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President : Mr. J. MICHALOWSKI (Poland).

Present :

Representatives of the following States: Australia, Brazil, Colombia, Denmark, El Salvador, Ethiopia, France, India, Italy, Japan, Jordan, Poland, Senegal, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Yugoslavia.

Observers for the following Member States: Austria, Belgium, Bulgaria, Central African Republic, Czechoslovakia, Iraq, Ireland, Mali, Sweden.

Observers for the following non-member States: Federal Republic of Germany, Holy See, Republic of Korea.

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, World Health Organization.

AGENDA ITEM 5

**Economic and social consequences of disarmament
(E/3593 and Corr.1 and Add.1-4; E/L.962, E/L.963)**

GENERAL DEBATE (*concluded*)

1. Mr. ABOLTIN (Union of Soviet Socialist Republics) said it was not surprising that public opinion in both advanced and developing countries should be interested in the economic and social consequences of disarmament. It was a monstrous paradox that an insignificant minority of evil men should be imposing its will on the rest of mankind, which, being aware of what a nuclear catastrophe would entail, was anxious for peace and security. That minority was obviously composed of war industry magnates in western capitalist countries, obsessed by the desire for huge profits and therefore keeping up the arms race. Such persons maintained that disarmament would lead to unemployment and would reduce standards of living, and that argument had been taken up by a number of western economists who had sought to prove that a high level of government expenditure could promote prosperity and that disarmament would have dire effects for less developed countries because it would lead to a

decline in the trade in and the prices of raw materials. Although those assertions were patently false the peoples of the west, being exposed to a continuous flood of propaganda, found it difficult to discern the truth.

2. Mr. Khrushchev, in a speech made on 10 July 1962, at the world congress for general disarmament and peace in Moscow, had pointed out that it would be of general benefit to the economy of all countries to put an end to military expenditure and to convert war industries to peaceful uses. He had also indicated that disarmament would bring enormous advantages to developing countries, which were grappling with difficult problems, as well as to countries striving to gain their independence.

3. Despite the widespread misconceptions about the consequences of disarmament, some western economists had recently arrived at a sounder assessment of the position. The economic effect of the armaments race was obvious and, as an example, in 1961 the military expenditure of the United States had reached the highest level of any year since the second world war, but the growth of its industrial production had been the lowest. The same trend was continuing in 1962. Furthermore, there had been the spectacular falls on the New York stock market during the present year as well as a high level of unemployment, rising prices and a decline in standards of living. Obviously the situation would be greatly alleviated were it not for the large volume of military expenditure. Successive issues of the *World Economic Survey* clearly revealed that in the United States, where military expenditure amounted to 10 per cent of the gross national product, the rate of economic growth during the last decade had been strikingly slow. In Japan, where military expenditure was only 2 per cent of the gross national product, the rate of economic growth had been particularly rapid. At the present time, when doubts were growing about the stability of the economic position in the United States, a higher level of military expenditure was being advocated, a fact which served to show how pervasive were the contradictions that were choking the capitalist system. The consultative group's study contained in the Secretary-General's report (E/3593 and Corr.1) would be particularly important in dissipating the misconceptions about the consequences of disarmament. The group's main and unanimous conclusion had been that rearmament imposed a heavy burden and that general disarmament would benefit all countries. The group had usefully considered the various uses to which the resources released by disarmament could be put and had pointed out what priorities might be established for their allocation. It had indicated that those resources might also be used to raise the low level of wages and to increase social investment. Among other advantages of disarmament the group had mentioned that it would open the way to promoting

research and mobilizing science for constructive purposes, such as harnessing atomic energy for peace.

4. All those considerations were in sharp contrast to the growing military expenditure of the United States and its new exploit: the high-altitude nuclear test of 9 July 1962.

5. Among the measures that could be taken by capitalist countries as a consequence of disarmament the consultative group had mentioned the reduction of income tax, particularly of that payable by the lower-income groups, as well as the reduction of indirect taxes on consumer goods. He entirely agreed with its conclusion that it should not be difficult to maintain effective demand during the transitional period, particularly as real incomes would be rising. Nor did the conversion of war industries pose any new problems.

6. He also agreed with the group's view that one of the advantages for developing countries would be the release of skilled workers from the armed forces.

7. The group had recognized that the switch from military to peaceful production would present no problems for the socialized countries and that demobilized men would easily find employment.

8. With greater resources available for investment and for increased economic aid to developing countries, demand for industrial equipment, building materials and the like would rise and world trade would expand. That might in turn stimulate demand for raw materials to the advantage of the less developed countries.

9. The consultative group had expressed the view that with disarmament the heavy industries of more advanced countries would be able to give wider help to the less developed countries. The Soviet Union and other socialist countries were not waiting for international agreement on disarmament and were already giving such help.

10. The group had rightly forecast that in a disarmed world a general improvement in standards of living, particularly in those of low-income groups, could be expected, as well as shorter working hours and longer holidays. An important social effect of abolishing military service would be that men would no longer be compulsorily separated from their families.

11. He would not mention the group's final conclusions which had already been commented on by other speakers but wished to express his delegation's gratification at the fact that members of the headquarters secretariat as well as of ECE had taken an active part in the preparation of the study. It was significant that the group itself had been composed of experts from countries with different economic and social systems and at different stages of development.

12. In some ways the study could be improved; thus, for instance, chapters 3 and 4 contained some repetitious matter which could easily be eliminated. Chapter 6 might be amplified so as to include information about the beneficial effects of disarmament on standards of living in developing countries, and chapter 7 should also be expanded.

13. It was the duty of the economic organs of the United Nations and the specialized agencies to play a greater part in helping to solve the problem of disarmament and, to that end; they must continue and, indeed, extend their

studies on its economic and social consequences, using as a guide the principles laid down by the consultative group.

14. The economic and social consequences of disarmament should be discussed each year by the Council at its summer session. His delegation supported the proposal in operative paragraph 6 of the Polish draft resolution (E/L.963).

15. In conclusion, he hoped that the consultative group's study would foster the cause of peaceful coexistence and of general and complete disarmament under strict international control.

16. Mr. KLUTZNICK (United States of America) regretted having to intervene in the debate. His delegation had come fully prepared to discuss one of the most important problems of the day in a constructive spirit. Unfortunately, the Soviet Union representative had seen fit to slander the United States and find fault with its internal policies. The United States delegation rejected most emphatically the completely unfounded allegation made by the Soviet representative that "an insignificant minority of evil men", profiting from the arms race, was imposing its will on mankind. Indeed, the Soviet representative himself had been one of the group of experts who had unanimously rejected that absurd thesis. Its absurdity had also been demonstrated by the United States submission to the group of experts and by his (the United States representative's) own statement at the 1220th meeting on the subject. One should also remember that evidence was freely available to show why it had been difficult to achieve agreement on disarmament and on the discontinuance of nuclear tests, and that evidence reflected no credit on the Soviet Union.

17. No one could impugn the status, dignity and good faith of the United States without a reply being given. But the United States delegation hoped to avoid being drawn into such an indecorous discussion when the Council was engaged on serious business. On the two items discussed up to then in plenary, only the USSR had turned from constructive debate to cold war propaganda.

18. Mr. FURLONGER (Australia) commended the consultative group on its valuable, realistic and objective study with its generally encouraging conclusions. It was particularly reassuring to read that the group had concluded that the problems and difficulties involved in the transition to disarmament could be met by appropriate national and international measures. It was gratifying that so diverse a group should have reached unanimous agreement.

19. One of the most valuable features of the study was that it would remove a number of misconceptions going back some forty years since disarmament had been a subject of international discussion and particularly the oldest, which was that private enterprise countries were unenthusiastic about disarmament because of industrial reconversion difficulties. An important conclusion in the study was that summarized in paragraph 176 that the maintenance of effective demand in the industrialized private enterprise economies should not prove too difficult after disarmament had taken place; at the same time

the group had wisely not glossed over the fact that although there were solid grounds for optimism about the way in which long-term adjustments could be made there would be real short-term problems for all economies. The study had set problems in their proper perspective. Disarmament was not a unique economic phenomenon but, as the study pointed out, was only a special case of adaptation to changing conditions requiring reallocation of resources such as took place in the normal course of economic growth. Moreover, the study indicated that the over-all problem presented by general disarmament would be smaller in scale than that successfully surmounted at the end of the second world war. In his own country demobilization and reconversion of the war-time economy had been carried out smoothly and he did not expect any serious problems to arise in reallocating personnel and resources under a programme of general disarmament.

20. A constant concern in Australia since the second world war had been to keep in check, in the interests of stability and controlled growth, demands in the civilian sector which had tended to get out of step with available resources and supplies. Limitations had affected not only personal consumption, but also private and government investment. Accordingly, there was a reserve of potential demand, and any accrual to the civilian sector of resources and supplies currently being used for military ends would be welcome. The observations in paragraph 47 referring to the heavy backlog of urgent needs in the social field in all countries reinforced that comment. The developing countries, whose needs were greatest in that regard, had most to gain from a massive increase in resources that could be devoted to social investment but there was also much to be done both in countries like Australia, which was at an intermediate stage of development, and even in the most highly industrialized countries. Those considerations justified the authors' confidence that a smooth transition to a disarmed world could be made.

21. As to some aspects of the study which had not been mentioned by other speakers, the analysis in chapter 3 of the impact of disarmament on national production and employment should be particularly useful to governments which regulated their economies by sophisticated and largely indirect methods. The specific suggestions put forward in paragraphs 75 to 85 provided a valuable reminder of the need for positive action so as to ensure that resources released by disarmament were not wasted and were directed into channels that would provide high levels of consumption for all sections of the population.

22. As indicated in paragraph 86, the degree of success in maintaining effective demand by the highly industrialized countries during the early stages of disarmament would be of great importance to all primary producing countries. Indeed, that was an important consideration at all times for Australia, which was one of the major exporters of primary products in the world. As the consultative group had pointed out, among the most beneficial effects of disarmament should be a long-term expansion of international trade, a more rational international division of labour and a more effective use of world resources. Those were certainly goals towards which all Members of the United Nations should work, but his delegation did

not fully endorse the suggestion in paragraph 132 that in a disarmed world the tendency was likely to be that advanced countries would open their markets more widely to imported foodstuffs. That argument seemed to be based on the assumption that agricultural protectionism was due to security preoccupations, but although it was true that the desire for agricultural self-sufficiency in time of war was a factor, his government's experience indicated that in fact protectionism was due more to political and social influences. His government saw no *prima facie* reason to expect that these influences would be weakened with disarmament.

23. Another problem which might adversely affect exporters of primary products and raw materials unless special steps were taken was the disposal of stockpiles of food and materials built up for strategic purposes.

24. He hoped the consultative group was right in its conclusion that disarmament would be accompanied by a reduction of trade barriers imposed by industrialized countries on exports of manufactured goods from the developing countries; that question was assuming increased importance with the expansion of manufacturing capacity in the latter countries, mostly as a result of international aid. The question was likely to grow in significance as a result of the Development Decade.

25. It would be a mistake to assume that disarmament would automatically produce improvements in the above-mentioned fields and the problems involved should continue to engage the attention of the international organizations concerned.

26. He entirely agreed with the conclusion in the study that the promotion of the economic and social development of developing countries was one of the main ways in which resources released by disarmament could be used. The reduction of the gap in standards of living between the industrialized and the developing countries was one of the great challenges of the present generation and one of the factors that lent urgency to efforts to bring about disarmament. No one could fail to be struck by the fact pointed out in paragraph 140 of the study that the world's total military expenditure was at least five times as great as the combined gross investment expenditure of the less developed areas. Such figures and others in the study pointed out their own moral.

27. The consultative group's study had made a valuable contribution to the whole subject and should be helpful to the disarmament talks about to be resumed. It had cleared the way for the governments taking part in those talks to concentrate on the fundamental causes — political, psychological and military — which had long bedevilled the arduous search for a workable disarmament programme.

28. Mr. ABOLTIN (Union of Soviet Socialist Republics) said that he was reluctant to speak again in the discussion, particularly as he had not been clear as to why the United States representative had been so provoked. There had been nothing in his statement constituting interference in United States internal affairs, and he had simply mentioned that country as an example of the proposition that increased military expenditure was accompanied by a slower rate of economic growth. He was

unable to understand why a well-known fact of that kind should be regarded as insulting, and was certain that the United States representative would not think of himself as belonging to the group of arms manufacturers who were the main instigators of the armaments race. However, he and the United States representative would never be able to agree on what were the causes of the armaments race.

29. Mr. KLUTZNICK (United States of America), intervening on a point of order, said that the question of responsibility for the armaments race had no relevance to the item under discussion.

30. The PRESIDENT regretted the turn taken by the discussion but considered that the Soviet Union representative was exercising his legitimate right of reply.

31. Mr. ABOLTIN (Union of Soviet Socialist Republics), continuing his remarks, which he considered were entirely relevant to item 5 of the agenda, emphasized that it would be impossible to discuss the consequence of disarmament without establishing the cause of the armaments race. He could see no harm whatever in an exchange of views on the matter: indeed it would otherwise be impossible to reach a common conclusion. That had been the procedure followed by the consultative group itself.

32. Mr. ROSENSTAND HANSEN (Denmark) expressed his appreciation of the Secretary-General's report (E/3593 and Corr.1 and Add.1-4) which shed valuable light on some aspects of the problem of general disarmament. His delegation concurred wholeheartedly in the conclusion that a diversion to peaceful purposes of the resources now in military use would benefit all countries and lead to the improvement of economic and social conditions in the world.

33. The most significant finding of the consultative group's study was that disarmament would not present any essential economic or social difficulties to any country, irrespective of its political and economic system and of its stage of development. It was most encouraging that that conclusion should have been reached unanimously by a group of experts from countries with widely differing political and economic backgrounds. In particular, his delegation was in full accord with the view that a very close connexion existed between the problem of disarmament and that of furthering economic development in the developing countries.

34. Since Denmark had not replied to the Secretary-General's inquiry he would outline his country's position. Denmark's expenditure on military and civil defence now amounted to approximately 1,300 million kroner, representing about 3 per cent of the gross national product. The release of those funds for other uses would not cause any economic difficulties, because in the foreseeable future, there would be no lack of urgent investment needs in the private and public sectors of the Danish economy. At that stage it would be unrealistic to prepare a priority list of the projects to which the money spent on defence could be diverted: a decision by the government on that question would have to take into account the political, economic and social conditions prevailing at the time of disarmament, and would also require the consent of the legislative power.

35. The manpower engaged in military and civil defence establishments constituted between 2 and 3 per cent of the total labour force. In the favourable employment situation that had prevailed in Denmark during recent years, the manpower released as a result of a disarmament agreement would probably be smoothly and quickly absorbed. Such an agreement would be likely to have a stimulating effect on the Danish economy.

36. The immediate impact of disarmament on Denmark's imports and exports would be of a modest order; imports would not decline by more than 2 or 3 per cent, while the effect of the elimination of exports for military uses would probably be even less significant.

37. The value added by firms engaged in manufacturing for military purposes was extremely small and accounted at most for 2 to 3 per cent of the contribution made to the gross national product by manufacturing industry. Consequently, disarmament would not result in any major dislocation of industrial production.

38. Mr. KAKITSUBO (Japan) said that the excellent study carried out by the group of experts provided valuable material for the analysis of one of the most vital issues before the United Nations. It was noteworthy that despite the differing economic and social systems and stages of development of the countries to which the experts belonged, they had adopted the report unanimously.

39. The study showed that huge sums of money were being devoted to armaments not only by the major Powers, but also by the small developing Powers as well. It was tragic that the latter Powers, who so badly needed their resources for economic and social development, should have to devote so large a proportion of them to non-productive defence expenditure. On the other hand, it was gratifying to note the experts' conclusion that, so long as appropriate counter measures were taken in time by the countries concerned, the adverse effects which some people feared would follow the implementation of disarmament measures could be avoided. That conclusion was an encouragement to disarmament negotiators to persevere with their work.

40. At the same time, it was impossible to overlook the limitations placed on the usefulness of the report by the fact that it had been prepared on the assumption that general and complete disarmament would be implemented within a short period of time. Unfortunately, no agreement to that effect had been reached, nor did one seem likely to be reached in the near future. His delegation hoped that the Conference of the Eighteen Nation Committee on Disarmament, which would shortly be resuming its work, would be successful in paving the way for general disarmament; meanwhile, in the absence of an agreement on concrete measures of disarmament, any report dealing with the economic and social consequences of disarmament was bound to appear academic or at least premature. The study would have had greater practical value if it had been prepared after some concrete measure of disarmament had been agreed between the major Powers. In order to make such a report really useful, once an agreement on disarmament had been concluded further studies should be made of various factors that had a direct bearing on conversion and transfer of

resources from military to peaceful uses. The factors requiring more thorough study were the impact of disarmament on employment; the transitional measures to be taken with regard to countries exporting strategic materials for military purposes; the adjustment of aid programmes for countries now in receipt of military assistance; and the conversion and transfer of materials to be released as a result of disarmament, particularly in the centrally planned economies.

41. There was no doubt that if general and complete disarmament were to come about, part of the resources at present devoted to armament purposes could be used for the economic and social development of the developing countries. But assistance to those countries should be increased without waiting for the achievement of disarmament, because the economic and social development of the low-income countries was so urgent that it could not be delayed until general and complete disarmament was agreed upon and enforced.

42. Mr. GUZINA (Yugoslavia) said that the importance of disarmament arose above all from the great danger to mankind presented by the arms race; but the thorough analysis of the economic and social aspects of disarmament made in the study provided an impressive additional argument in favour of an early international agreement on disarmament.

43. There were three very important points. First, disarmament opened up great possibilities for economic and social progress; it was inconceivable that the collective conscience of mankind should permit them to remain unexploited. The standard of living in all countries could be raised and a radical approach made to unsolved problems in such matters as education, health and housing. Moreover, disarmament would have a powerful effect on the acceleration of economic development, a particularly important question for the less developed countries.

44. Secondly, the problem of reconversion from military to civilian production would not present insurmountable difficulties, although his delegation shared the view of the consultative group that certain aspects of the problem raised by the discontinuance of military production and the employment of the funds thus released required further study. For that reason the economic and social consequences of disarmament should remain continuously on the agenda of the Council, and the Secretary-General should be requested to study further aspects of the question.

45. Thirdly, given the numerous existing possibilities for further material progress in the world, and in the light of the wide measure of agreement on the absurdity of the arms race, it was advisable to take immediate steps to see what could be done now to tap, if only in some small measure, the resources wasted on the arms race. His delegation appealed to governments, and more especially to those of the great Powers — who were responsible for 80 per cent of the world's total military expenditure — to examine the possibility of allocating a certain percentage of their military budgets to meet the needs of economic development. That percentage could be small at the outset on the understanding that it would increase as disarmament progressed. The funds thus released would

be employed for projects of general international significance and, above all, to speed up the economic development of the less developed countries. It was imperative that such a possibility should be examined afresh; a recommendation to that effect appeared in a draft resolution (E/L.962) of which Yugoslavia was one of the co-sponsors.

46. Mr. CERULLI IRELLI (Italy) said that his delegation had studied with interest and satisfaction the Secretary-General's report on the economic and social consequences of disarmament. The study contained in that report provided fresh evidence of the urgent need to carry out controlled general disarmament without delay. One point deserved special mention: the ten experts representing eastern and western countries who had been asked to carry out the study had been unanimous in stating that there was nothing to fear from the economic consequences of disarmament; disarmament would release immense resources which could be utilized for civilian purposes, particularly for promoting the economic development of the less developed countries, as was noted in the preamble to the draft resolution proposed by Ethiopia, India and Yugoslavia (E/L.962).

47. His government had sent a detailed reply to the Secretary-General's questionnaire and there was thus no need for him to re-state Italy's position on that item of the agenda. The Italian delegation supported the proposal in operative paragraph 6 to the Polish draft resolution (E/L.963) that the Secretary-General be requested to have the report and the replies to the inquiry widely distributed. It was no doubt strange to be dwelling so long on the consequences of disarmament before it had been realized, but it was to be hoped, for the sake of mankind, that controlled general disarmament would be achieved at an early date.

48. Mr. WODAJO (Ethiopia) said that his government's views on the economic and social consequences of disarmament were based first and foremost on its deeply felt conviction that the arms race not only constituted a heavy burden on humanity but was fraught with dangers to world peace. If international co-operation were to be promoted, there was no alternative but to disarm; the peoples of the world and their governments desired peace, as was apparent from the fact that governments had accepted the goal of general and complete disarmament; and such disarmament was a practical proposition capable of immediate implementation.

49. The very fact that the General Assembly should have recommended a study of the economic and social consequences of disarmament (General Assembly resolution 1516 (XV)) constituted recognition of the idea that disarmament was feasible. Moreover, it was significant that a group of experts drawn from countries with different social systems and at different stages of development should have reached unanimous conclusions; a few years previously, the examination of so important a problem would have been impossible or at least beset with ideological difficulties.

50. Furthermore, the experts' study (E/3593 and Corr.1) had helped to dispel certain defeatist attitudes, such as the doctrinaire idea that some societies had such a vested interest in the production of armaments as a way of

maintaining their economies that it was impossible to expect them to agree to any disarmament proposal, or the equally doctrinaire notion that certain societies were so anxious to expand their ideological influence, if necessary, by the use of force, that they would never be interested in disarmament. The conclusion in the report that all the problems and difficulties of transition connected with disarmament could be met by appropriate national and international measures pointed the way to a correct and realistic approach in future discussions of the problem.

51. It was self-evident that vast resources now expended on the creation of means of destruction would be freed by some measure of implementation of general and complete disarmament and could be used for the material and spiritual advancement of humanity. No less than \$120,000 million was spent annually on military account and 20 million human beings were involved in so wasteful an enterprise.

52. To the question whether, once disarmament had been achieved, the existing effective demand for goods or services could be maintained, the experts had replied with an emphatic affirmative. Even in the most advanced industrial countries there was a large margin of needs in terms of personal consumption that still remained to be satisfied. Plant had to be modernized and a vast amount of social investment in housing, education and health was required. There would also be an increase in effective demand for goods and services arising from the increase in the volume of international trade likely to ensue from a slackening of international tension.

53. In the under-developed countries, the majority of which were devoting between 8 and 10 per cent of their aggregate national income to armaments, disarmament would lead to great savings in foreign exchange, which could then be profitably used to pay for purchases of capital equipment; disarmament would also result in the release of skilled personnel for economic and social development. If disarmament were accompanied by a corresponding increase in private and public non-military

expenditure, the demand for the raw materials produced by the under-developed countries would not decrease and, indeed, might rise appreciably. What was most significant for the under-developed countries was the fact that disarmament would increase the volume of financial and technical aid they received from the industrialized countries. If the rate of total capital inflow to the under-developed countries could be increased to \$15,000 million per annum, it would be possible to raise the aggregate national income of those countries by between 3 and 5 per cent.

54. The adjustments required in conversion did not present insurmountable difficulties and were no greater than those needed immediately after the second world war.

55. His delegation shared the hope expressed by the United States representative at the 1220th meeting that progress would not await the achievement of general and complete disarmament. For that reason his delegation had joined in sponsoring draft resolution E/L.962, operative paragraph 2 of which recommended that Member States should consider the possibility of effecting savings in their military budgets to provide a given percentage for the needs of economic development of the less developed countries.

56. The PRESIDENT declared the general debate on item 5 of the agenda closed.

57. It had been decided by the Council at the 1209th meeting that the item should be discussed in the Economic Committee after it had been considered in plenary. However, the sponsors of the two draft resolutions (E/L.962 and E/L.963), were endeavouring to prepare a generally acceptable unified draft. If their efforts were successful, the new draft should be considered at a subsequent plenary meeting and, in that case, the item would not be referred to the Economic Committee for discussion.

It was so agreed.

The meeting rose at 5.10 p.m.