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The International Disarmament Fund for Development

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The establishment of an International Disarmament Fund for Development is not a new idea, but the participation of the major military and economic powers in such a treaty is a prerequisite for its installation. There are three supplementary main problems. Can a reduction in military expenditure really promote the development of poorest countries? Will international transfers of resources substantially increase the development potential of third world countries? What is the effectiveness of this International Disarmament Fund for Development?

La création d'un Fonds international de désarmement pour le développement n'est pas une idée nouvelle, mais la participation des grandes puissances militaires et économiques à un tel traité est une condition préalable à sa mise en place. Il existe trois problèmes principaux supplémentaires. Une réduction des dépenses militaires peut-elle réellement favoriser le développement des pays les plus pauvres ? Les transferts internationaux de ressources augmenteront-ils considérablement le potentiel de développement des pays du tiers monde ? Quelle est l'efficacité de ce Fonds international de désarmement pour le développement ?

Disarmament, Development, International Disarmament Fund for Development

Désarmement, Développement, Fonds International de Désarmement pour le Développement

The notion that military expenditure constitutes an unacceptable misuse of resources which might be used for the well-being of mankind is established in the Charter of the United Nations, and world public opinion is often firmly convinced of this. Yet, in spite of these factors, which are conducive to a reduction in military expenditure, the arms race continues inexorably. While the relationship between disarmament and development often seems evident to international public opinion, it is often obscured by national interests and selfishness. In addition, a poorly planned reduction in military expenditure might lead to a change in the balance of forces and, in the short term, foster the outbreak of a conflict.

There are four basic obstacles to a reduction in military expenditure: distrust and an absence of political will on the part of States; the fact that military expenditures are not accurate indicators of the strength of opposing forces; the degree of secrecy surrounding statistical and budgetary data relating to the defence sector in all countries, which in fact varies very widely; and the danger of a reduction in military expenditure that is not also directed towards diminishing the causes of the natural tendency to stockpile weapons.

The establishment of an international disarmament fund for development is not a new idea. At the United Nations, a proposal for such a fund was made as early as 1955 by Edgar Faure of France, and was reiterated several times, specifically, in 1956 and 1973 by the Soviet Union and in 1978 by France.¹ The report of the Group of Governmental Experts on the Relationship between Disarmament and Development, issued in 1981, constituted an important new step towards gaining an understanding in political and economic terms of the benefits of and limits to the establishment of an international disarm-

ament fund for development.² The idea of such a fund was supported by United Nations General Assembly resolution 37/84, adopted in 1982, which recommended "an investigation . . . of the modalities of an international disarmament fund for development", to be undertaken by UNIDIR. The report was issued at the end of 1984. Lastly, in 1983, President Mitterrand proposed a two-stage procedure: first, the convening of an international conference to state the essential goals of the reallocation to development efforts of funds released through a reduction in military expenditure; and, subsequently, the convening of an international conference under the auspices of the United Nations to adopt a treaty on the question of disarmament for development, open to all States for signature. The participation of the major military Powers in such a treaty would be a prerequisite for its conclusion.

To determine whether the establishment of an international disarmament fund for development is possible and desirable, the conference would have to answer three basic questions:

1. Can a reduction in military expenditure really promote the development of the poorest countries, and, if so, how?
2. Will international transfers of resources substantially increase the development potential of third world countries?
3. How economically effective will the international disarmament fund for development be?

Economic Consequences of the Disarmament-Development Link

Since the industrial revolution, economists have classified military activities as unproductive expenditure. The idea that armaments constitute a waste of world resources seemed self-evident. Nevertheless, while this hypothesis can be made for the world economy in the abstract, it cannot be proved in the real world. Obviously, to abstract the growth and strength of individual States as a factor in economic analysis and to focus entirely on the world economy amounts to a refusal to analyse both the real world with its conflicts and the financial resources available to a Government for the purpose of maintaining the collective life of the nation and achieving a satisfactory level of national security. Furthermore, if military expenditure is considered not to improve the well-being of peoples, there is reason to ask whether lack of security is not also detrimental to that well-being. The role of military expenditure is therefore a contradictory one: although it prevents conflicts through deterrence (nuclear, conventional, etc.), it contributes indirectly, and not only in a negative way, to an improvement in their well-being—if not in the standard of living—of populations. Community and individual security is not an inherent gift of nature,

but in fact quite the opposite. Thus, military expenditure can satisfy an essential human need, the need to live according to the rules accepted by the community to which one belongs. However, military expenditure is also a factor and vector of war, and in that context anti-economical, since it brings about unmitigated destruction.

Recent studies have demonstrated that military expenditure has only a slightly negative impact on world growth. Leontief and Duchin³ have concluded that an annual reduction in military expenditure of 1.2 per cent between 1980 and the year 2000 would promote economic growth in all the groups of countries studied; however, the figures obtained with this econometric model are relatively low (no additional growth for oil-exporting third world countries, 1 per cent for Japan, 1.5 per cent for North America, 3 per cent for Western Europe, 10 per cent for Asian countries with a planned economy, 20 per cent for low-income Asian countries and tropical Africa, etc.). Thus we must not expect a reduction in military expenditure to result in a tremendous acceleration of economic development throughout the world. Econometric studies of national economies are more controversial and yield contradictory results for both the developed and developing countries.⁴ While it is true that defence efforts often compromise economic growth by reducing investment potential, limiting foreign currency reserves or promoting impoverishing exports, the effects of domination resulting from military strength or certain types of militarization of the economy often have positive effects on national economies, at least temporarily. Some developing countries, basing themselves on import-substitution theories and industrialization, even consider the establishment of a strong national armaments sector to be a fundamental factor in their development policy.⁵

At the global level, unarmed peace is economically preferable to armed peace. However, if States want to possess weapons for their own security, the impact of the military effort on their national economies will vary, depending on their structure, their level of development, their openness to the outside world, etc. It is also conceivable that armament could directly benefit some countries in the distribution of world resources. The establishment of an international disarmament fund for development is therefore highly symbolic: it reflects the refusal of States deliberately to use the military sector for purposes of national development based on armed strength and the effects of military domination. In that sense, it affords undeniable political advantages.

Transfer of Resources

While disarmament in itself should have a positive effect on economic development, provided that a balance is maintained with respect to international security, the transfer of resources from the rich coun-

tries to the poor countries seems, *a priori*, to be a worthwhile step towards reducing disparities in development. There are, however, hazards that should be carefully avoided:

For the developed countries, military contracts and armaments industries create definite advantages which are politically and economically difficult to challenge.⁶ Disarmament could, in the short term, bring about an increase in underemployment, a sometimes painful restructuring and reductions in wages.

Governments will have to find solutions for these immediate effects of disarmament, and while doing so, they will provide only meagre grants to the developing countries. Moreover, the conversion of military activities into civilian activities is not always technologically and economically feasible. There are few studies of conversion,⁷ but we know that it can be costly. It is certainly possible to transform a factory for tanks into a factory for cross-country vehicles, but the crucial questions would then arise of product cost and whether there was a sufficient market. Simply knowing how to transform a military aircraft industry into a civilian aircraft industry does not imply a similar ability to expand an already glutted market. If an international disarmament fund is to have a chance of being established, an attempt must be made to keep the cost to be borne by the developed countries very low or non-existent. It is unlikely that the Governments of the major Powers would agree to acknowledge the fact that the distribution of wealth is too unfair or that the developed countries should forgo part of their wealth for the benefit of the poorest countries. That would also be a political act of major significance.

The developing countries must ensure that any transfer of resources does not have a net impoverishing effect. By means of aid or the transfer of resources, the developed countries can create captive markets for products whose usefulness for development has yet to be demonstrated. If the transfer of resources is made in non-convertible currency, the recipient country must necessarily obtain supplies from the donor country, which can then take advantage of the fact to re-establish an unequal flow of trade.

If such a transfer is made in kind, it is not certain that the particular product in question will satisfy the development needs of the recipient countries. If, for example, assistance is granted in the form of goods which are in direct or indirect competition with local industry in the poorer country, the ultimate outcome could be very negative for the third world. Moreover, each product embodies a particular culture and the prevailing values of the society in which it is produced. It is very easy to envisage giving priority to converted products, but this prospect only presents advantages in the context of a fully functioning North-South dialogue allowing ample opportunity for study and research

concerning the concrete implications, over the long and short term, of the transfer of products for the donor and recipient countries in question. With this object in view, the establishment of an international disarmament fund for development would be highly desirable.

Establishment of a Fund

The establishment of an international disarmament fund for development must be based on three fundamental premises: (a) a real commitment to disarmament by all States or, at least, by the major military Powers; (b) enhanced national and international security or, at least, security maintained at its present level; and (c) a common interest among States in disarmament for development. The establishment of a link between development and disarmament would have considerable symbolic value.

First, in order to establish a fund there must be resources. They might come from a variety of sources, such as disarmament dividends, voluntary contributions and a method of compulsory contributions. These different modalities have already been carefully studied.⁸ UNIDIR proposes that all three sources should be used, either concurrently or successively. At the outset, use should be made of voluntary contributions, which would gradually take on a more obligatory character, in accordance with the criterion of the order of magnitude of the respective military expenditures of States. This proposal does not give sufficient prominence to the problem of development. It would be somewhat paradoxical if a developed country protected by a major Power were to provide more meagre contributions than an endangered developing country which, for its protection, had to resign itself to purchasing arms and thus impeding its own development. The answer to the question "Who is to pay?" should be the subject of careful negotiation, but military expenditure alone cannot serve as the basis for contributions, particularly if only orders of magnitude are taken into account. UNIDIR favours the solution of universality of contributions, which, however, evades the question of the different degrees of responsibility for the arms race. The approach selected (universality or selectivity) will be of undeniable political significance.

The initial capitalization of the funds resources is also a matter to consider. If it does not exceed 1 per cent of world military expenditure, the role accorded to the fund by the international community will certainly be economically, politically, militarily and psychologically insufficient to alter the present situation substantially. Nevertheless, even an initial capitalization of \$1 billion would be of considerable political significance, if the prospect of progressive growth of the fund was entertained or anticipated by participants. Payments into the fund

might take several forms, subject to negotiations among the countries concerned. The transfer of products to the developing countries without co-ordination with an agency representing them should be avoided. Lastly, the fund should, as a general rule, make long-term loans at very low interest rates and should sell the converted products agreed upon by the majority of potential recipient countries in such a way as to prevent waste and overpricing. Provision should be made for the establishment of a body to evaluate and verify statistics on military expenditure, since the availability of data is an important factor for restoring a climate of confidence favourable to the harmonious development the fund.⁹

Action to which the fund would contribute would be of different kinds, but should not, under any circumstances, and contrary to the suggestion made by Sada and Pipart,¹⁰ have anything to do with activities or financing in the military sector, lest that should lead to the paralysis or speedy collapse of the fund. All countries could eventually benefit from the fund, the developed countries reaping the disarmament dividend and the less developed countries being its principal beneficiaries. Various criteria should be used for recipients of fund contributions, such as the peaceful nature of the country, its effort to reduce military expenditure, its degree of poverty, etc. Three types of financing might be given particular consideration: conversion, research and development in third world countries with a view to finding appropriate technological solutions to their problems, and investment in agriculture for countries which have made a definitive choice between guns and butter. The fund would lend at a low rate of interest on the basis of criteria of profitability different from those currently applied in other international organizations. Account would, for example, be taken of the long-term economic progress stimulated by the activities carried out entirely or, more generally, partly by the fund.

The symbolic value of the link between disarmament and development embodied in the establishment of a specific fund would be considerable. It would demonstrate the will of States to confront together the two crucial problems of our time, namely, the economic crisis and the arms race. It would be a first and perhaps decisive step in seeking concrete solutions to both of them. There may be scepticism with regard to the economic value of such a fund if it were confined to a minimal number of financial operations. Nevertheless, its political and moral value, in terms of greater international solidarity, would be sufficiently great to justify its support.

1. See *Establishment of an International Disarmament Fund for Development* (UNIDIR, Geneva, 1984); and Colard, Fontanel and Guilhaudis, "Le désarmement pour le développement: dossier d'un pari difficile", Cahiers de la Fondation pour les Etudes de Défense Nationale, No. 19, *les Sept Epées* (Paris, 1981).
2. *The Relationship between Disarmament and Development Studies* (United Nations publication, Sales No. E.82.IX.1).
3. Leontief and Duchin, "Worldwide economic implications of a limitation on military spending", report prepared for the United Nations Group of Governmental Experts on the Relationship between Disarmament and Development, 1980.
4. See Smith and Smith, *The Economics of Militarism* (Pluto Press, 1983); the UNIDIR study on an international disarmament fund for development; and Fontanel and Smith, "Analyse économique des dépenses militaires", *Stratégique* (septembre 1985).
5. See, for example, J. Fontanel, *L'économie des armes*, éditions la Découverte (Paris, 1984).
6. J. Gansler, *The Defense Industry* (Cambridge, MIT Press, 1980).
7. I. Thorsson, *In Pursuit of Disarmament: Conversion from Military to Civil Production in Sweden* (Stockholm, Liber, 1984).
8. For example by UNIDIR and in the United Nations report on disarmament and development.
9. United Nations publication: *Reduction of Military Budgets, International reporting of military expenditures* (Sales No. E.84.I.9); *Reduction of Military Budgets: Refinement of international reporting and comparison of military expenditures* (Sales No. E.83.IX.4) and *Reduction of Military Budgets: Construction of Military Price Indexes and Purchasing-Power Parities for Comparison of Military Expenditures* (to be published early 1986).
10. Pipart and Sada, "The establishment of an international disarmament fund for development—the regional approach", UNIDIR study on an international disarmament fund.

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