economies in the medium and long term;

(i) Promoting the necessary coordination of the United Nations agencies;

(j) Ensuring adequate coordination between the Ad Hoc Working Group and the other Standing Committees and Working Groups.

3. Finally, he pointed out that international security was a broad concept that included numerous non-military aspects. The peace dividend could help to release greater financial resources for the whole international community and thus improve the conditions for peace and stability.

4. The representative of the Russian Federation stressed the particular importance of successful conversion of military capacities for the further progress of economic reforms in his country. Success in this endeavour depended not only on domestic efforts but also on external support within the framework of bilateral, regional and multilateral cooperation, including under the United Nations auspices. It was from that angle that his country had approached the complex issue of UNCTAD's role in that area in Cartagena and was approaching the issue at the current session of the Board.

5. His delegation was satisfied with the documentation prepared by the secretariat and supported conclusions contained therein, in particular that UNCTAD should focus on trade and development aspects of conversion and that the bulk of UNCTAD's activities in that area should take place within the recently established Ad Hoc Working Group, at least in the near future. The draft terms of reference could serve as a basis for negotiations and, with minor additions, were acceptable to the Russian Federation. He also stressed that the global process of conversion and participation of developing countries in this process would contribute to economic growth and development, as well as create more favourable conditions for trade expansion, transfer of technology, joint ventures, cooperation, etc.

6. As regards non-circulation of the estimate of resource implications, his delegation did not consider this to be an insurmountable obstacle for starting the Ad Hoc Group's work. In his view, the issue of redeployment of existing resources in order to service adequately the Ad Hoc Working Group could be left to the discretion of the Secretary-General of UNCTAD, provided such redeployment was without detriment to the functioning of other intergovernmental bodies. He shared the view expressed in the general statement of the Group of 77 on 15 March 1993 that Board decision 399 (XXXIX) had been only the first step in developing UNCTAD's activities on structural

adjustment for the transition to disarmament and conversion and that the Board should now take the next, decisive step in the same direction.

7. The representative of Japan, recalling that in the Cartagena Commitment developing countries were urged to reduce their excessive military spending, said that higher priority should be given to economic development, environmental protection and other social needs by both developed and developing countries. In accordance with its ODA charter of June 1992, Japan would pay closer attention to trends in military expenditures when granting ODA as there was a growing scrutinization by the public of Japan's aid policy. UNCTAD, because of its universal membership, could play a unique role in the structural adjustment for the transition to disarmament, in particular the social and economic issues of, and the exchange of national experiences on, conversion. It would also be useful to develop a statistical database. The Ad Hoc Working Group had to have well-defined terms of reference drawing on the relevant activities of other organizations, including the non-governmental ones.

8. The representative of Canada said that, since the Board had decided that the Ad Hoc Working Group would not become operational until the initial two-year programmes of the other Working Groups had run their course, a discussion on this item was somewhat premature. The UNCTAD report provided no estimate of the resource implications of the Working Group and no timetable for its work, as required by the Board decision, and until these points were clarified he could not support putting the Working Group into operation. The gap in the work in this area in the United Nations system should not be filled by UNCTAD alone. UNCTAD should - in accordance with its mandate and its area of comparative advantage - confine itself to the implications for trade and development and world economic growth of the structural adjustment for the transition to disarmament. It should, where possible, make use of the findings of other institutions for this purpose. Referring to paragraph 15 of the report of the secretariat, he said that UNCTAD should focus its attention on sub-item (a), and would do better to leave sub-item (b) to other United Nations agencies. Sub-items (c) and (d), and paragraph 4 of the draft terms of reference, were overly ambitious at present given the amount of work which must first be done on other issues.

9. The representative of Denmark, speaking on behalf of the European Community and its member States, did not believe that the proposed terms of

reference could be sensibly discussed at this session owing to the late availability of the document. However, he would comment on the secretariat's report and he hoped that this would form the basis for an agreement on the terms of reference at the first part of the fortieth session so that the Working Group could start its work in the Spring of 1994.

10. World military spending had declined by 5 per cent between 1987 and 1991, which was not of the magnitude expected in the wake of the cold war. The decline in military spending in developing countries was uneven and might be, in some areas, due to economic hardship. This decline must not be reversed when economic growth picked up again. Reduction of military expenditures was likely to be beneficial to all countries and regions in that it allowed for reallocation of resources to development purposes. But the structural adjustment for the transition to disarmament also had macro-economic and social effects and required a range of different actions. The UNCTAD secretariat report made a valuable contribution to the consideration of this issue.

11. The Ad Hoc Working Group should focus on two areas, namely macro-economic and social effects of disarmament and the economic aspects of conversion. The Working Group offered the possibility of a multilateral exchange of experience and might be able to undertake studies on country experiences regarding the economic and social effects of disarmament, conversion and decreasing military personnel.

12. The spokesman for the Asian Group (Pakistan) urged that governments should concentrate their efforts on social and economic developments through diverting resources hitherto allocated to defence. There was an urgent need for multilateral and non-discriminatory efforts to achieve progress on the entire range of disarmament issues. Defence expenditures in developed countries must be reduced since they limited the aid-giving capacity of those countries and contributed to inflation, which was transmitted to developing countries through the monetary and trading systems. The dividends emanating from the reduction should be earmarked for development in a non-discriminatory manner. This would make it possible to establish a special disarmament and development fund under the auspices of the United Nations. He felt that these suggestions were largely in line with the proposals set forth in the terms of reference submitted by the secretariat.

13. The representative of Mexico said that many countries were discovering that disarmament could be an expensive undertaking. In the ex-Warsaw Pact countries, for example, the transformation to a market economy system drew its financial resources mainly from exports of the military sector as the latter had the most competitive technology in those countries. Mexico was interested in the establishment of the Ad Hoc Working Group to achieve an international consensus on the structural adjustment for the transition to disarmament oriented towards development, especially that of the developing countries. Since conversion had to be examined in a multi-disciplinary manner, there should be transparency in arms transfers, which meant that the Working Group would have to make use of the United Nations register.

14. The representative of Nigeria welcomed the establishment of the Ad Hoc Working Group and considered that the proposed terms of reference pointed in the right direction. UNCTAD had a role to play in the trade and development aspects of the structural adjustment for the transition to disarmament. His country was willing to participate effectively in the Working Group, although, in view of the limited resources of both the member States and the secretariat, the time was not ripe for a full discussion of this issue. Thus the launching of the Ad Hoc Working Group could wait until the other Working Groups had concluded their work.

15. The representative of China said that, in accordance with the Cartagena Commitment and the orientations of UNCTAD's work, the Ad Hoc Working Group should give priority to orienting the structural adjustment for the transition to disarmament towards development. It should serve the interests of developing countries at the international level by promoting financial flows, development assistance, debt relief and transfer of technology. It should follow strictly the objectives of UNCTAD and integrate its work with trade and development issues and should avoid duplication with the work of other agencies.

16. The representative of the United Republic of Tanzania said that, since the import of arms by developing countries contributed to their external debt, the reduction of military expenditures would make a significant contribution to their development. He therefore urged the major posers to help defuse regional tensions. There was evidence, however, that arms were being supplied to developing countries by the military-industrial complexes in the industrialized countries. Making arms sales more transparent would make it

possible to curtail them. But there was no point in negotiating disarmament if no effort was made to eliminate the root causes of arms race: new forms of security relations must be found which reduced inequity and injustice with a view to promoting peace and economic development in developing countries. Some of the savings on military expenditures should be allocated for conversion of defence industries into civilian uses.

17. The representative of Australia said that, while he saw considerable value in the study of structural adjustment for the transition to disarmament, a cautious approach should be adopted regarding the proposed terms of reference for the Ad Hoc Working Group. UNCTAD had limited resources which were being used in the work of the other Working Groups and Standing Committees. He felt nevertheless that there was a clear role for UNCTAD to play on sub-items (a) and (b) of the proposed terms of reference, although duplication with other United Nations organs must be avoided.

[To be completed as appropriate]
