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Issue of Structural Adjustment for
the Transition to Disarmament
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Agenda item 3

STRUCTURAL ADJUSTMENT FOR THE TRANSITION TO DISARMAMENT AND THE IMPLICATIONS FOR WORLD ECONOMIC GROWTH AND DEVELOPMENT

CHAIRMAN'S SUMMARY

Substantive issues

1. Delegations agreed that, in accordance with paragraph 98 of the Cartagena Commitment, all countries should consider the possibilities that exist in their specific and individual situation for the reduction of military expenditures and for channelling the savings towards socially productive uses. Discussions in the Working Group were conducted in accordance with the provisions of the mandate given by the Trade and Development Board.

2. Several delegations entered into the issue of the relationship between the reduction of military expenditure in developed countries and the flow of development finance to developing countries. Some delegations, referring to the figures published by UNDP and reproduced in TD/B/WG.9/2 as table 1.1, pointed out that the bulk of the "peace dividend" had accrued to developed countries. Some delegations expressed their disappointment that expectations, according to which the reduction of military expenditure in developed countries would serve to increase international support and financial flows to developing countries, had not been met.

3. Notwithstanding the uncertainties associated with the process of conversion, it would be possible to realize some savings which could be rechannelled to increase the availability of development finance and official development assistance (ODA). Some delegations referred to the positive effect

that the reduction in military expenditure by developed countries could have on the reduction of fiscal imbalances in those countries, thus achieving more stable international macro-economic conditions more conducive to development. One delegation, in referring to the importance of world macro-economic conditions for structural adjustment for the transition to disarmament (SATD), pointed to the relationship between SATD on the one hand and interest rates, financial flows and investment on the other.

4. Different views were expressed concerning the emphasis to be given to ODA in this context. Many delegations stated that they had approached this issue from the very beginning with the expectation that there would be some direct proportionality between the reduction of military expenditure in developed countries and the increase in ODA. Some delegations referred to paragraph 8 of TD/B/WG.9/2 in pointing out that, instead, ODA by DAC member countries as a percentage of their GNP had steadily fallen. One delegation argued that, since the bulk of military expenditure in developed countries was government expenditure, ODA was the most appropriate channel for transferring to developing countries resources liberated by reducing military expenditure in developed countries. Some delegations stated that their countries had substantially increased ODA while restraining military expenditure. Several delegations argued that the relationship was more subtle and multifaceted and that to posit a mechanical relationship between the fall in military expenditure in developed countries and ODA was simplistic and misleading.

5. Some delegations stressed the argument that disarmament should be considered more as an investment process, involving major expenditures and requiring additional investment and restructuring of technological processes at the beginning. Bearing in mind the risks inherent in any investment, the process could improve the efficiency of resource allocation and productive capacity, and hence improve profits and revenue, in the medium and long term. The "peace dividend" could be regarded as the return on this investment.

6. Some delegations expressed the view that it was in the interests of developing countries to reduce excessive military expenditure and to transfer the resources thus saved to development needs. One delegation pointed out the absence of consensus on either the meaning or the measurement of excessive military expenditure, and that consensus was similarly lacking with respect to "legitimate" military expenditure. In this respect, some delegations were of the opinion that SATD was a multifaceted issue. Thus its economic dimensions could not be dealt with in isolation from other technical, military and security dimensions.

7. Some delegations referred to the use of the armed forces for civilian purposes. One described how the armed forces had been used for major public works, especially just after independence, and how they co-operated with other agencies in combatting locusts. Another described how the armed forces served in the protection of the environment, including the marine environment and in response to natural disasters, as well as meteorological and teledetection work. In this context the use of dual-purpose technologies was particularly fruitful. One delegation argued that the armed forces were not the best instrument for the types of activities described.

8. Some delegations raised the issue of rebuilding war-torn societies, including demobilization and the reintegration of ex-combatants. Some delegations referred to their contribution to alleviating the difficulties of SATD, including demobilization, in developing countries, especially Africa, in the aftermath of armed conflict.

9. One delegation raised the issue of the accumulation of small arms in politically unstable regions, particularly in the developing world. Apart from the financial costs related to the purchase of such arms by developing countries, such an accumulation contributed to aggravating armed conflict, which caused high economic costs and immense human suffering.

10. The issue of the conversion of former foreign military bases was raised, including incentives and obstacles to attracting foreign investment. It was stated that the reabsorption of the labour made redundant might become a serious problem in this process.

11. Other issues mentioned were the importance of market access for the output of converted activities, access to technology, and the role of the State in SATD. One delegation explained how his country in its policy dialogue with developing countries approached the question of military expenditure with a view to enhanced transparency.

Institutional issues

12. Discussing institutional issues, delegations agreed that disarmament could be implemented more efficiently if the security context in the world improved. There was consensus that UNCTAD should not enter into security issues or the size and character of military expenditure. Any concern should be with "post-disarmament" processes.

13. This being the case, some delegations stated that UNCTAD should address trade and developmental components related to the post-disarmament process; by doing so UNCTAD would contribute to the goals of the Social Summit.

14. The question of relations between UNCTAD and other organizations was raised. Some speakers referred to the absence of a lead agency within the United Nations system with respect to SATD. Others said that the General Assembly assumed this role. One delegation stated that UNCTAD could contribute to the world hearings on the relationship between disarmament and development proposed by the Secretary-General of the United Nations and become a co-ordinating agency on trade-related issues.

15. Some delegations named other organizations within the United Nations system, e.g. UNDP, UNIDO or ILO, which were competent to deal with the specific issues which had been raised in the debate in the Working Group. Others pointed out that while particular issues might be outside UNCTAD's own mandate, UNCTAD had a specifically trade, economic and developmental focus which could usefully be brought to bear in debates where it might otherwise be less evident.

16. Some delegations were of the opinion that it would be very difficult to discuss these matters in isolation and that technical military aspects would inevitably be raised; these could not be debated without the participation of military and security experts. They also said that arms trade was not an appropriate subject for debate in UNCTAD.

17. Several delegations in their interventions stressed the importance of the exchange of national experience in the area of SATD. International debate on national experiences could help the countries interested to draw lessons and optimize the SATD process once a decision to start reducing military expenditure had been made. The experience gained in Germany, on the territory of the former German Democratic Republic, was specifically mentioned in this context.

18. Some delegations suggested that UNCTAD, in co-operation with other UN agencies as well as with institutions like OAU, OAS and research institutes, could provide a forum for dialogue and exchange of experience. These exchanges could take the form of case studies, or seminars of experts, among other possibilities.

19. Some delegations mentioned technical assistance for developing countries as a form of activity through which UNCTAD could contribute to SATD. Some other delegations stated that UNCTAD had neither the expertise nor the resources to provide technical assistance in this field.

20. With regard to UNCTAD's future work, some delegations questioned the need for any additional intergovernmental body within UNCTAD to deal with SATD, while a group of delegations, supported by some others, made clear their misgivings that work should be undertaken by UNCTAD on SATD. One reason among others was that these questions could not be discussed without the participation of military and security experts. They stated that UNCTAD was not the appropriate forum for this subject and expressed strong opposition to the continuation of any future work or discussions on it by UNCTAD. A number of other delegations were of the opinion that there were economic, development and trade aspects of SATD and that UNCTAD could address these aspects without getting into security issues, which were outside its mandate.