

Letter from Geneva

The Economic Consequences of Disarmament

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A record number of Conferences on disarmament have been held in the United Nations. Several Committees and Sub-Committees have searched for a lasting system of disarmament. The history of these negotiations is chequered by cold war tactics and one-up-manship. But never before has the necessity for the success of these encounters been so great as now. Once again, another expert body is to meet in New York at the end of January. It has been appointed by the Secretary General] who is to present its findings to the General Assembly. The report of this expert body would be of greater significance than that of any of its predecessors. For the first time, a team of internationally-reputed economists and sociologists will come together to analyse the economic consequence of disarmament.

If ever there is disarmament, it will be the result of political decisions. But we should not be taken unawares lest the international economic structure is shaken. The minds of men like the economies of nations have got accustomed to living with armaments. The world continues to spend over \$100 billion a year on arms, but with frightening & inconclusive results. It is a sad reflection that as the technological possibility of destruction increases, its prevention comes more and more difficult, imperative.

This year the primary problem with which the experts will concern themselves will be the immediate effect of disarmament on the different economic systems. In what way can military expenditure be replaced by public and private investment? What will be the problems of transition when an economy geared to armaments begins to switch over to raising living standards? How could the human and material resources released from armaments be channelised? In turn, what would be the impact of disarmament on world trade? The»e

are some of the questions which your correspondent had an opportunity to discuss with the experts.

To begin with, different economic systems would have different economic consequences. For Europe, the transition would be relatively easier. An industry producing tanks could, even in a short period, turn to tractors. In fact, the reverse of this did occur during the last war. In private enterprise economics such as the United States, however, long-range planning would be needed to absorb the shocks. Otherwise, a depression or recession would be unavoidable. On a smaller scale, the American economy did suffer from this after World War II and again after Korea. Despite historical precedents, there does not exist any Government agency in the United States which is working exclusively on the 'economics of disarmament.'

Impact on International Trade

There is no economic system, however, which will not derive economic benefits from disarmament. The planned economies could divert some of their resources to the production of consumer goods. The production potential in private enterprise economies released from armaments production could be utilised in badly-neglected social services. Apart from the imbalances in the national economies resulting from cessation of capital investment in armaments, disarmament will also have an immediate impact on international trade. The balance of payments problems of the pre-industrial countries would become less acute. For, though it may be too early to envisage the manner in which disarmament is likely to influence the developing economies, it is quite certain, judging from recent trends, that it will enable a larger part of the savings of the world to be diverted to assisting their growth.

All these may appear to be purely speculative, if not fanciful, But

once a good cause comes to prevail amongst the statesmen, it is conceivable that there would be some need to take precautionary measures. To continue to spend the wealth of nations on nurturing a cancerous growth inside their respective economics is no longer politically necessary. How far the period of waiting before we live in a 'disarmed' world can be reduced will depend to a large extent also on public opinion. We have before us a recent example of how an abstract idea can take hold of people and grow into a popular movement. The nuclear disarmament campaign in Britain was considered crazy when it started. Again, only a decade ago, the claims of economic development of under-developed countries hardly figured in the calculations of international organisations. So when a concept gathers momentum, even the most hardened sceptics can be converted.

The fundamental question, however, still remains: In what political conditions can disarmament become a reality? As long as the present tussle between the two power blocs goes on, no serious effort is likely to be made to bring disarmament any nearer. But even if the contending powers are sincere in their efforts, there will be serious technical difficulties in planning the stages of disarmament. International control and inspection have to be worked out in such a manner that neither side gains a political or military advantage.

A further point which must be considered relates to the changing situation of international politics. In the forties and fifties, it was the Soviet Union which was advocating 'ban the bomb;' at that time for US to disarm would have been to surrender an advantage. In the sixties, USSR claims military and technological superiority over the US. Disarmament may thus mean the surrender of an advantage on the part of the USSR. US should not lose this bargaining position,

