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Papers
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Disarmament and Development**

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Table of Contents

| | |
|----------------------------------------------------------------------------------------------|----|
| Disarmament and Development: Opening Statement | |
| Jayantha Dhanapala | 1 |
| The Relationship between Disarmament and Development, and Some Policy Suggestions | |
| Lawrence Klein | 6 |
| Small Arms Proliferation and its Impact on Security and Development | |
| Michael Klare | 10 |
| Disarmament, Demobilization and Reintegration in Post-Conflict Situations | |
| Emanuel Erskine..... | 15 |
| Economic and Social Aspects of Disarmament | |
| David Gold | 22 |
| Disarmament and Development: Lessons Learned by UNDP | |
| Victor Angelo | 26 |
| Interactions Between Disarmament and Development | |
| Michael D. Intriligator | 33 |

Disarmament and Development: Opening Statement

Jayantha Dhanapala

United Nations Under-Secretary-General for Disarmament Affairs

It gives me great pleasure to welcome you to the first symposium being held under the aegis of the Steering Group on Disarmament and Development. The Secretary-General expressed his intention last year to institute a Steering Group as a successor to the high-level Task Force that was established as a follow-up to the International Conference on Disarmament and Development, held at United Nations Headquarters in September 1987. In line with his intention, the Steering Group held its inaugural meeting in May and agreed on a programme to highlight various disarmament and development issues. The Steering Group comprises the Under-Secretary-General for Economic and Social Affairs, the Under-Secretary-General for Peacekeeping Operations, the Administrator of the United Nations Development Programme and myself as Under-Secretary-General for Disarmament Affairs.

An area of activity we plan to pursue is to organize events, such as today's symposium, on a periodic basis. The Steering Group believes that its objectives in the disarmament and development field would be greatly facilitated by the involvement of non-governmental organizations and civil society in general. That this symposium has been organized in collaboration with Economists Allied for Arms Reduction (ECAAR) reflects our belief in interacting closely with civil society. I would like to take this opportunity to thank ECAAR for their excellent cooperation and to express my gratitude to Professors Lawrence Klein and Michael Klare for being on the panel today.

The Steering Group believes in a forward-looking approach, in the light of the major changes that have taken place in international society since the 1987 International Conference. Rapid technological change, particularly in information technology, the end of the Cold War that had kept the world largely bipolar for almost 50 years, and the new people-centered development agenda that has emerged in recent years are some of the factors that have contributed to a

redefinition of key concepts. The traditional notion of security is being rapidly replaced by the more holistic concept of human security, which goes beyond security against external military threat, incorporating non-military threats to security as well as threats emanating internally from civil conflict and violence. A foremost challenge that confronts us today is the creation of an enabling environment for eradicating the curse of poverty, which afflicts many societies, and achieving sustainable development.

International financial institutions, such as the World Bank, have begun to focus greater attention on the devastating consequences of civil conflict on development and the underlying social, economic and political causes of conflict. Similarly, the challenges associated with peacebuilding in post-conflict or war-torn societies have attracted increasing international attention. There is a growing consensus that unless socio-economic progress can be made on a sustainable basis and the fundamental human rights of people are fully recognized, conflict and violence will continue to undermine development prospects.

While new concerns have emerged, some traditional concerns remain valid. The "global arms race" which dominated the disarmament and development debate during the Cold War has ceased to be relevant, at least for the moment, but the social and economic consequences of military expenditure remain a cause for concern. For example, even where defense spending has not risen significantly, expenditure levels may still be sufficiently high to impact negatively on resource allocation for development priorities. According to data released by the Stockholm Peace Research Institute, the global arms expenditure in 1998 was 745 billion dollars, calculated at 1990 prices. Although this figure is less than the amount of resources expended on defense during the height of the Cold War, the unfortunate fact is that military spending at \$125 per capita continues to dwarf spending on social sectors that are essential to human well-being. In many cases, savings on defense could make a big difference to human development, while an environment of security would facilitate a lowering of military expenditure. There are also ominous signs that the recent trend will be reversed and global military expenditure will rise from the year 2000.

According to UNDP's Human Development Report of 1999, an additional annual allocation of 8 billion dollars a year could provide universal access to primary education for all. This amount constitutes one per cent of the wealth of

the world's 200 richest people. Similarly, UNDP calculated last year that an additional investment of 13 billion dollars a year would meet the requirements of basic health and nutrition for all. Another factor that has impacted negatively on development has been the overall shrinkage in development assistance from donor countries. According to the 1999 World Economic Survey by the United Nations Department for Economic and Social Affairs, development assistance from the OECD countries constituted 0.22 per cent of their collective GNP in 1997, which is the lowest ratio since 1970. It is also much lower than the target of 0.7 per cent by the year 2000, which was adopted by the United Nations. More worrying is the fact that overall official development assistance from OECD to the Least Developed Countries has fallen more sharply. External assistance, both technical and financial, is particularly critical to the success of peacebuilding efforts in post-conflict societies, where disarmament, demobilization, reintegration, and reconstruction have to be undertaken as an integrated package of measures.

Conversion of military facilities for productive civilian purposes is another long-standing issue. This concept is being increasingly viewed in a wider context, in terms of the transformation of military structures and resources for peaceful uses, covering not only the conversion of military production facilities but also the downsizing of military forces, the reduction of military expenditures, the orientation of research and development spending, the demobilization and reintegration of former combatants, and the destruction of surplus weapons. Many of these issues are critical to transitional societies, such as those belonging to the former Soviet Union, and to post-conflict societies, which face the daunting task of reconstruction in the aftermath of a devastating civil war.

While concern about the incidence of civil conflict has increased greatly in recent years, the danger of inter-state conflict remains an abiding concern. One reminder of that is the on-going conflict between Ethiopia and Eritrea over a border dispute. It is a conflict that has further impoverished these very poor societies. There are territorial and other sources of dispute between states that could ignite conflict elsewhere. In view of the difficult social and economic conditions prevailing in large parts of the world, and the debilitating effects of civil conflict in many societies, perhaps the greatest challenge that lies immediately ahead is to strengthen efforts at conflict prevention and post-conflict

peacebuilding. According to one estimate, roughly half of the world's nations have experienced some form of internal strife in recent years.

The most affected have been the poorer nations that can least cope with the consequences of strife. For example, 15 of the 20 poorest countries have experienced prolonged conflict during the past decade. The global proliferation of small arms is another area where urgent measures are needed in order to safeguard societies from their destabilizing effects. It is alarming that AK-47s, for example, can be purchased in some areas for as little as \$15 a piece. Small arms are the principal instruments of violence in civil conflicts and the main cause of civilian casualties. Even in non-conflict situations, their easy availability has contributed greatly to social disorder and political instability, thereby damaging development prospects and raising the level of insecurity. Illicit trafficking, in particular, poses a challenge because of the ease with which such weapons can be kept in circulation by unscrupulous arms merchants and transnational criminal organizations also engaged in other illicit activities, notably drug trafficking.

As reflected in the International Conference on Sustainable Disarmament for Sustainable Development, which was held in Brussels in October 1998, the linkages between disarmament and development are gaining wide recognition, and these linkages are particularly pronounced in the context of peacebuilding in post-conflict societies. As many of you would know, the United Nations is seized with various aspects of the small arms issue and post-conflict peacebuilding as priority concerns. Early this month, the Security Council focused exclusively on post-conflict peacebuilding issues of disarmament, demobilization and reintegration, and has requested the Secretary-General to submit a report containing recommendations, including the lessons learned in peacebuilding. Disarmament is now recognized as a pre-eminent tool of preventive diplomacy and peacebuilding. Weapons collection and weapons destruction programmes are an important element in this.

It is a most welcome development that international financial and economic institutions, as well as development agencies of some donor governments, are addressing these challenges. Disarmament is clearly a global public good that confers universal benefits, releasing valuable resources for development. Let me conclude by saying that it is the aim of the Steering Group

on disarmament and development to promote a better understanding of important issues and facilitate consensus-building by holding periodic symposia, seminars or lectures. This, as I indicated earlier, is something that we wish to do in partnership with all Member States and with civil society.

The Relationship between Disarmament and Development, and Some Policy Suggestions

Lawrence Klein

Nobel Laureate in Economics

Both disarmament and development are interesting and challenging ideas. Although attitudes and opinions about these concepts vary widely, it is broadly accepted that they merit discussion, and among members of Economists Allied for Arms Reduction (ECAAR), both are viewed in an extremely favorable light. But one might ask are they related, and if so, in what way?

I shall argue that they are, indeed, closely related and shall indicate some lines of economic analysis that establish the very complex relationships between them. Arms production and importation require resources that could otherwise go directly into society's infrastructure, including such facilities as education (both human and fixed capital), health (also human and fixed capital, as well as public and private), primary sustenance, transportation and communications, etc. There are some instances or "spin-offs" where military spending is supportive of development; however these benefits are seldom available to developing countries and would be better approached without associated militarization. While it is generally acknowledged that every nation has minimum defense needs that must be met, I believe that these requirements would be best accomplished by means of a *least-cost strategy*, which is typically uncharacteristic of military spending models.

It is useful to make an economic distinction between the benefits of *micro* and *macro*-analysis. In microeconomics we can relate a certain sum, or the embodiment of such sums, in equipment or structures allocated to the military (e.g. the cost of the F-16) against those allocated to the domestic infrastructure at large (e.g. the costs of a university, school, hospital or highway.) We can then examine, item-by-item, how military finances compete with development finances. This is not so easy to do at a macroeconomic level. We cannot simply

compare defense spending with social spending. A much more sophisticated and *indirect* analysis must be made.

Let us consider the concept of a peace dividend, which should be familiar to many of you in today's audience. At the end of the Cold War in 1989, it was generally expected that defense budgets and the size of the military establishment would be cut back, both by NATO and by Warsaw Pact countries. These reductions were then discussed and analyzed in terms of a peace dividend to be distributed to the population of the countries directly affected and also to other beneficiaries. It is now a decade later and it is often said that there was no peace dividend. This is an incorrect view.

In a book sponsored by PRIO (Peace Research International of Oslo), entitled *The Peace Dividend*,¹ econometricians from the world over reported on the economic effects of an assumed reduction in defense spending. The findings were carefully discussed in meetings at the United Nations in New York. Of the many points that emerged in these discussions, the authors found that it was particularly important to distinguish between short-run and long-run effects, as well as between demand-side effects and supply-side effects.

In model simulations of defense reductions, there are noticeable declines in GDP during the early years of the cuts (known as military-Keynesian effects). In the longer run, however, supply-side effects take over and GDP regains strength. World model simulations, for example, predicted that there would be more consumption by the public at large among leading NATO countries. This is a striking example of "guns or butter".

A principal reason why there has been a peace dividend, and why the supply-side effects overtook the initial loss of military-based demand, was that interest-rates came down. This was true especially in the United States, at long term, once militarization was scaled back in order to achieve significant reductions in domestic budget deficits.

The reduction of interest, by as much as 200 basis points over several years since FY1993, has given rise to a peace dividend. This was not distributed in the form of specific financial outlays that matched the defense cutbacks, but rather

¹ N.P.Gleditsch, ed., *The Peace Dividend* (North-Holland, 1995).

"by the market's reaction" to subsequent reductions in the domestic or civil budget deficit. This is the sense in which the macroeconomist must look carefully for detail in order to see how the dividend arose indirectly on bond markets.

Not only the United States, but the whole world, benefited from the military reductions during the post Cold War period. Of course, the world economic boom was uneven. While European NATO countries worked to build their common currency, East Asian and Latin American countries had their recessions due to other causes, and the economic picture was mixed for transition countries from the Warsaw Pact. Despite this, the 1990s have witnessed some significant gains as a result of the ending of the Cold War.

Unfortunately, major NATO countries, especially the United States and the new members (Poland, Czech Republic, and Hungary), are now changing course to spend more for their military establishments.

Despite the end of the Cold War, the 1990s were not free of war. There have been serious regional conflicts in Africa and Yugoslavia, to mention the most notable cases. The problem is one that will be taken up by well-informed specialists on this panel who will address the very important issues of spending on small arms, surplus equipment from the Cold War era, and land mines. In the interests of promoting useful economic development, there must be limitations imposed on arms traffic in the above-mentioned items that sustain these regional conflicts.

Although the majority of chapters in *The Peace Dividend* addressed the economic trade-off between activity in the military sector of an economy (or the whole world economy) and in the civilian sector, one chapter that I co-authored with Kanta Marwah, of Carleton College and ECAAR Canada, dealt with the economic cost of a UN standing army not just for the purpose of peace keeping, but for peace enforcement. We posed the following question for world model (LINK-UN System) simulation: What if a significant UN standing army had been available and had prevented the war in Yugoslavia from the moment of the end of the Cold War? What would have been the world economic outcome? In this context, a significant UN military force was figured at one million persons in the force, with an annual budget of \$50 billion.

Our conclusions were that the whole world would have gained in terms of incremental output and incremental trade volume, with an insignificantly small cost burden. Quite sensibly, our calculations showed that Yugoslavia and close neighbors would have gained the most from this input configuration, but the whole world would have gained, as well. We concluded that peace was certainly affordable.

The avoidance of war in Yugoslavia was, in fact, a peace policy simulation that would have aided overall world development, but other kinds of policies can also contribute more directly to favorable development in the neediest parts of the world. Such policies would require registration of small arms and conventional weapons, responsible behavior by the more prosperous countries in buying surplus stockpiles of weapons for immediate destruction, and regulation of the arms trade.

I mentioned previously that the world economic crisis in Latin America and East Asia detracted from the gains based on the peace dividend, which were realized since 1989. Nonetheless, there are macroeconomic policies that could contribute to a more prosperous and peaceful world without involving rearmament that are now being proposed.

A coordinated policy simulation might involve the major industrial countries by implementing easier credit conditions in Western Europe and North America. Japan, also a member of the club of wealthy nations, should not be asked to ease credit further as their monetary barriers are already at an extremely low point. It is assumed, in a cooperative scenario, that they would join in a fiscal policy of increasing their ODA (Overseas Development Assistance) distributions by \$30 billion to the troubled East Asian economies (the Association of South East Asian Nations and the Republic of Korea). Finally, the international bodies that monitor these troubled economies should relax their conditionalities by granting the ailing economies the capability to introduce fiscal stimuli of 1.5% of their GDP values. We have found that such a policy simulation contributes markedly to world growth in output and trade without igniting serious inflation, and provides a significant boost for East Asian economies to proceed with their development programs without putting more funds into their defense establishments. This is the essence of development without armament, and would be even more attractive if it were to be a case of development with disarmament.

Small Arms Proliferation and its Impact on Security and Development

Michael Klare

International Action Network on Small Arms (IANSA)

IANSA was established on October 14, 1998 at a meeting of representatives of over 100 non-governmental organizations from all over the world in Brussels, Belgium, following the conference on "Sustainable Disarmament for Sustainable Development," and was announced publicly at a ceremonial gun-burning in the central square of The Hague on May 11, 1999, as part of the Hague Appeal for Peace.

The purpose of IANSA is to reduce the global proliferation and misuse of small arms and light weapons by strengthening the capacity of local NGOs to curb gun violence and by mobilizing worldwide support for efforts by the United Nations and other bodies to impose tight controls and moratoria on the trafficking in such weapons. We also seek to reduce the demand for such weapons by supporting efforts to promote democracy, development, justice, and national reconciliation in war-torn and divided societies. Before proceeding, I would like to express my appreciation to Under Secretary-General Jayantha Dhanapala for highlighting the importance of small arms and for his important role in organizing CASA (Coordinating Action on Small Arms) as a focal point for work on small arms issues within the UN system. I also wish to compliment Swadesh Rana for her work on small arms as Director of the Conventional Arms Branch of the UN Department of Disarmament Affairs.

To turn now to the topic of this symposium: We in IANSA understand fully and well that small arms are but a part of the larger international trade in conventional weapons a trade which consumes tens of billions of dollars each year that might otherwise be spent on social and economic development. At most, small arms and light weapons account for perhaps one-fourth of the \$40- or \$50 billion worth of conventional arms sold each year on the international market.

Even so, this represents a considerable sum, especially given the fact that it is often the poorest countries that spend the most on small arms. But it is not the lost opportunity costs of small arms trafficking that concerns us the most. Rather, we see a much more insidious, deep-seated relationship between small arms proliferation and failed or stagnant development in many parts of the world. To put it succinctly, the global proliferation and misuse of small arms and light weapons constitutes one of the most profound and pernicious threats to development in the world today. This is so because the proliferation of such weapons is contributing in a significant manner to the breakdown of civil order and social trust on which development must ultimately depend.

To better appreciate why this is so, it is necessary to recognize that small arms are not just a smaller and less costly version of major weapons systems. Rather, they are a distinct class of weapons with properties and characteristics all their own.

What sets small arms apart from major weapons systems is the fact that they are personal weapons, intended for use by an individual combatant, and requiring no great expertise, training, wealth, or logistical capacity on the part of the user. Any individual, including relatively young children, can learn to operate a modern assault gun with but a few hours of training. Because they possess (or are said to possess) many civilian uses, including hunting, sport shooting, and self-protection, such weapons are available for sale to civilians in many countries.

Major weapons, by contrast, are intended for use by teams of combatants belonging to professional military organizations. The use of such weapons normally requires months of training, constant servicing by specialized personnel, and an elaborate supply line.

The distinctive characteristics of small arms and light weapons are of great significance to problems of development because of the ways in which they penetrate societies at all levels. Major weapons systems almost always remain in the hands of the established military institution, or special paramilitary units. Small arms, on the other hand, often find their way into the hands of ethnic militias, extremist political entities, local warlords, insurgent groups, criminal organizations, and private security forces.

In societies that are already deeply divided along ethnic, religious, or sectarian lines, the proliferation or rather, my preferred term, the diffusion of small arms in civil society often leads to an internal arms race, where the acquisition of new arms by any one group in a country leads to efforts by competing groups to acquire additional arms of their own. When a crisis erupts, any use of firearms by any one of the parties to a dispute often leads to return fire, reprisals, revenge killings, and an upward spiral of internal violence. If the central government is unable to restore order or if the government is perceived by one or more sectors of society as being in the hands of a competing group or tribe people rely more and more on their own means for their personal security, often forming neighborhood or village militias and vigilante groups, thereby adding more fuel to the fire. Regretably, we have seen this calamitous pattern in all too many areas, including Algeria, Angola, Burundi, Chechnya, Colombia, Congo, Haiti, Kashmir, Liberia, Northern Ireland, Rwanda, Sierra Leone, Somalia, Sri Lanka, Sudan, Tajikistan, and the former Yugoslavia. Obviously, development efforts will suffer in any society experiencing this sort of internal violence. The government will channel an increasing share of state revenues into expansion of the security forces and the acquisition of arms. Private businesses and individuals, fearing for the safety of their property, will likewise devote more and more of their resources to private guard services and self-protection a phenomenon described as the "privatization of security." Investors whether local or foreign will eschew further investment and, to the degree that they are able, will try to move their liquid wealth to safer pastures.

To make matters worse, any governments involved in such conflicts will be tempted to accelerate the exploitation of available resources oil, minerals, timber, and so on in order to pay for weapons. Insurgent groups and local warlords, if they are able, will do the same. In Angola, for instance, the central government has sold as much oil as it could to pay for new weapons, while UNITA has plundered the country's diamond beds to acquire weapons of its own. Similarly, in his struggle to gain control of Liberia, Charles Taylor sold off a large portion of the country's forests. A similar pattern has long prevailed in the Congo. What this means, of course, is that resources that should be managed very carefully to maximize their development potential are squandered on arms and ammunition.

Even when conflicts have been officially terminated, the penetration of society by small arms and light weapons makes reconstruction and development very difficult. This is especially true if the end of fighting leads to the demobilization of large numbers of ex-combatants without adequate provision for their reintegration into civil society. In most cases, these ex-combatants are young men with very little schooling and few marketable skills. Unless they are provided with the necessary means be it education, job training, or agricultural implements to obtain employment in the civilian economy, they are likely to seek alternative employment in the criminal sector taking their personal weapons with them. This has led, predictably enough, to a fresh round of violence in many countries and a strengthening of the tendency toward the privatization of security. Under such circumstances, few local resources will be available for fresh investment in productive enterprises, and external investors will be understandably leery of investing in the country. It follows from this that efforts to curb the flow of small arms and light weapons into areas of instability is an essential component of any strategy for the promotion of development in many parts of the world. Even more critical, perhaps, is the need to devise measures for the extraction of such weapons from areas recovering from conflict.

Curbing the global diffusion of small arms will not be easy. Given the many vested interests in the arms industry, and the fact that many governments continue to acquire arms for internal and external security, the obstacles to small arms control are considerable. But we believe that more and more policymakers are coming to see the importance of curbing the small arms flow. For example, U.S. Secretary of State Madeleine Albright has spoken of the dangers posed by the uncontrolled flow of small arms into Africa:

"Although prices are low, the social cost of arms sales is high. Countries that are among the world's poorest spend hundreds of millions of dollars buying tanks, jet fighters, and small arms. Diamonds are smuggled, crops are mortgaged, and relief supplies are stolen to finance these purchases. In each case, it is the African people who are the losers." (Address at NAACP Annual Convention, New York, July 13, 1999.)

Many other prominent officials, including UN Secretary General Kofi Annan, have made similar statements.

Even if there is widespread support for controlling the small arms traffic, the sheer complexity of this task will give pause to many. But much thought has been given to the development of strategies for achieving this purpose, and we believe that effective remedies are available to combat the global epidemic of gun violence. Although time does not permit a lengthy discussion of these strategies, let me say that they fall into four basic categories:

1. **Supplier Controls.** National, regional, and international restrictions on the sale of weapons to governments engaged in conflict or cited for persistent human rights violations, such as those envisioned by the "codes of conduct" for arms sales proposed by former Costa Rican President Oscar Arias and others.
2. **Demand-side Controls.** Regional agreements restricting or banning the inflow of arms into a particular region, such as the moratorium on small arms trafficking recently adopted by the Economic Community of West African States (ECOWAS).
3. **Post-conflict Demilitarization.** Efforts to prevent the recurrence of conflict in areas recovering from war through the collection of weapons and the reintegration of ex-combatants into civil society.
4. **Reducing demand.** Efforts to reduce the demand for weapons in conflict-prone societies by strengthening democratic institutions and the rule of law, professionalizing the police, combating the glorification of violence, and tightening gun-control legislation. If pursued energetically, such measures can greatly reduce the global demand for and availability of firearms, therefore enhancing the prospects for socioeconomic development in many impoverished areas of the world.

We hope that the NGOs present on this occasion will join IANSA and support our efforts to curb the global proliferation and misuse of small arms.

Disarmament, Demobilization and Reintegration in Post-Conflict Situations

Emanuel Erskine

United Nations Department of Peacekeeping Operations

In the 1990s, the United Nations began vigorously applying the principles of Disarmament, Demobilization, and Reintegration (DD&R) through its conflict management programs. Until the late 1980s, as a matter of principle the United Nations intervened only in conflicts between states, such as the Israeli-Arab-Palestinian wars in the Sinai, Golan Heights, and South Lebanon, and the Iraq-Iran war. In these interstate conflicts, there have been three principal objectives: negotiating cease-fires and cessations of hostilities; negotiating for the disengagement of forces; and deploying peacekeeping missions. Peacekeeping missions supervised the various agreements, monitored the parties' compliance, and generally stabilized the situations so that governments, politicians, and diplomats could pursue peacemaking. There were no requirements for disarmament, nor did the issues of demobilization and reintegration arise.

More recently, as the UN intervened in internal conflicts such as those in Mozambique and Central America, and began resolving them through peace agreements, the previous objectives needed to be supplemented. The United Nations has had to undertake disarmament action, ensuring that weapons are collected and disposed of. Disarmed combatants must be demobilized and reintegrated into the mainstream of civil society. Without the implementation of the concepts of DD&R, armed conflict is likely to again break out.

Under the supervision of Dr. Leonard Kapungu, Chief of the Lessons Learned Unit of the Department of Peacekeeping Operations, an in-depth study of these principles and techniques has been completed. The field experience of various peacekeeping missions have been compiled as guidelines for future missions and for staff officers involved in planning DD&R programs, and as a reference for armed forces training for peacekeeping duties. Highlights of this study form the basis for my presentation this afternoon.

DD&R is Integral to Peace Agreements

Disarmament, Demobilization, and Reintegration is the most important requirement for the effective termination and resolution of intra-state conflicts. It provides the foundation upon which the state can be rebuilt and the people be reconciled. DD&R must therefore be integral to the peace plan. It must be well planned, it must be adequately financed, and its logistical requirements must be met.

In order for DD&R to be effective, it must be given political and legal authority through the peace agreement. The following conditions are basic and necessary in planning for DD&R and should be clearly spelt out in the agreement:

1. A timetable for the cease-fire to come into effect;
2. A timetable for commencement and completion of disarmament and demobilization;
3. The number and location of assembly areas or cantonment sites to be established;
4. A plan for the disposal of collected weapons;
5. The restructuring of defense and security institutions, if needed; and
6. The formation of institutions to plan, execute, coordinate and supervise the DD&R programs.

Making provisions for DD&R in peace agreements ensures that the accords are fully honored by the parties, that violations can be checked with authority, and that demobilized ex-combatants are legally protected and that their welfare, concerns and anxieties can be legally addressed.

Disarmament, Demobilization, and Reintegration constitutes a continuous process, with each phase spilling into the next. Where disarmament ends, demobilization begins. Once demobilization is complete, reintegration must start. Therefore the maintenance of this continuum, with effective implementation of this phase, is vital to the success of the entire DD&R program and by extension, the peace process itself.

DD&R should be considered as an integral component of the national strategic plan for reconciliation, reconstruction and development, and for

political, security, socio-economic and fiscal objectives in post-conflict peace building. A good model is the Chapultepee Peace Agreement of 1992, which aimed at addressing the political and socio-economic issues of El Salvador with reintegration of ex-combatants as part of the National Reconstruction Plan.

In many cases defense and security institutions will have to be restructured. Using the experiences of Mozambique and El Salvador, the study advises that the restructuring not be undertaken until the demobilization is complete. In situations where ethnicity is a factor in the conflict, it must be considered when rebuilding defense and security institutions.

Similarly, national elections should be held when disarmament and demobilization is substantially complete. The negative experience in Angola became a useful “lesson learned” that was positively applied in Mozambique.

Planning for DD&R

Planning should make provisions for adequate financial and logistical resources to effectively support DD&R programs. Cantonment sites must be administered, including such essentials as feeding the ex-combatants, providing demobilization subsidies and benefits, and transporting ex-combatants and their families from cantonment sites to their home communities, where reintegration programs must be in place. All these programs require large capital investments.

Successful DD&R planning requires active participation, from the inception of the humanitarian effort, of the UN and its Specialized Agencies, police, and governmental and international organizations including NGO's (non-governmental organizations). An approach that integrates the views of many interested parties ensures that all areas of humanitarian expertise and needs are considered, and improves the coordination of the various humanitarian programs.

The planning phase should include programs to create awareness among the public about the peace process. Public support for DD&R is critical, especially in situations where the public is not overly sympathetic towards the ex-combatants. Good public relations with the civil society must be a high priority.

Finally, the various programs and phases of DD&R must be coordinated and supervised. Mozambique provides a good model; there, the following management institutions were created through the General Peace Agreement:

1. The Supervisory and Monitoring Commission (CSC) supervised the overall implementation of the General Peace Agreement.
2. The Ceasefire Commission (CCF) was responsible for all aspects of disarmament and demobilization.
3. The Reintegration Commission (CORF) was responsible for all aspects of reintegration.
4. The Joint Commission for the Formation of the Mozambican Defense Force (CCFADM) was responsible for restructuring the new, unified force.
5. A technical unit managed cantonment sites on a day-to-day basis and coordinated programs associated with the demobilization process.

Specific Disarmament Issues

Cantonment sites, or assembly areas, are vital to the DD&R process, especially when ex-combatants may be required to wait for extended periods during demobilization. Cantonment sites must be secure, accessible, free from mines, and equipped with the basic amenities of food, water, sanitation, clothing, and recreation. Good communications technology is essential, as are storage facilities for collected weapons.

Personal and military data for ex-combatants should be recorded throughout the disarmament process. Good documentation ensures that:

1. Appropriate logistical support can be provided during cantonment;
2. Proper subsidies and other benefits can be paid to former troops;
3. Reintegration programs have information about the ex-combatants they will be serving;

4. The progress of disarmament can be judged, particularly if there was good intelligence on the strength of the forces before disarmament began.

The peace agreement must include a plan for the early disposal of collected weapons. In Liberia, for instance, the peace agreements did not address this issue, and the peace process was seriously undermined. We can foresee similar problems in Sierra Leone. Part One of the Lessons Learned Study provides some methods for disposing of weapons.

The formal process of surrendering and collecting weapons rarely completes the disarmament process. In several countries, programs to verify demobilization and to mop-up hidden weapons have been successful. For example, the Christian Council of Mozambique has been operating a gun-buy-back scheme, as has the Patriotic Movement Against Delinquency in El Salvador. Similar programs should be instituted as part of all DD&R programs.

Mopping-up operations are strengthened when regional organizations establish collective security mechanisms to control the illicit flow of arms and ammunition. ECOWAS (The Economic Commission of West African States) provides a positive example; it imposed a moratorium on the manufacture, exportation, and importation of small arms. It also established an implementing body, the Program for Coordination and Assistance for Security and Development.

The importance of mine awareness, and demining, to the disarmament process cannot be overestimated. Apart from other considerations, demining programs are essential to the long-term economic reintegration of ex-combatants wishing to work in farming.

Demobilization and Reintegration

It is extremely important that the ex-combatant is adequately prepared, mentally, psychologically, economically, and socially, for his reinsertion into civilian life. This is especially true for those who have known no other life than the military, where their needs have been met by the institutions they served. Both briefing and counseling should be provided during the period of cantonment, and should address the following issues:

1. How, when, and where to cash coupons or checks for subsidies and benefits;
2. Accommodation;
3. Employment opportunities, including self-employment;
4. Education for children;
5. Legal rights and civic responsibilities;
6. Medical and health care;
7. Family concerns;
8. Psychological problems; and
9. Reconciliation.

Because most of these ex-fighters have known no other profession, disarmament creates a vacuum in their means of survival. If the vacuum is not filled through economic reintegration, if they are not provided with marketable vocational skills, they may well return to the combat arena. In Nicaragua, for example, the Recontras and Recompas were not adequately trained for other employment, at great cost to the general peace process.

The vocational skills provided must be directly related to the job opportunities available in the areas where ex-combatants are resettled. There is no point providing carpenters to an area needing masons, or farmers to an area short of fishermen. All economic realities in the resettlement areas must be faced, especially the fact that most ex-fighters will need to be self-employed.

Reintegration programs must not be overly narrow in focus. All ex-combatants must be cared for, including disabled veterans, the chronically ill, and child-soldiers, but also the families of combatants killed in action. Social and long-term economic reintegration programs should benefit all who live in a given community, include returning refugees and internally displaced persons.

The principal problems that Demobilization and Reintegration programs face stem from insufficient financial and logistical resources. If sufficient resources are not devoted to demining, for instance, ex-combatants and their families may be unable farm. If vocational and educational issues are not adequately addressed during cantonment and during reintegration, a background

of poor education means ex-fighters will face enormous economic difficulties. If both disarmament and reintegration are incomplete, banditry and other violence may increase, and in some cases cause ex-combatants to re-arm.

Successful DD&R Programs

Disarmament, Demobilization and Reintegration programs are successful when the political will of all interested parties supports them. The mood must be one that promotes reconciliation and peace. Proper planning and effective support from regional and international organizations make DD&R possible, and DD&R in turn promotes the likelihood of lasting peace.

Economic and Social Aspects of Disarmament

David Gold

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The relation between disarmament and development has been of concern to the United Nations since the organization was founded more than fifty years ago. During that time, a substantial amount of research and policy analysis has been conducted on economic and social aspects of military spending and the economic and social consequences of disarmament. This work can be seen as encompassing two distinct phases, and the beginning of a third. These phases are first, the high, and sometimes rising, levels of global military spending associated with the Cold War, second, the decline in military spending brought about by the end of the Cold War and labeled as a peace dividend, and, third, the end of the peace dividend and beginning of a period where pressure for rising military outlays is starting to grow.

The first phase covers the years of the Cold War, especially the period from the early 1960s through the mid-1980s. Research at the United Nations was concerned with the economic and social consequences of high levels of military spending, and especially the consequences for developing countries. In addition, research was also undertaken on the effects of large reductions in military outlays, and the likely economic and social benefits that would flow from moves towards disarmament. This United Nations sponsored research attracted a number of eminent scholars, including the late Nobel laureate Wassily Leontief, the developer of input-output analysis, Oscar Lange, a leading economic theorist and later government official in Poland, and Alva Myrdal, a sociologist and disarmament expert from Sweden. These and other experts developed analyses of military spending that emphasized the benefits to be gained in all economies from reducing military outlays, and contributed in important ways to public debates on these issues. This was followed by a period of falling real military expenditures and a sharp decline in the arms trade, a period of a sizeable, potential peace dividend. From its peak in the mid-1980s, worldwide military

spending, expressed in constant US dollars, fell by 35 per cent over the next decade, while the arms trade dropped by two-thirds. Thus, by the mid-1990s, the world was allocating a substantially smaller share of its gross output to military pursuits than it had a decade earlier. United Nations research on disarmament and development in this period focussed on issues and problems in converting substantial economic resources from military to non-military uses, and on the size, allocation and impacts of the peace dividend.

While there have been a number of successful conversion efforts, converting military resources turned out to be difficult and time-consuming, in part because shifting out of military production involved high costs, for example, in the area of environmental cleanup. In addition, finding alternative employment for military resources has been more feasible in situations where aggregate economic expansion has generated more opportunities. In many countries, allocating the peace dividend became subsumed under fiscal retrenchment. Such retrenchment contributed to significant economic benefits in terms of improved macroeconomic conditions and may have contributed to enlarged private sector resource flows to developing countries. But the prospects of a significant flow of public sector resources to attack urgent social and economic needs, especially in developing countries, have not materialized. This period emphasizes the crucial role of policy decisions in shaping outcomes.

The era of the post-Cold War peace dividend appears to be ending. Global military spending has stopped declining and some large countries in North America and Western Europe have begun planning for modest but real increases in their military budgets. A number of major new weapon systems are moving through research and development and towards production, especially in high performance combat aircraft. One of the lessons many NATO member countries took from the war in Kosovo is that they need to improve their military strength, both quantitatively and qualitatively, in order to have a significant voice in alliance affairs. Some developing countries in East and West Asia had maintained high military budgets even during the peace dividend period. A few of these countries have placed their military expansion plans on hold as a result of the Asian financial crisis, but these plans could be revived. The value of the international arms trade has risen from its post-Cold War low point. Perhaps even more important, the international proliferation of small and light weapons, most

of which are from surplus stocks of large countries, has added fuel to a large number of inter- and intra-state conflicts.

The end of the peace dividend does not mean a return to the levels of military spending reached during the Cold War, nor does it mean a revival of the issues that characterized the Cold War. Instead, the issues that are likely to be of concern to the international community are changing. Three such issues stand out.

First is an increased focus on the plight of the poorest countries, where the impacts of war and military spending are the greatest. A large number of relatively low intensity conflicts, mostly of an intra-state variety, are causing substantial destruction in some of the poorest countries in the world. In some of these instances, military conflict is a major route to obtaining income and wealth for combatants and their leaders. Small weapons and light arms provide the main fuel for these conflicts, and meaningful development initiatives are impossible to contemplate. These are situations where the economic benefits from stopping war and reducing military spending and arms transfers are potentially very large.

Second, whereas the primary focus of earlier studies was on the aggregate impacts of military spending during the Cold War years and during the period of the peace dividend, the emphasis now is more on microeconomic aspects of the military's effect on national economies. With military spending a smaller share of gross output than during the Cold War years, the macroeconomic impacts of changes in the military are smaller than previously. However, issues of technology transfer, especially involving dual-use technologies -- those technologies that are used in both military and civilian activities -- and issues of the structure of industry and competition policy, are receiving greater attention. Also, military production is increasingly transnational, which provides a link to other aspects of economic globalization.

Third, there is greater awareness today of the need to focus on links among economic, social and political factors in striving for meaningful development strategies, in the aftermath of disarmament. The United Nations and other members of the international community have begun to place greater emphasis on rebuilding and modernizing economic, social and governing structures in post-conflict situations. It has become clear that these activities must be related, that even when conflicts are terminated disarmament will not happen

automatically and that disarmament must be accompanied by meaningful development initiatives that foster political participation and social integration as well as transfer resources and establish meaningful economic incentives. Along these lines, it is encouraging that the Secretary-General has seen the disarmament-development link as a multi-disciplinary, cross-departmental issue. Future work within the organization on disarmament and development is likely to be rich, and hopefully will bear much fruit.

Disarmament and Development: Lessons Learned by UNDP

**Victor Angelo
United Nations Development Programme**

It is an honor to participate in this symposium organized by the Steering Group on Disarmament and Development, and to share with you the experience of the United Nations Development Programme in this area.

Experience has proven that the continued circulation of arms, bolstered by failed disarmament in peace operations and peace implementation processes, seriously challenges a country's post conflict ability to rebuild and threatens the prospects for enduring peace. It is essential to extend the traditional interpretation of disarmament beyond its established role as the initial step in the Disarmament, Demobilization and Reintegration (DD&R) process. By incorporating the wider social, economic and political contexts in which small arms proliferation occurs, it is possible to demonstrate that an integrated approach to microdisarmament contributes to a more sustainable peace. In fact, the Secretary-General of the United Nations, in his report on the causes of conflict and the promotion of durable peace and sustainable development in Africa, called for specific actions to reduce threats. While microdisarmament is strongly identified with peace operations, it is not exclusive to DD&R and comprises a crucial component of post conflict peacebuilding. An individual's decision to disarm is influenced by perceptions of personal and economic security. This makes microdisarmament a continuing process that is dependent on myriad factors such as the state's ability to protect its citizens, crime levels, economic opportunities and the degree to which the gun has become legitimized within society.

The degree to which small arms have penetrated society contributes to a level of insecurity that frustrates political processes and impedes social and economic development. This is particularly so in situations characterized by: underdeveloped or non-existent governance structures; a struggling economy with significant levels of unemployment; deep rooted social inequities that marginalize communities; and pervasive and violent crime. These factors, in

concert with the widespread possession and usage of small arms, nurture a culture of violence that sustains demand and reinforces a role for these weapons in society. The reconstruction of war-torn and crisis societies involves much more than rebuilding of the physical infrastructure. Programmes for national reconciliation in the case of civil war and for mental rehabilitation from the trauma and culture of violence cannot be sustained without appropriate mental disarmament. A new culture of peace must be developed supported by a collection of the residue of the tools of violence, and an effective storing policy of weapons legally owned by the government in place.

The resumption of development projects that stopped as a consequence of armed conflict and insecurity, and the commitment of new resources for economic investment clearly require the existence of security and minimum indicators of stability to guarantee a climate for viable economic take-off and sustainability.

Armed conflict negates development in all its dimensions. Therefore, the "sanitation" of post- conflict and crisis societies is a prerequisite for sustainable development.

UNDP's role in post-conflict and crisis countries with respect to small arms and light weapons is founded on the proposition that the diffusion of light weapons, especially their continued availability in post-conflict situations, undermines not only the transition to peaceful co-existence of civil society groups and communities. Equally importantly it undermines sustainable human development. An increasing number of countries have begun to perceive the establishment of peace as a precondition to their development and have engaged their development partners such as UNDP in a dialogue to support peace related initiatives as an integral component of the development dialogue.

In accordance with General Assembly Resolutions 50/70 B and 52/38 J, the United Nations is mandated to address the problem of small arms and light weapons. UNDP, in accordance with its own mandate and priorities, deals with the issue of small arms from a human development perspective. UNDP's prior and ongoing assistance has been in the context of supporting the Malian peace process which has afforded the opportunity for developing the "security first" approach as a means of promoting sustainable human development in Africa. The much acclaimed Malian peacemaking and peace-building model, highlighted by

the 1996 historic 'Flame of Peace' burning of small arms at the historic city of Timbuktu, was backstopped by UNDP in partnership with UN Department of Political Affairs (DPA). The United Nations, together with other donors, set up a Trust Fund for the support of the peace process in the north of Mali (\$11 million by 1997). The Trust Fund financed the demobilization and reintegration of ex-combatants and related peace activities. UNDP has also supported intercommunal and transborder grassroots meetings on reconciliation and security.

This is an example of peace-building and preventive diplomacy. In November 1996, the United Nations Institute for Disarmament Research (UNIDIR), DPA and UNDP organized in collaboration with the Government of Mali an international conference: "Conflict Prevention, Disarmament and Development in West Africa". The Conference adopted the proposal of Mali calling for interested States to declare the related moratorium, and recommended that sensitization activities be carried out with concerned States, relevant inter-governmental organizations (OAU, ECOWAS) to fully implement the Accord de Non-Agression et d'Assistance en Matière de Defence.

It was also recommended that the moratorium regime be consolidated by a dialogue with the arms manufacturing and supplier States at the bilateral and multilateral levels under the Wassenaar arrangement.

One recommendation of the consultation was the establishment of a mechanism called the Programme for Coordination and Assistance on Security and Development (PCASED). The Norwegian Initiatives on Small Arms Transfers (NISAT) and UNDP organized an international Conference in Oslo (April 1998) which brought together 13 ECOWAS Member States at the ministerial level, 23 countries, members of the Wassenaar Agreement, relevant UN agencies and departments, and NGOs. The Conference adopted the "Oslo Platform for a Moratorium on Light Weapons in West Africa." One of the basic objectives of curbing the proliferation of light weapons is to pave the way for socio-economic development. At a 1997 ECOWAS Ministerial Meeting in Gambia the text of a moratorium was finalized and declared to be in force at the ECOWAS Summit in mid September 1998.

The central idea is a "security first" approach. Without security, conditions will not exist for development programmes to be conducted. The Programme for

Coordination and Assistance on Security and Development is a novel initiative for resolving the security-development dialectic. It concretizes the "security first" paradigm, itself a holistic approach to obtaining security and sustainable human development. For UNDP, PCASED is a test of this new approach to development for countries in unstable situations. Specifically it strives to:

1. Engage in a dialogue with all parties (interested States and suppliers) to stem the diffusion of weapons;
2. Maintain a database and an arms register;
3. Undertake research and publish;
4. Assist in developing national legislation and regional legal conventions;
5. Assist governments in the organization of their weapons arsenals through the establishment of an effective recording system; and
6. Contribute to the harmonization of civil-military relations.

PCASED was officially launched at the ministerial conference that took place in Bamako, Mali from 22 to 25 March 1999.

Following wide scale public looting of army depots during the unrest of March 1997 in Albania, over half a million military weapons and several tons of ammunition fell into the hands of the civilian population. Although a proportion of the weapons looted was trafficked to Kosovo and elsewhere, significant quantities remained in Albania where the government estimated that it was able to collect only about eighteen per cent of the weapons stolen. In conjunction with the United Nations, the Government of Albania has undertaken to engage in a nationwide program of civilian disarmament.

The pilot Program for Weapons in Exchange for Development, Gramsh District, has been conceived as the first concrete step in this partnership between the United Nations and the Albanian government. A UN fact finding mission, led by the Under Secretary-General for Disarmament, visited Albania in June 1998 to assess the prospects for a programme of assistance in weapons collection. The approach that was selected consists of giving equal emphasis to five key elements: symbolism, advocacy, community involvement and reward, voluntary surrender and public destruction of weapons. The mission agreed also that a pilot

programme should be established in the central Albanian district of Gramsh, prior to replication nationwide, subject to a successful outcome and the availability of funds.

According to estimates by national authorities, Gramsh District has one of the highest concentrations of weapons in the country. It is estimated that there are approximately 10,000 illegal arms in the district, which has a population of 50,000 persons. Within the overall framework of supporting national efforts to collect unlicensed weapons and help restore public order based on the rule of law, consensus and democracy, the immediate objectives and planned activities of the pilot project are to:

1. Mobilize resources and public support for the demilitarization of the civilian population on a voluntary basis, both at the national level and at the local level in Gramsh, through a nationwide public awareness campaign, and including limited assistance to strengthen the capacity of public order authorities in Gramsh;
2. Assess development needs in Gramsh District with a view to identifying a set of priority small-scale, participatory, community-driven development projects. The involvement of communities in the selection and implementation of such projects will be reflected in a compact with the United Nations, which will be concluded and signed prior to the initiation of the weapons collection;
3. In collaboration with representatives of the Ministries of Interior and Defense, collect arms and ammunition from the civilian population in Gramsh, on a voluntary basis. The weapons collected are transferred from the District police station to secure military depots for storage, prior to destruction.

The progress to date includes:

1. 6,000 weapons and more than 25 tons of ammunition have been surrendered since the weapons collection process began on January 26, 1999;
2. Three Mitsubishi Pajero vehicles have been delivered to the local police, to strengthen their capacity to respond to emergencies and provide a visible deterrent to crime;

3. A telecommunications project has been agreed, which will link by radiotelephone all communes of Gramsh District, to be implemented from March 1999 (cost \$170,000);
4. Road projects for Tunje and Kodovjat Communes, and street lighting for Gramsh Town, have been agreed upon, and full technical assessments are now being undertaken;
5. A series of radio programs by the BBC World Service has been broadcast in parallel with the weapons collection process. National television advertisements are screened on a nightly basis. A national network of Albanian NGOs has been established to campaign on the need for voluntary surrender of weapons and ammunition; and a major concert was held in Gramsh town, on January 25, 1999, to encourage weapons surrender;
6. Posters and T-shirts in favor of disarmament have been produced and distributed;
7. UNDP has established a Trust Fund to prevent and reduce the proliferation of small arms. It will be used for strategic and catalytic interventions such as:
 - Support to public information activities at the national, regional and international levels to inform and advocate against small arms and light weapons;
 - Strengthening national, regional and international capacity, cooperation and legislation on control mechanisms concerning small arms and light weapons.
 - Support to strengthening cooperation and coordination as well as training and information sharing between law and order forces and customs officials at the national and regional level;
 - Support for weapons collection and destruction programmes in general, and related measures for disarmament, demobilization and reintegration processes of ex-combatants.

Norway and Switzerland have contributed respectively US\$ 2.1 million and US\$ 650,000 to support this Trust Fund.

In conclusion, I would like to say that UNDP will, in collaboration with its partners and the donor community, continue its efforts to play a key role in the area of small arms and light weapons by supporting the objectives of the United Nation's policy on this issue. UNDP will also continue to work closely with its partners, with the support of the donor community, to adopt a proportional and integrated approach to security and development in its post-conflict initiatives, to build the capacity of governments and to encourage them to adopt and implement regional or subregional moratoriums to encourage the widest possible involvement of civil society, and to facilitate international dialogue on this issue.

Interactions Between Disarmament and Development

**Michael D. Intriligator
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This article, taken from a presentation to a later United Nations panel discussion on disarmament and development, is included here because some of the points made are complementary with those earlier in this document.

Disarmament and Development

In this article, I consider the interactions between disarmament and development, the economic effects of disarmament and the related policy implications.

Since the end of the Cold War, there has been reduced military spending by the United States and by its allies in NATO. At the same time there has been a major collapse of military expenditure and procurement in Russia and other parts of the former Soviet Union.

This collapse in Russia is not necessarily a good thing because one of the implications is an increased reliance on nuclear weapons. This development is, in fact, very reminiscent of what happened in the United States during the Eisenhower Administration, where there was major dependence on nuclear weapons, the so-called "more bang for the buck" program. Russia is now going through a comparable period. Thus, the fact that there is reduced military spending has some secondary implications that may not be all that favorable.

The general pattern of reduced military spending after the Cold War was not universal; there were exceptions. In tension areas in the Middle East, the Gulf, Sub-Saharan Africa, South Asia, and the Korean Peninsula, military spending did not go down, but has been relatively stable. A major exception to reduced military spending is East Asia, especially China, where military spending has been rising significantly. Deng Xiaoping in 1978 announced "Four Modernizations" for China. Most people think of these as economic modernizations because the first three were the modernization of agriculture,

industry, and science and technology. The fourth modernization, however, was defense. The Peoples Liberation Army (PLA) is the largest army in the world as it always has been since it was created in 1949. It was regarded as an insignificant force, however, because it did not have airlift, sealift, or modern weapons. Now China has all three. It has major procurement programs to build a blue water Navy and to upgrade its nuclear weapons. These have led to enormous increases in both military spending and military capabilities that are not adequately appreciated on a worldwide basis.

Interactions between Disarmament and Development

There is a long-standing United Nations viewpoint on disarmament and development. That view has been put forth in various UN conferences, reports, resolutions, and so forth. The UN idea is that when nations reduce their military spending these funds could be converted into additional funds for foreign aid, foreign assistance, and overseas development. Of particular concern during the Cold War period was the military spending of the superpowers, both the United States and its allies in NATO and the Soviet Union and its allies in the Warsaw Pact. The United Nations advocated that, instead of building weapons, both sides should help the development of the Third World.

This presumption that reduced military spending could be converted into added Overseas Development Assistance (ODA) funding is questionable, however, because there has been no immediate, direct peace dividend. Where there has been a peace dividend, its proceeds were used primarily for domestic agendas, not for the international agenda. Those countries that are reducing their military spending have not converted those funds into foreign assistance. Rather, they have converted them into expenditures on education, health, social security; tax or debt reduction; and various other uses at the domestic level rather than at the international level. Very little of it has gone into increased spending for overseas development or foreign assistance.

Some people think that national budgets are like money in your pocket. If you take money out of one pocket then you can put it in the other pocket. Thus, if you take money out of the military spending “pocket” you can put it into the development pocket or you can use it to build up capital stock or train workers. It does not work that way, however. There is a basic problem of fungibility. You cannot simply switch from one to the other. Behind that switching is a resource

reallocation issue that is very challenging and very difficult. If you are paying your soldiers or buying more weapons, to take that same money and use it to buy material or training for development purposes is not easy. Switching funding from one category to another is not like moving money from one pocket into another.

One of the easiest ways of converting military expenditure into development funding, where there is some fungibility, is via reduced arms imports. If a country has been importing arms it can typically replace these arms imports by capital imports for the production of consumer goods. It can, for example, import plant and equipment or machinery or it can send its students to other countries for advanced training. This is one of the easiest ways to convert from military spending to development spending.

The Economic Effects of Disarmament

Just as the Cold War was ending, I was part of an international team of economists that the United Nations Institute for Disarmament Research (UNIDIR), commissioned to put together a report on the economic effects of disarmament. We had regular meetings in Geneva and issued a report that went to the Secretary-General in 1992. Our report suggested that it is useful to think of disarmament as an investment process. What we meant by an “investment process” is similar to an investor buying a building or a company or financial assets such as stocks or bonds. There is an initial outlay of money but, ultimately, there is a stream of returns that the investor gets from that building or company or financial asset. Thus there are initial costs and ultimate benefits.

In our UNIDIR report we said that this is exactly the nature of disarmament. There are short-term costs and long-term benefits. The short-term costs are the adjustment costs, including the costs of retooling capital. If you have a plant that was set up to make munitions or advanced fighter jets, it is very hard to convert that into anything that would be useful for the civilian economy. Retooling is necessary, but retooling is very expensive. Often it is easier simply to abandon a plant than to try to convert it. If you try to take a plant that is making tanks and convert it to make trucks, it is often cheaper to start anew and build a whole new plant, rather than to try to convert one type of plant into another.

Similarly, the retraining of workers is very expensive. If workers are trained to produce a certain type of good or to provide a certain service then they would have to be retrained in order to switch them from producing military-type goods to producing civilian-type goods. So, there are adjustment costs that can be regarded as the short-term costs. However such “short-term” costs could last over a long period of time. The length of time depends on the overall state of the macro economy of the country that is involved in the conversion process.

Ultimately, however, there are long-term benefits. This is the “peace dividend” that takes the form of increased output of civilian goods and services. This increased output can be substantial if macroeconomic conditions are favorable. If there are high levels of available investment, for example, then they can be channeled into retooling capital and retraining workers. If there are low levels of unemployment then people can shift from a military-oriented occupation to a civilian-oriented occupation. Under favorable macroeconomic conditions these benefits, even though I referred to them as long-term, can arrive fairly rapidly.

On the other hand, if macroeconomic conditions are poor, as is the case in Russia, then investment has essentially dried up. Investment has fallen in Russia from 1990 to 1998 by 90 per cent. With such limited investment funds available, they do not have the ability to retool or to retrain workers. Similarly, unemployment, which was traditionally extremely low in Russia, has now gone up very considerably and there is substantial underemployment as well as unemployment. So, the conditions are not favorable for a peace dividend in Russia even though it is reducing its defense spending.

There are two myths about the economic effects of disarmament on the economy that I would say are opposite sides of the same coin. One school has argued that disarmament leads to a collapse of the economy. According to this school, the economy is fed or builds upon military spending. As a result, if you reduce military spending then everything will collapse. On the other side is the view that disarmament leads to a substantial gain in the economy with the peace dividend. In my opinion, both views have some element of truth, particularly regarding short-term costs, followed by long-term gains. But you have to factor in the macroeconomic conditions of the country concerned to determine the effects of disarmament on the economy.

Policy Implications

A first policy implication is that there is a need to reduce military expenditures in the major nations, particularly in the advanced industrialized countries. Such reductions are economically valuable in the long run even though they entail short-run costs that may last a long time if macroeconomic conditions are unfavorable. That has to be recognized.

A second policy implication is that there is a continued role for nuclear deterrence. We have to be concerned about the possibility that deterrence could be undermined by unilateral disarmament if that did not lead to a reciprocal response. As a result, it is frequently better to reduce military spending and procurement on a bilateral or a multilateral basis than on a unilateral basis.

A third policy implication is that there is value in reducing arms imports. As noted earlier, this is probably the easiest way to overcome the fungibility problem for developing countries. In particular, these countries could reduce their arms imports and replace them with capital goods imports, like machine tools, plant and equipment, or they could send their students abroad for training, as an investment in human capital. Both forms of action would represent investments in the economy. Such initiatives could be enormously valuable, particularly, if they were carried out on a multilateral basis in a region.

In the Middle East there was an agreement, often forgotten by people nowadays, called the Tripartite Agreement that lasted until 1958. It was an agreement among the United States, the United Kingdom, and France not to send weapons, particularly destabilizing weapons, into the Middle East Region. It broke up in 1958 when the Soviet Union, that was not a party to the agreement, started to export arms to Egypt. Up to that point, it was a good example of an agreement on a multilateral basis to reduce arms imports in a specific region.

Oscar Arias, the Nobel Peace Prize winner, has given several talks, including some at the United Nations, proposing a freeze or limitation on arms imports into Sub-Saharan Africa, a region in which some of the greatest conflicts are raging. Many people in the United States are not aware of these conflicts. If you ask them where is a big war going on, people would say Yugoslavia, and now maybe it is Chechnya, but these conflicts are small compared to what is happening in Sierra Leone, Angola, Sudan and the Congo. These wars do not

appear in the press except on the back pages of the newspaper. However these are enormous wars with millions of casualties occurring in several countries in Sub-Saharan Africa. If we can limit arms transfers into that region, as in the Oscar Arias proposal, this could have many beneficial effects in reducing the intensity of the conflict, stabilizing the region, and freeing resources for purposes of economic development.

A fourth policy implication is the need to recognize the potential dangers of substantial increases in arms spending or procurement. In most of the world, arms spending or procurement has stayed stable or has declined. A major exception is East Asia, particularly China. The increase in military spending in China has had secondary effects on all its neighbors, including Taiwan, the Philippines, both Koreas, and Japan. This is a potentially very dangerous situation both for the outbreak of conflict in the region and for the acquisition of weapons of mass destruction and their delivery systems.

During the Cold War there was much emphasis on arms control. When the Cold War ended, many people thought that the whole focus area would shift from arms control to non-proliferation. There was, in fact, much discussion of non-proliferation, which is a very important issue to treat that of preventing the further acquisition of weapons of mass destruction in various countries, such as North Korea, Iran, Iraq, and Algeria. Unfortunately, however, people seem to be paying less attention to arms control. These are sort of Siamese twins that should be considered jointly, in the same way that they were considered during the Cold War. Even though we may have downplayed arms control, it should not be eliminated from the agenda altogether.

The industrialized nations, particularly the OECD nations, the United States, the European Union, and other prosperous industrialized states, should, if requested, provide financial and technical assistance to nations in transition to support their attempts to convert military to civilian production or to eliminate weapons altogether. One important example relates to Russian chemical weapons. Russia has agreed to the Chemical Weapons Convention. The Russian Duma has ratified that convention, and Russia is committed to eliminate its chemical weapons, which is by far the world's largest stockpile of chemical weapons. As already noted, investment has shrunk by 90 percent in Russia. As a result, they do not have the resources needed to build the incinerators required to

destroy these chemical weapons. The United States and the Soviet Union had agreed on a bilateral basis to eliminate both sets of chemical weapons stockpiles back in the Bush Administration. Secretary of State James Baker and Soviet Foreign Minister Eduard Shevardnadze reached such an agreement, which was ratified by both countries, to eliminate all chemical weapon stocks. The United States proceeded to build incinerators. We built one in Johnston Island in the Pacific, in Utah, and in several other places. The Russians have not done anything. It is not that they do not want to; it is just that they cannot afford to. Each of those incinerators cost a billion dollars. Russia has seven sites where these chemical weapons are stored in rusting old storage containers that create enormous environmental dangers. For around eight billion dollars, we could provide them with the incinerators they need, and they could start destroying their chemical weapons. That is probably the best investment the United States could make in terms of improving its security, as well as global security.