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ECONOMIC AND SOCIAL CONSEQUENCES
OF DISARMAMENT

(Replies of Governments)
PREFATORY NOTE

Addenda 1 and 2 to the Secretary-General's report (E/3736) to the thirty-sixth session of the Economic and Social Council under Council resolution 891 (XXXIV) contain the replies of Governments, received by 30 April 1963, to the Secretary-General's invitation to provide information requested in the Council's resolution. Replies received subsequently will be reproduced in further addenda. The Secretary-General's note verbale, inviting Governments to supply information, is reproduced in Annex II of his report. The note verbale also invited information pertinent to the Secretary-General's forthcoming report to the General Assembly under Assembly resolution 1837 (XVII). Accordingly, some of the material contained in these replies is pertinent mainly to the report to the General Assembly, and the replies will therefore also be included in the documentation for that report.
REPLIES OF GOVERNMENTS

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1. REPLY OF THE GOVERNMENT OF CANADA

The Canadian Government sent a reply to the United Nations last year in connexion with the Consultative Group's study on the economic and social consequences of disarmament, (United Nations document E/3593/Rev.1/Add.1-5). This reply contained statistical tables on the Canadian resources now serving military demands. These tables showed the expenditures of the Canadian Department of National Defence, the relationship of these expenditures to those of other Canadian Government Departments as well as to the Canadian gross national product. They gave service and civilian strength. They also indicated the expenditures of the Canadian Department of Defence Production, and gave its civilian strength.

The Canadian Government has since undertaken further studies to obtain more detailed information on Canadian defence expenditures, particularly as these affect employment and individual industries in Canada. These studies are continuing with a view to carrying out the request contained in General Assembly resolution 1837 (XVII) of 18 December 1962.
2. REPLY OF THE GOVERNMENT OF IRAQ

The Government of the Republic of Iraq is in the process of preparing a new comprehensive development plan and until this plan is approved in its final form, it will not be possible, for the time being, to inform the Secretary-General of steps to be taken after general and complete disarmament is achieved.
3. REPLY OF THE GOVERNMENT OF ISRAEL

With reference to Economic and Social Council resolution 891 (XXXIV) of 26 July 1962 and General Assembly resolution 1837 (XVII) of 18 December 1962 on the social and economic consequences of disarmament and in particular as regards operative paragraph (6) of the Council resolution, the Government of Israel is devoting close attention to the problem and is keeping all the aspects outlined in the resolutions under constant review and study.

Owing to the fact that the economic and social conditions of Israel are in a continuous process of change as a result of rapid development, and in view of a security situation which compels Israel to give special heed to its defence requirements, studies of the kind recommended are naturally affected by the lack of stable and foreseeable factors.

As far as the information sought with respect to the establishment and implementation of the projects and plans recommended in paragraph (8) of the General Assembly resolution is concerned, the Government of Israel has been intensifying its efforts to set up and carry out projects and plans of development. It recognizes that these efforts may be considerably extended and accelerated by the release of additional resources as a consequence of an agreement on general and complete disarmament.
The Government of Israel has also directed its interest to integrated development plans of a regional character, as was further recommended. It is convinced that the general welfare of the Middle East and its peoples may be significantly fostered by inter-governmental co-operation in such economic and social areas as agriculture, power, industry, communications, health, scientific research and education.

The position of Israel in this regard has been expounded in the United Nations on several occasions since the twenty-ninth meeting of the Ad Hoc Political Committee on 1 December 1952, when its representative presented a comprehensive plan for regional developmental co-operation in the Middle East.

The prerequisite for detailed planning, however, is inter-regional co-operation, which, unfortunately, is still not forthcoming because of the policies of certain States in our region. It is their unwillingness to embark upon co-operation and constructive endeavours which has arrested regional development and prevented the implementation of wider projects designed for the welfare of the peoples of the region.

Israel believes sincerely that, with the advance of peaceful conditions in the region, and with progress in the field of general and complete disarmament, the difficulties which at present stand in the way of the carrying out of the studies recommended will be progressively overcome. It is the basic policy of the Government of Israel to strive, on its part, for the earliest attainment of such conditions.

The Government of Israel has on various occasions, in and outside the United Nations, declared its willingness to co-operate in a plan of regional disarmament which would not only advance the aim of good and peaceful neighbourly relations but would also release vast resources for the urgent development needs of its region. Israel holds that co-operation in that sphere should be initiated without further delay, so that the economic and social benefits derived from it may in themselves become incentives towards general and complete disarmament.

With reference to paragraph 5 (c) of Economic and Social Council resolution 891 (XXXIV) of 26 July 1962, the Ministry is glad to inform the Secretary-General that the study prepared by a group of expert consultants on the economic and social consequences of disarmament has been widely distributed in Israel, both in the official languages of the United Nations and in condensed Hebrew versions.
4. REPLY OF THE GOVERNMENT OF JAPAN

1. Progress made in studies on the economic and social consequences of disarmament:

At present, no systematic study, as referred to in operative paragraph 6 of General Assembly resolution 1837 (XVII) is being undertaken in Japan. However, the Government of Japan, and the general public as well, has been strongly interested in the consequences of disarmament, and essays and comments on the subject have frequently appeared in various publications in the country.

To cite a recent example, the Japan International Problems Institute, a subsidiary organization of the Ministry of Foreign Affairs, published a special edition on the problem of disarmament in the March 1963 issue of its monthly organ, International Problems. In this special edition, an essay entitled "Disarmament and its Economic Aspects" which was written by Mr. Saburo Rikui is of particular interest. A copy of the March 1963 issue mentioned above is enclosed herewith.

2. Translation and publication of the study prepared by a group of expert consultants on the economic and social consequences of disarmament:

The Japan International Problems Institute, referred to above, has translated this study into Japanese, and published a complete translation of Part I of the report in July 1962, followed by the publication of an abridged translation of Part II in September 1962. Twenty thousand copies of each publication have so far been distributed to those concerned, including governmental and non-governmental organizations and private persons, and they are valued highly as reference materials. A copy of each translation, Part I and Part II, is enclosed herewith. A complete translation of Part I of the report also appears in a recent publication, titled "The Readers of Disarmament", by the Jiji Press.

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5. REPLY OF THE GOVERNMENT OF THE NETHERLANDS

At present no further studies are being made in the Netherlands on this subject. In case such studies are undertaken in the near future, the Secretary-General will be duly informed.
6. REPLY OF THE GOVERNMENT OF NEW ZEALAND

The attainment of a general disarmament agreement would not present the New Zealand economy with any significantly difficult problems of adjustment. New Zealand is a capital-importing country and although unfavourable terms of trade in recent years have produced a number of problems the economic resources of the country are fully engaged. The defence vote at the current level of approximately £28 million amounts to some 6 per cent of the national budget.

For many years the demands of the public investment programme have placed the Government's financial resources under heavy pressure and have been met only by the aid of a considerable volume of borrowing, both domestic and external. Despite this, the available capital has had to be rationed and projects marshalled in order of priority, with all those of a less urgent category being deferred. Moreover, since New Zealand has no domestic arms industry of consequence it is obliged to import most of the equipment necessary for the armed services. This involves a further drain on resources of overseas exchange which in any case are scarcely adequate for essential private and public demands.

It follows, therefore, that any diversion of capital and overseas exchange which may be expected to result from the attainment of universal disarmament, through the elimination of expenditure for military, air and naval equipment, could only prove beneficial to New Zealand. At the same time, the proportion of such expenditure which would be freed in relation to the over-all volume of the public capital programme is insufficient to do more than ease the pressure of demand on our financial resources. In consequence, New Zealand has seen no need to undertake special studies of the economic and financial repercussions of a disarmament agreement.

On the question of personnel, the size of New Zealand's regular armed services establishment (1.15 per cent of the labour force) is not such as to pose any problem in their re-integration into the civil economy, especially as the armed services possess a valuable reservoir of skilled artisans which our industries could readily absorb. Moreover it could be expected that some forces of a para-military nature would remain in being.

The New Zealand Government would therefore envisage no difficulty in the fields of finance and employment arising from the conclusion of a general disarmament
agreement. It would in fact prove of considerable benefit to New Zealand's economy and society. If, as a result, New Zealand's financial position improved it would be possible for the Government to review the current levels of its contribution to international aid programmes.
7. REPLY OF THE GOVERNMENT OF THE SUDAN

The Sudan's Ten Year Plan of Economic and Social Development 1961/62-1970/71 aims at a total gross fixed investment of £5.565 million of which £1.337 are public sector investments, the remainder being investments by the private sector, and foresees a growth of gross domestic product of 5.2 per cent per annum cumulatively whereas the infrastructural investments will lay the foundation for a still more rapid growth in the subsequent development plan periods. Should world disarmament lead to a considerable increase of the supply of public foreign capital on soft terms, the above-mentioned investment volume could be raised, and consequently a more rapid rate of economic development would then be possible. The extent to which the planned investment volume could be raised would be limited by various factors, the most important of them being:

(i) the possibilities to increase the supply of skilled labour;
(ii) the possibilities to raise the technical, organizational and administrative capacity to invest;
(iii) the possibilities to further strengthen the balance of payments as a result of the additional investment;
(iv) the possibilities to increase internal financial resources in order to cover that part of the additional investments which for monetary reasons would have to be domestically financed anyhow to cover the increase of the Government's recurrent expenditure from the completed additional projects.

Taking the above limiting factors into account and assuming that (iii) and (iv) above would be satisfied, preliminary estimates suggest that the total investment of the Public Sector (£S.337 million) for the financial years 1961/62-1970/71 might be raised by approximately one third (i.e. some £S.112 million) or if we leave aside the induced private investment, the total investment plan of both the public and private sectors might be raised by some 20 per cent. This increase would require an additional capital inflow from abroad on soft terms, of almost £S.8.34 million including coverage for secondary import effects. A list of fifteen additional essential projects for further studies and execution during the plan period if more resources become available had been prepared (see page 21 of the
1962/63 Development Budgets booklet). This list contains both infrastructural and directly productive investment). Execution of the £S.112 million investment out of this additional programme is estimated to lead in the first plan period 1961/62 - 1970/71 to an increase of almost 5 per cent per annum cumulatively in the rate of growth of the gross domestic product instead of 5.2 per annum.

Finally and most important should the capital inflow due to world-disarmament continue after our Ten Year Plan of Economic and Social Development 1961/62 - 1970/71, the Sudan's long term aim of quadrupling the 1960/61 level of its total national income (or doubling the per capita income) in a generation could be reached in a considerably shorter period.
8. REPLY OF THE GOVERNMENT OF TANGANYIKA

The Republic of Tanganyika, as a developing country, submits the following information in accordance with paragraph 8 of General Assembly resolution 1837 (XVII).

Reference should be made to Tanganyika's three-year Development Plan, of which the Secretariat has a copy. The main sources of finance for the Development Plan are:

The British Government.
The Government of the Federal Republic of Germany; and
The Government of the United States of America.

In addition, it is hoped to obtain loans from the World Bank and the International Development Association.

Tanganyika could absorb more aid from all these sources if they could make more available, which they would be greatly helped to do if there were general disarmament.

A new Development Plan is under preparation which will come into effect when the present Plan ends in July, 1964. Assistance will be looked for chiefly from the same sources, as Tanganyika is likely to remain heavily dependent on external sources for capital development for some time to come.
Attention is drawn to the reply of Her Majesty's Government to a note verbale of the Secretary-General, which has been reproduced as part of E/3593/Add.1, and which contained an analysis of the distribution of current defence expenditure in the United Kingdom of Great Britain and Northern Ireland and which suggested some ways in which this expenditure could be re-directed in the event of disarmament.

The Secretary-General has since circulated the "Report on the Economic and Social Consequences of Disarmament", (E/3593/Rev.1), which was prepared in pursuance of General Assembly resolution 1516 (XV).

Her Majesty's Government have welcomed this report. In particular Her Majesty's Government accept what they consider to be its two fundamental conclusions:

(a) that, in the economic and social field, there is no insuperable problem which should hold up general and complete disarmament; and
(b) that the diversion to peaceful purposes of the resources now in military use could be accomplished to the benefit of all countries and lead to the improvement of world economic and social conditions.

The economic and social changes which would be brought about by general and complete disarmament would, of course, be very great. Her Majesty's Government, therefore, keep a close watch on the disarmament negotiations themselves so that, when the disarmament sequence is agreed, they will be in a position to take the necessary action in good time.

Until the disarmament sequence and timing is agreed, however, it would be of very limited usefulness to draw up detailed plans, because:

(a) the precise way in which the defence effort is spread over industries will undoubtedly continue to change as it has in recent years; and
(b) the measures needed to take account of the economic effects would vary greatly according to the economic climate at the time when the disarmament agreement came into force: for example, the level of industrial activity at the time would be one factor determining the measures that would have to be taken to provide for the re-employment of members of the armed services.
Her Majesty's Government, therefore, think that the greatest value of the studies which have already taken place is that they bring to notice the sort of economic and social problems which would arise in the event of general and complete disarmament. Although general surveys of the sort of measures to overcome these problems might be of value, detailed proposals would be of very limited usefulness.

Hence, as the basic distribution of United Kingdom defence expenditure has not changed since the drawing up of Her Majesty's Government's reply referred to in the first paragraph above, and as neither the sequence of general and complete disarmament nor the timetable for it is predictable at this stage, Her Majesty's Government have not carried out any further detailed studies of the economic and social consequences of disarmament, which would be of use to the Secretary-General. As future developments warrant, Her Majesty's Government will be ready to carry out such studies.

Her Majesty's Government will also give full assistance to any particular studies which the Secretary-General might initiate. They will, in addition, give assistance to any serious studies of these problems, done on a private basis; an example of such a study is the book "The Economic Effects of Disarmament" published by the Economist Intelligence Unit in February, 1963. A copy of this book is attached.
10. **REPLY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA**

Since submission in March 1962 of its comprehensive report to the Secretary-General, the United States Government has continued to study the problem of the economic and social consequences of disarmament with a view to developing needed information, plans and policies for making necessary economic and social adjustments in the event of disarmament.

It will be recalled that in September 1961 a special agency of the United States Government, the United States Arms Control and Disarmament Agency, was established by the Congress to formulate policy and to conduct research on the many pertinent aspects of disarmament. The Act of Congress establishing the Agency, which is cited as the "Arms Control and Disarmament Act", specifically grants the Director of the Agency authority to include, within his powers to acquire a fund of theoretical and practical knowledge concerning disarmament, the following aspect of arms control and disarmament:

"the economic and political consequences of arms control and disarmament, including the problems of readjustment arising in industry and the reallocation of resources".

To discharge his responsibilities under the Arms Control and Disarmament Act for research on the economic and social aspects of disarmament, the Director of the Arms Control and Disarmament Agency established in 1961 an Economics Bureau to be headed by one of the four Assistant Directors of the Agency authorized by the Act.

Under his research powers the Director of the Agency also is authorized "to make arrangements (including contracts, agreements, and grants) for the conduct of research, development, and other studies in the field of arms control and disarmament by private or public institutions or persons". The Director further is authorized to co-ordinate research, development, and other studies in the field by or for other agencies of the United States Government in accordance with procedures established by law. Finally, it is the general policy of the Arms Control and Disarmament Agency to encourage broadly interest in, discussion of, and research on the subject of the economic consequences of disarmament by the States, communities, individual business firms and business groups, labour organizations, citizens associations, universities and scholars, and other appropriate groups and individuals in the United States.
The arms Control and Disarmament Agency has published thus far two studies on the economic and social consequences of disarmament. The first was the report entitled the "Economic Impacts of Disarmament" prepared by the panel of experts appointed by Mr. John J. McCloy while he was adviser to the President on Disarmament. The report was published in January 1962. The second was the report to the Secretary-General of the United Nations referred to above and was published in July 1962, under the title "The Economic and Social Consequences of Disarmament".

During the past year the efforts of the Arms Control and Disarmament Agency with respect to studies on the economic and social consequences of disarmament have been directed principally toward intensive evaluation of (1) the resources, data, and techniques and tools available for further research in the field, (2) the kinds of assumptions upon which further studies usefully can be undertaken in the light of uncertainties as to the timing, phasing, and duration of an eventual disarmament process. In addition, the Agency has arranged with the Department of Commerce and Department of Labor for the updating of the tables contained in the report submitted to the Secretary-General last March. The Agency also is studying the budgetary and employment effects of implementing various disarmament proposals.

In the United States data are collected for total employment in certain defence-related manufacturing industries, such as ordnance and accessories, electronic components and accessories, aircraft and parts, and ship and boatbuilding and repairing. In addition, the Bureau of Employment Security, United States Department of Labor, issues from time to time surveys of manpower developments in missiles and aircraft. The third such survey was issued in January 1962 and a fourth is understood to be under preparation. Industry associations, such as the Aerospace Industries Association of America, Inc., also collect and publish manpower and other data of value in identifying defence employment. While the available data provides a basis for estimating gross direct national defence employment and defence employment in certain major industries, there still remain many difficult problems of reliable identification of defence employment, both direct and indirect, by industry and by area and by industry within areas. Further attention is being given to these problems.
Estimation of the probable employment effects of a partial or a phased disarmament process presents difficulties in view of the necessity to estimate employment on specific military end products affected by a disarmament schedule. For example, because of difficulties of separating out data by weapons types, the problem of analysis of the probable initial economic impact of a phased disarmament process on the aircraft and parts industry would be intensified by the exclusion of non-combat military aircraft from production limitations in the early stages of the process.

The Department of Defense has under study the probable economic impact on particular localities of projected shifts in defence procurement. These and other studies and activities being undertaken by the Department of Defense in connexion with the economic impact of shifts in the defence programme are expected to contribute usefully to the development of a body of knowledge which can serve to facilitate economic adjustments to disarmament by areas now economically dependent upon defence spending.

In addition to the research conducted by or for the United States Government which deals directly with the economic impact of disarmament or with the economic impact of changes in the defence programme, there are a great many studies, analyses, or other activities being conducted by the United States Government which bear in one way or another on the problem of economic adjustments to a disarmament process. For example, the Manpower Development and Training Act of 1962 provides that the Secretary of Labor shall report to the President on the nation's manpower requirements, resources, use, and training, and that the President shall transmit a Manpower Report to Congress. The Act further requires the Secretary of Labor to report to the Congress on research and training under the Act and for the Secretary of Health, Education, and Welfare to make a report to Congress on the provision of training facilities, teachers, and related facilities. The first group of these three reports recently was submitted to the Congress. Studies being conducted on productivity and economic growth and on research and development activity in the Country are further illustrative of the kind of research and analysis which contribute to planning for the economic adjustments to a disarmament process. The more general economic reports, such as the Economic Report of the President to Congress and the printed Hearings before
the Joint Economic Committee of the Congress on the state of the economy and policies for full employment also serve to expand the base of knowledge of the dynamics of the American economy which are essential to planning for adjustment to a disarmament process.

There is evidence of a growing interest in the economic consequences of disarmament on the part of a number of State governments, communities, local chambers of commerce and citizens groups, and the academic community. During the past year there have been numerous local seminars or panel discussions devoted to the subject throughout the country. Private writing on the subject has increased.\(^1\)

Attention is being given by the United States Government to ways and means of assisting or encouraging firms engaged in defence business to consider the possibilities for converting their facilities to peaceful production in the event of disarmament. A number of the more important firms engaged in defence production have indicated that they are engaged in studies of conversion to commercial production. The United States Government considers that such private research can contribute very usefully to facilitating the application of advanced technology to the development of new products and processes of benefit to the American economy and mankind in general.

It is anticipated that during the coming year the official research programme on the economic consequences of disarmament will expand and accelerate and will cover such topics as industrial conversion, structural adjustments, manpower mobility and training, area redevelopment, fiscal measures, sale of Department of Defense properties, and trade and payments adjustments. Subject to Congressional approval of the appropriation, the Arms Control and Disarmament Agency plans to make three research contracts in fiscal year 1964 for studies on the economic impacts of disarmament. It is anticipated that one will deal with the problems of developing techniques of analysis of defence employment and re-allocation of resources, the second with the problems and possibilities of conversion of

\(^{1}\) For example, a new volume especially devoted to the subject, edited by Emile Benoit and Kenneth E. Boulding, is understood to be in preparation for publication. A recent volume entitled "Disarmament, Its Politics and Economics", edited by Seymour Melman and published by the American Academy of Arts and Sciences, Boston, Massachusetts, contains two chapters on the economic aspects of disarmament; one entitled, "The Economic Impact of Disarmament in the United States", by Emile Benoit, the other entitled "Problems of Industrial Conversion", by Richard C. Raymond. An article entitled "Economic Adjustments to Disarmament" by Murray L. Weidenbaum in the February 1963 issue of the University of Washington Business Review (vol. XXII, No. 3) is a further example.
facilities for the production of electronic equipment to peacetime production and the third with the problems of the economic redevelopment of a heavily defence impacted area in the event of disarmament.

While understanding in the United States of the problems of economic adjustment to disarmament has been increasing as the result of the studies and activities outlined above, the views of the United States Government regarding the economic and social consequences of disarmament remain essentially the same as those expressed in the report submitted to the Secretary-General of the United Nations in March 1962. In particular, it remains the view of the United States Government that "if the world should be fortunate enough to be able to rid itself of the burden of national defense efforts, resources would then be released everywhere which could be devoted to the production of those goods and services which advance man's material, cultural, and spiritual state".