

Issues Paper on  
DISARMAMENT AND DEVELOPMENT

Disarmament and development both compel attention and advocacy independently, each in its own right. But there is a strong instinctive presumption that the two are related, that stable progress on one front is difficult without progress on the other - despite the fact that direct causal links between them are few. The value of considering disarmament and development jointly is twofold. In the first place, pointing out the benefits that each carries for the other strengthens the arguments for both. Secondly, anticipating the ways in which the links between them might be established or reinforced helps to prepare for making the most of the development opportunities that would be created if a meaningful degree of disarmament were to be achieved.

The case for disarmament and development has been argued chiefly on moral and logical grounds. In order to advance the debate on these issues further, it is necessary to distinguish between what is morally and logically commendable, and what is politically possible in the circumstances that prevail today. The international political arena is one in which many governments have sound empirical reasons, both current and historical, to fear for their countries' security -- or for their own security in power. They will be persuaded that disarmament is in their interest only if it can be demonstrated that security can be better attained, and at lower social and economic cost, through greater use of non-military measures.

The preoccupation with national security, and the perception that it can only be guaranteed by military strength, is dangerous, given the volatility of notions of national interest. Serious disarmament efforts must be embedded in equally serious efforts to change both the political context in which arms races have flourished and the conflict-resolution mechanisms that serve as alternatives to armed force. If levels of weaponry are reduced but motives for conflict and ways of handling it remain unchanged, the stage remains set for re-escalation.

Nothing guarantees that disarmament would lead automatically to accelerated development. In every country, and in the international arena, there are competing claims on resources. In the event of a scaling down of military spending any number of different constituencies could be expected to come forward with their own bids for capital, skilled labour, technological resources and the like. The constituencies for development, meaning the reduction of poverty and inequality, are not necessarily the strongest competitors.

Further work is needed to help identify the policies that could make it more likely that funds released by disarmament would in fact be used for development. Global military expenditure currently exceeds \$700 billion per year. The revenues that would be released by disarmament on the part of any country accustomed to high military spending would amount to a windfall gain. But history illustrates how difficult it is to turn windfalls -- such as the gains from commodity booms -- to



sustained positive purposes. A substantial movement towards disarmament would create an important economic opportunity. How the opportunity would be used depends first on politically determined priorities and then on effective policy-making and forceful implementation.

Though disarmament does not inevitably lead to development, it is quite clear that high military spending does constrain development directly and indirectly. A great deal of work has been done on the current impact of armaments and arms races on the international economy and national economies. But there remain large areas of confusion and controversy over the real nature of the relationship. Serious, detailed, empirical studies are still badly needed, including historical analyses of the relationships among military spending, war and development. For analytical purposes, it is useful to separate the industrialized and the developing countries when examining the effects of armament on development.

The industrialized countries account for nearly three-quarters of global military expenditure, with the two superpowers alone spending half of the world's defence budget. These huge sums obviously affect the economies of the industrialized world and the international economic system in a number of ways. The particular effects on civilian economies depend in part on how the military budget is financed - whether through taxation, public borrowing, or general inflation; or as in most countries, some combination of the three. In each case, however, military spending represents not only a diversion of resource from the civilian economy but also a diminution of its potential for future growth. Economic stagnation, which is exacerbated by the drain of military spending, provides the major rationale for both the decline of official development assistance as a proportion of donor GNP and the growing tendency toward protectionism.

The developing countries are not immune, of course, to the general effects on the international economy of high military spending in the industrialized world. For example, deficit financing of the U.S. defence budgets in the 1980s has been a factor in sustaining high interest rates and a high value for the U.S. dollar. The former has vastly increased the cost of borrowing, on which most developing countries depend. The latter has increased their import bills not only for U.S. goods but also for oil, the price of which is denominated in dollars. Thus a reduction in military spending, to the extent that it led to a lower U.S. deficit, and therefore lower interest rates and a weaker dollar, would benefit the oil-importing debtor nations doubly.

Military spending by the developing countries, though it involves much smaller sums than in the industrialized states, has a more direct impact on development, though here again it is impossible to say that reduced expenditures would automatically bring development benefits. The developing countries account for roughly one-fourth of the global military budget. Of this, about one-third is spent by capital-surplus countries, chiefly oil-exporters. Even for this relatively privileged group, military spending involves opportunity costs. But for the rest of the developing countries, armament asserts a claim on resources that are already in desperately short supply - skilled labour, capital,



international credit, certain raw materials, and so forth. The developing countries are also subject to the same distortions of their internal economies that beset the big spenders among the industrialized countries, but they have fragile economic structures that are less able to withstand the inflationary pressures, disincentives to investment and depression of living standards that accompany militarization.

Few of the developing countries have full-fledged arms industries capable of producing highly sophisticated weapons. For most, an arms race means a high import bill: in 1979, the value of weapons imported by the developing countries was over \$16 billion. (This is actually twice the value of the arms imports of the developed countries, which are more likely to produce their own weapons.) A large portion of these weapons are acquired as commercial purchases rather than through military aid, and thus exacerbate the very serious balance of payments problems faced by many of the non-oil-producing developing countries. The purchase of arms lowers the net worth of the importing country, since armaments are non-productive investments which produce no asset whose value can repay the purchase price.

Some military expenditures do have spin-off effects that benefit the civilian economy: roads may be built for strategic purposes that incidentally improve farm-to-market transport, for example. Military research and development may produce technologies that have useful industrial applications. The armed forces may train people who return to civilian life with education and skills they might not otherwise have had the opportunity to acquire. And of course, the military employs people directly and indirectly, and their wages have a multiplier effect in the civilian economy. There is, however, nothing to suggest that all these benefits could not be attained more efficiently and effectively if government revenues were spent on them directly. Nonetheless, fears that reductions in military spending would result in losses of employment and economic stimulus are very real, and need to be met with detailed and specific plans for the conversion of resources from military to productive civilian uses.

The conversion problem faced by the developing countries is qualitatively different from that faced by the industrial economies. As noted earlier, relatively few developing countries have large indigenous arms industries, so the conversion of industrial capacity to civilian usage less problematical. However, the military-industrial complexes that do exist in the developing countries are typically part of a dual economy, in which the production of the modern sector is related only tangentially, if at all, to the real needs of the majority of the people. The prospect of a new economic opportunity created by disarmament raises once again the question: "Development for whom?" In other words, the problem of conversion in the developing countries must go beyond "guns versus butter" and ask who gets the butter - and do they first have bread?

Much of the work on disarmament and development to-date has had as its primary purpose the arousal of professional and public opinion by alerting people to the very high, and often hidden, price that industrial nations and the whole international system pay for continued



military buildups. This price is not only economic; it is also exacted in the form of a distortion of civic life, as reliance on the threat of force comes to be accepted almost casually in dealing with internal as well as external problems. These internal problems arise in some instances from deep-seated poverty and inequality, and in others from tensions created by the development process itself.

A pervasive militarization of society is always a danger in societies that do not have strong, long-entrenched civic structures for resisting it. In younger and more fragile polities, the command of disproportionate power and resources by the military may obstruct or prevent the acquisition of the skills of civilian government and private management. Finally, and most ironically, the price of heavy "defence" expenditure is often paid in the currency of reduced security, as preparations for war (even if preventive in intent) raise the level of tension in virtually all corners of the globe.

The debate on disarmament and development must at this point go beyond pointing out the benefits of the former for the latter. It must now make the case that disarmament is possible as well as desirable under certain circumstances, and then go on to elaborate these circumstances in the light of specific national and regional realities. Then it can begin to develop practicable ideas of how positive causal linkages between disarmament and development can be established or strengthened by national, regional and international actions.

It might be useful to take a closer look at some of the successful examples of conversion from the recent past. The vast demobilization in the United States following World War II was accomplished without recession and without a large increase in unemployment. The Marshall Plan for the reconstruction of Europe undoubtedly helped American industries maintain output. But in addition, the end of the war had been preceeded by careful planning by elements of the private sector. More than one thousand committees around the U.S. planned for peacetime conversion in their own communities, under the auspices of the private Committee for Economic Development. In the early 1960s, U.S. defence spending was pruned in an effort to rationalize defence. Again, there was no decline in output or employment. Much of the potential slack in the economy was taken up by the growth of state and local government expenditures, particularly for the expansion of university systems. In some developing countries, there have also been relatively long periods of restraint in military spending (even by military governments) with beneficial effects on growth.

It is important to recognize, of course, that each country is unique, and that one finds great variation in the relationship between national economies and armaments. The problems faced by capital-surplus countries that spend large portions of their import receipts on arms are very different from those faced by poor debtor countries that spend heavily on arms. Some countries keep military spending at a level that is high in absolute terms but relatively small compared to their total GNP. Others spend large sums and large proportions of GNP on arms. It may be useful to construct, extend and refine this rough taxonomy of



such relationships in order to visualize more clearly the different policy contexts in which the debate takes place.

Another useful preliminary step in attempting to redirect military resources toward development is to disaggregate the different kinds of military spending and speculate about how each kind can be matched with unmet needs in the civilian economy. Military spending is not homogeneous. SIPRI analysts have broken it down into eleven categories:

1. Pay and allowances of military personnel
2. Pay of civilian personnel
3. Operations and maintenance
4. Procurement
5. Research and development
6. Construction
7. Pensions
8. Military aid
9. Civil defence
10. Paramilitary forces
11. Dual-use facilities and activities (space, atomic energy, etc.)

Some of these are more easily turned to developmental purposes than others. This "supply side" disaggregation of the disarmament-development equation should be matched with a demand-side disaggregation of development needs, in order to work out the most direct paths for conversion. In most countries, personnel costs make up the biggest chunk of the military budget; in most countries, too, labour-intensive sectors such as health and education systems are underfunded and/or understaffed. In many developing countries, lack of maintenance is a serious constraint on full utilization of industrial capacity. The skills used in maintaining military equipment are not inapplicable to these needs. Funds spent on importation of weapons could be used partly to ease balance of payments problems and partly to import equipment needed by the civilian economy. Civilian research and development needs of both the North and the South are among the most prominent victims of the military buildup. (Defence-related research and development accounts for fully half of all publicly financed research and development in the U.S. and the U.K., for example.) Meanwhile, research on such pressing needs as alternative energy sources, tropical diseases and safe family planning techniques is starved for funds. Military construction budgets could be turned over to the construction or reconstruction of national infrastructure. This is not to pretend that there is direct correspondence among these opposing categories, but rather to suggest some possible points of entry to the problem of demilitarizing national economies in a way that contributes to their development.

Within most developing regions structural poverty and glaring inequality provide grounds for domestic social conflicts, which in turn create a vulnerability to external intervention. Even without intervention, domestic social conflicts have shown a tendency to spill across national borders. Economic growth and structural change require sustained development efforts over a long period. Regional security-and-development arrangements would surely help developing countries

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achieve both goals, by making possible the demilitarization of borders internal to the region. Such arrangements might include joint production of defensive weapons on a regional basis and joint defensive exercises - both of which would simultaneously introduce economies of scale in meeting legitimate defensive needs and reassure the participants about the capabilities and intentions of their neighbours. These regional groupings would be best protected against opportunistic intervention if they were genuinely non-aligned.

The whole community of nations has a stake in common security and common prosperity. But what kinds of policies can be formulated by nations singly and collectively to advance their common interest? The tendency to equate security with military preparedness has narrowed the repertoire of instruments that nations use to minimize external threats to their stability. Economic and diplomatic initiatives including arms control, will in most cases offer better prospects for security than military build-ups. The peace-keeping and conflict-resolution functions of the United Nations should certainly be strengthened to the maximum extent possible. The U.N. also has an extra-governmental role to play here, which is an educative one: it can make a direct impact on people's perception of the relation between disarmament and development, forcefully pointing out that arms races have not, in fact, brought greater security, but rather its opposite.

Development assistance still tends to be regarded as an act of charity rather than an act of self-interest, and its domestic constituencies in aid-giving countries are relatively weak. A strategy for directing some of the gains from disarmament toward development should build on an explicit recognition of the mutual benefits to be derived from the development of the poorer countries. A strongly trade-oriented global development strategy built on a foundation of general arms reduction may have the best chance of eliciting mutual co-operation from North (both of the East and West) and South. It should emphasize industrial restructuring in the North, with removal of trade barriers to developing countries phased in as their capacity to export improves and non-competitive industries in the North are replaced by more dynamic ones. In effect, adjustment funds provided by disarmament would be used in lieu of protectionism to defend employment in industrialized countries and thus facilitate trade with the developing economies. In the transition, some "sunset industries" in the industrialized countries might be able to contribute to the construction of necessary infrastructure in the developing countries. For developing countries, the gains from disarmament should be directed to domestic production of "wage goods" (that is, the goods that will satisfy the real needs of the majority), and to taking advantage of the newly opened potential opportunities for trade for the same end. The poorest countries, whose economies are still too weak to take advantage of new trade opportunities, will continue to need direct transfers of resources.

This whole process could be facilitated by the establishment, again with some of the revenues formerly devoted to arms, of an international fund that would provide long-term refinancing for any nation whose growth is constrained by debt-servicing requirements. This interim solution to the debt problem would help to restart growth in



international trade. A new kind of positive conditionality might be applied: to encourage not only sound financial management but genuinely development-oriented growth strategies. It might yet be necessary also to specify, since the world does not change so quickly, that countries using the fund not devote the resources it provides to the purchase of arms.



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### PLEASE NOTE:

The attached issues paper on disarmament and development is intended to serve as a basis for beginning a discussion on its subject with interested individuals and organizations. It is in no way a formal or definitive statement by the United Nations University; it does not therefore explicitly take note of the considerable body of work on disarmament and development that has been done within the U.N. system and outside of it. Rather, the paper is meant to raise various issues, elicit ideas about how these issues should be treated and stimulate suggestions for further development of research in this area. Comments on the paper are most welcome, and should be addressed to:

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