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REDUCTION OF MILITARY BUDGETS

Views of States on the study concerning the construction
of military price indexes and purchasing-power parities
for comparison of military expenditures

Report Of the Secretary-General

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* A/41/150.

I. INTRODUCTION

1. On 12 December 1985, the General **Assembly** adopted resolution 40/91 B on the reduction of military budgets, in which, inter alia, it invited **Member States** to present their views regarding the report of the Group of Experts on the **Reduction of Military Budgets** entitled "Construction of military price indexes and purchasing-power parities for comparison of military expenditures" (A/40/421, annex). The relevant operative paragraphs of the resolution read as follows:

"The General Assembly,

"...

"3. Commends the report and its **conclusions and** recommendations to the attention of all Member **States;**

"...

"5. Invites all Member States to present to the Secretary-General, no later **than** 15 April 1986, their views regarding the report and to **suggest** further measures with a view to **facilitating future** international **agreements** to reduce military expenditures;

"6. Requests the Secretary-General to submit a report **containing the** views of Member States received concerning this issue to the General Assembly at its forty-first session;

"...

"10. Decides to include in the provisional agenda of its forty-first session the item entitled 'Reduction of military budgets' ."

2. Pursuant to **the above**, a note **verbale** dated 3 February 1986 was addressed to all Member States requesting their views **and suggestions**. The **Secretary-General** has to date received replies from Australia, Finland, **the Netherlands (on behalf of the 12 States members** of the European **Community)**, Norway, the Philippines, Sweden and the United States of America, which are reproduced in section II of the present report.

II. REPLIES RECEIVED FROM GOVERNMENTS

AUSTRALIA

[Original: English]

[15 April 1986]

1. Australia is committed to the principle of reduction of military budgets provided that this **can be** achieved in ways that **would not endanger** national **security**. Australia regularly **makes** information available to **the** United Nations on its military budget in the form of the **standardized** reporting instrument.

...

2. Australia supported the establishment of the Group of Experts on the Reduction of Military Budgets. Australia co-operated with the Group of Experts because it believed that the Group could make a useful contribution to the difficult question of valid international comparison of military budgets and thus enhance the value of the reporting instrument on military budgets. Australia is disappointed that 80 few Member States, almost all of whom were from the West, decided to take an active part in the study, despite the professed desire of many Member States to see progress in the issue of the reduction of military budgets. Australia believes that unless a wider range of Member States decides to participate in any future consideration of the technical and other aspects of problems related to agreements to reduce military expenditure, there is little likelihood of any progress and no point in the continuation of the work of the Group of Experts.

3. Australia will nevertheless continue to provide details of its military expenditure in the standardized reporting instrument and urges all other Member States to do likewise.

FINLAND

[Original: English]

[9 June 1986]

1. The aim of the Group of Experts appointed by the Secretary-General has been to establish a procedure whereby a reliable comparison based on indexes and parities of purchasing power could be made of the defence expenditure of various countries at given points in time. The report can be seen as a preliminary mapping out of the topic.

2. Finland has been one of eight Member States to have participated in the study, providing information as an object of the study.

3. The methodological aspect, i.e., the use of indexes as a basis of comparison, is familiar, whereas the collection of detailed price and cost data in respect of defence expenditure is new for this type of study, at least in the United Nations context. As the report clearly indicates, having such data with sufficient accuracy and coverage from among Member States poses insurmountable difficulties. No change can be expected in the availability of such data, since the structure of the military budget and any detailed prices and costs are in most countries at least partly secret. Therefore the application of the procedure suggested in the report for obtaining data from various countries at a given time for the purpose of comparison seems problematic.

4. The now completed report, as a tool for developing methods of reliable comparison of military expenditure, is weakened by the fact that it had not been possible to arrange a sufficient exchange of information between the Group of Experts and the representatives of all countries providing information for the study. Consequently the method of comparison includes data and information, which:

- ta) Are not relevant for the comparison of defence budgets;
 - (b) Given differences in the systems and procedures in various countries, acquire a different meaning in a comparison of this type;
 - (c) Because of multiple possibilities of translation and interpretation, may lead to different solutions in providing the information.
5. The further development of reliable methods of comparison in defence budgets is nevertheless an important means of achieving cuts in international military expenditure. Therefore this type of research should be continued.
6. As the structure and details of defence budgets are accompanied by a host of secrecy regulations, more research should be done on how defence budget comparisons could be reliably made with more readily available allocation and cost data.

NETHERLANDS

(on behalf of the States members of the European Community)

[Original: English]

{ 1 May 19861

1. The Twelve reconfirmed during the past session of the General Assembly that they are very much in favour of agreements to reduce military expenditures. They believe that a gradual reduction of military budgets on a mutually agreed basis is an objective that merits serious consideration as one possible measure, among others, towards the goal of general and complete disarmament. Consequently they welcomed the adoption of General Assembly resolution 40/91 B. In accordance with the relevant provisions of this resolution, the Twelve have actively participated over the years in work on the subject matter at the United Nations. Member States of the European Community submit yearly figures on their military budgets, as requested by the Secretary-General.
2. The Twelve continue to believe that if States Members of the United Nations are seriously interested in achieving progress on this score, they should start as soon as possible by participating yearly, together with those countries that are doing so already, in further work in the United Nations on a standardised reporting instrument for military expenditures. They are of the opinion that this should be a first step towards achieving the much needed greater transparency of information on military expenditure. Thus the future goal of meaningful negotiations about verifiable reduction of defence spending will be facilitated. Therefore, it seems necessary that as many States as possible co-operate by reporting their military expenditures. The Twelve regret that there are still quite a number of States within the United Nations that have declined to do so.
3. As requested in the above-mentioned resolution, the Twelve carefully examined the report (A/40/421, annex) concerning the construction of military price indexes and purchasing power parities for comparison of military expenditures. They are

highly appreciative of the advances made in the exploration of various kinds of methodological questions. In this respect, the Twelve consider it a constructive contribution to the earlier efforts of Sweden and others to promote the creation of a workable system that would make the intertemporal comparison of military budgets easier and would thereby facilitate the transparency and verification of agreed measures to reduce military budgets in the future. In particular, it rightly addresses important technical questions that remain outstanding, such as comparability and verification, and it indicates that the existence of the political good will of all States concerned is an important prerequisite for achieving any feasible future agreement.

4. An evaluation of the suggestions made by the Group of Experts on the subject seems appropriate, so the Twelve will support the Secretary-General in his task of exploring further the recommendations and conclusions contained in the study. However, the Twelve consider that rather than attempting to give concrete form to the conclusions of the study at this stage, the priority objective should continue to be to secure wider acceptance of the existing instruments, thereby promoting participation by an increasing number of States.

5. The Twelve will continue to accord priority to the achievement of concrete and balanced disarmament measures in current negotiations. Progress in this matter would itself make a major contribution to the objective of reducing military expenditures.

NORWAY

[Original: English]

[6 May 1986]

1. Norway has from the outset given active support to the efforts undertaken within the United Nations with the aim of establishing an international system for standardized reporting of military expenditures. This support has been demonstrated both by Norwegian co-sponsorship of resolutions dealing with the subject and by the annual reports to the United Nations on Norwegian military expenditures.

2. The study of the Group of Experts on the Reduction of Military Budgets constitutes an important contribution to the process of enhancing support for the reporting system and of refining it. The construction of military price indexes and purchasing-power parities for comparison of military expenditures is of great importance if we are to arrive at systems allowing meaningful comparison and verification of military expenditures of nations belonging to different geographic regions and having different budgeting and accounting systems.

3. It should in this context be underlined that the purpose of the reporting system must be to achieve a greater degree of openness on military matters between the Member States. The United Nations reporting system can thus be seen as a confidence-building measure on the global level. If supported by all parties, the

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reporting system could in our view **prove itself** significant in the **longer perspective** by facilitating **future** efforts to **agree on reductions** in the military budgets. In this **connection one** should also point out that the full use of such a reporting **system** would **facilitate** a further reallocation of **resources** following disarmament to **economic and** social development,

4. In the **Norwegian view** the study produced by the **Group** of experts indicates that answers have **been found** regarding the most important **problems in the standardized reporting system**. Although the **present instrument can no doubt be** further refined, **Norway is** of the opinion that the **United Nations reporting system can best be improved by increased** participation from all **groups** of nations. It **must be** welcomed, therefore, that **increased** participation has taken place lately. Broadened participation from all groups of countries is **indeed a** condition if this reporting **system, supported by the General Assembly**, shall be able to fulfil its role as a **first** step in the efforts to **conclude agreements** on mutual reductions of military expenditures.

PHILIPPINES

[Original: English]

113 May 1986,

The Philippines voted in favour of General Assembly **resolution 40/91 B** entitled "Reduction of military budgets". The following measures are suggested to facilitate international **agreements** to reduce **military expenditures**:

(a) The United Nations **should** call for an **immediate halt** to all increases in military expenditures of **Member States**)

(b) Any **subsequent** increase in military **budgets should be** considered through the United Nations (after, for example, the creation of a **United Nations committee on military budgets**). Budget **approvals would be** considered only after the "**committee**" had deliberated on the budget proposal, **depending** on the **country's security** interests.

SWEDEN

[Original: English]

(1 May 1986)

1. The study **by the Group** of Experts on the Reduction of Military **Budgets** contained in the report of the Secretary-General (A/40/421) is the **most recent** in a **series** of studies dealing with various questions related to international agreements to reduce **military** expenditures.

2. Earlier work in this field led in 1980 to the adoption and subsequent implementation by the United Nations of an international system for the standardized reporting of military expenditures. Problems of comparing and verifying military expenditures were also examined. In 1982, the General Assembly requested the Secretary-General, with the assistance of a group of qualified experts and with the voluntary co-operation of States, to undertake the task of constructing price indexes and purchasing-power parities for the military expenditures of the participating States.
3. The Group of Experts on the Reduction of Military Budgets has constructed military purchasing-power parities and price indexes for all the States that chose to participate. The results may certainly be less than perfect, but, on the whole, the parities and indexes presented by the Group should provide better instruments for comparing military expenditures of participating States than other available means of comparison such as existing exchange rates and general price indexes. The Swedish Government regrets that the work undertaken by the Group has been constrained by the fact that States with centrally planned economies and developing countries have not taken an active part in this project. The results obtained by the Group would have been improved if more relevant information had been available.
4. In the Swedish Government's opinion, it is an important step forward that this report has demonstrated that the construction of instruments for the comparison of military expenditures is feasible, given a reasonable amount of relevant statistical data. The implication is that it should be possible, in the context of international negotiations, to solve the technical problem involved provided that a genuine commitment exists to arrive at agreements.
5. A negotiated reduction of military expenditures represents an approach to disarmament which has yet to be tested. If effective, such reductions would constrain or diminish the total military effort of participating States, thus reducing the international potential for threat. The Swedish Government believes that the security of States would be enhanced through balanced reductions of military expenditures. It is therefore important to promote and to take appropriate measures in order to facilitate international negotiations on such reductions. The continuous and systematic examination by the United Nations of various problems of defining, reporting, comparing and verifying military expenditures has this very purpose. Wide participation in this process and increased openness in military matters would help to build confidence among States. It is in this light that the United Nations work in this field, including the report of the Secretary-General, should be seen.
6. Negotiations might be facilitated if States interested in international agreements to reduce military expenditures, in particular the militarily significant States, officially acknowledged that, in the context of negotiations on such agreements, an exchange of data would be required. The scope and exact nature of such data would, however, have to be agreed by the parties in the course of their negotiations.

7. In the **opinion of the Swedish Government, it is important** that States initiate **a serious dialogue about the modalities of international negotiations and agreements on the reduction of military expenditure**. Such discussions could be **carried out within or outside the United Nations, among nuclear-weapon States or other militarily significant States, among States belonging to opposing military alliances or among States in a particular geographical region.** The United Nations could facilitate **such efforts by supplying the kind of assistance that might be called for.**

8. **There is a close link between the concept of reducing military expenditures and the idea of releasing resources through disarmament measures for social and economic development. According to the Final Document of the Tenth Special Session of the General Assembly (resolution S-10/2), the first special session devoted to disarmament, reductions of military expenditure would both contribute towards curbing the arms race and increase the possibilities of reallocation of resources now being used for military purposes to economic and social development, particularly for the benefit of the developing countries.** The International Conference on the Relationship between Disarmament and Development will provide an appropriate forum for a **serious dialogue about the modalities of negotiation on the reduction of military expenditures.**

UNITED STATES OF AMERICA

[Original: English]

[20 May 1986]

1. The **study of the construction of military price indexes and purchasing-power parities for comparison of military expenditures (A/40/421, annex), prepared by the Group of Experts on the Reduction of Military Budgets, is a valuable addition to the series of expert studies on that issue.** Previous **studies had dealt primarily with the establishment of a standardized system of reporting military expenditure in national currencies and prevailing prices.** This **study made an empirical examination, based on actual data volunteered by participating States, of the feasibility of comparing such reported military expenditures over time and between countries and their respective currencies.** The study found that, **given availability of sufficient data, such comparisons are feasible by means of military price indexes and purchasing-power parities and that such yardsticks constructed on the basis of military data are better than analogous civilian yardsticks. These findings advance the technical possibilities for achieving agreements on the reduction of military expenditures.**

2. The United States supported and participated in the **study by volunteering detailed information, as did seven other countries. However, the study was hampered, as previous studies have been, by the lack of participation with volunteered data by States with different budgeting and accounting systems, most notably the Soviet Union.**

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3. The failure of the Soviet Union and most of its allies to participate either in the expert group studies of issues surrounding agreements on the limitation of military expenditures or in the reporting of standardized military expenditure data indicates that these States are unwilling to modify their policy of obsessive secrecy concerning such data, which are essential for any prospect of a limitation agreement - this despite the fact that the USSR and its allies have made frequent proposals for such agreements.

4. The General Assembly has repeatedly called for participation in standardized reporting of military expenditures and for greater openness regarding military matters in general. Member States that have not yet done so should heed those appeals if they wish to enhance the prospect of agreements on limiting or reducing military expenditures and - in the case of those advancing proposals for such agreements - to demonstrate the seriousness of their initiatives. Meanwhile, Member States genuinely interested in progress in the area of reduction of military expenditures, and of arms control in general, should make further efforts to encourage freer flow of information required for such progress.