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Item 58 of the provisional agenda*

REDUCTION OF MILITARY BUDGETS

Construction of price indices and purchasing-power parities for military expenditures

Report of the Secretary-General

1. The General Assembly, in its resolution 37/95 B of 13 December 1982, 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 indices and purchasing-power parities for military expenditures of participating States. The Assembly further requested the Secretary-General to submit progress reports to it at its thirty-eighth and thirty-ninth sessions and a final report at its fortieth session.
2. Pursuant to that resolution, the Secretary-General appointed a Group of Experts on the Reduction of Military Budgets, which held its first session from 7 to 11 March 1983 and its second session from 8 to 19 August 1983.
3. By a letter dated 19 August, the Chairman of the Group submitted a progress report, which is annexed to the present document.

* A/38/150.

ANNEX

Progress report on the construction of price indices and
purchasing-power parities for military expenditures

(Prepared by the Group of Experts on the
Reduction of Military Budgets)

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LETTER OF TRANSMITTAL

19 August 1983

Sir,

I have the honour to submit herewith a progress report on the work of the Group of Experts on the Reduction of Military Budgets, which was appointed by you in pursuance of resolution 37/95 B, adopted on 13 December 1982 by the General Assembly at its thirty-seventh session.

The experts appointed were the following:

Col. Vito Caporaso
Chief of the Logistics-Administrative
Office of the Army Staff
Ministry of Defence
Administration Command Corps-Army Staff
Rome, Italy

Mr. Hans Christian Cars
Deputy Director
Ministry of Defence
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Lima, Peru

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Central Statistical Office
Bucharest, Romania

Col. Victor O. Odeka
Commandant
Nigerian Army School of Finance and Administration
Lagos, Nigeria

Mr. Benjamin Parwoto
(AVM Indonesian Air Force)
Commanding General Matériel Command (Komatau)
Lanuma Hussein Sastranegara
Bandung, Indonesia

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The Group held its first session from 7 to 11 March 1983 and its second session from 8 to 19 August 1983. Both sessions were held at United Nations Headquarters in New York. At both sessions all experts participated with the exception of Mr. Benjamin Parwoto of Indonesia, who was not able to attend the second session.

During its two sessions, the Group held 26 formal meetings as well as a number of informal meetings during which it discussed the scope and nature of the exercise, ways and means of carrying out the mandate from the General Assembly, as well as the technical aspects required by the data to be assembled.

The Group will hold two more sessions, scheduled in February and July 1984 in New York, each of two weeks' duration, and two sessions in 1985 in February and June of three weeks' and one week's duration, respectively.

The Group was assisted in its work by Mr. Jacques Fontanel of France who served as a consultant. Mr. Fehmi Alem of the Department for Disarmament Affairs served as Secretary of the Group.

I have been requested by the Group, as its Chairman, to submit this progress report to you on its behalf.

Accept, Sir, the assurances of my highest consideration.

(Signed) Hans Christian CARS
Chairman
Group of Experts on the Reduction
of Military Budgets

His Excellency
Javier Pérez de Cuéllar
Secretary-General of the United Nations
New York

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I. INTRODUCTION

1. The exercise to be undertaken by the Group of Experts on the Reduction of Military Budgets, namely the construction of price indices and purchasing-power parities for military expenditures, is a continuation of the series of exercises related to the subject of the reduction of military budgets undertaken by the United Nations in past years. The latest report completed by the Group of Experts on the Reduction of Military Budgets (A/S-12/7), which addressed, mainly, comparison and verification aspects of military expenditures, established the need to explore further the technical aspects of the problem and made recommendations, which were included in General Assembly resolution 37/95 B.

2. Paragraphs 5 to 8 of that resolution, adopted by the General Assembly at its thirty-seventh session, read:

"5. Requests 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 indices and purchasing-power parities for the military expenditures of participating States; this task should encompass a study of the problem as a whole, which would include the following:

"(a) To assess the feasibility of such an exercise;

"(b) To design the project and methodology to be employed;

"(c) To determine the types of data required, such as product descriptions, prices and statistical weights;

"(d) To construct military price indices and purchasing-power parities;

"6. Requests the Secretary-General to ascertain the willingness of States to participate and to enlist their voluntary co-operation;

"7. Invites Member States to participate in the above-mentioned exercise;

"8. Requests the Secretary-General to submit progress reports to the General Assembly at its thirty-eighth and thirty-ninth sessions, and a final report to the Assembly at its fortieth session."

3. Pursuant to that resolution and following consultations with their Governments, the Secretary-General appointed the Group of Experts on the Reduction of Military Budgets, which held its first and second sessions in New York from 7 to 11 March and 8 to 19 August, respectively. Subsequently, the Group met under the chairmanship of Mr. Hans Christian Cars (Sweden).

4. The Group was assisted by Mr. J. Fontanel, Professor of Economics at the University of Grenoble (France), who served as a consultant. Mr. F. Alem of the Department for Disarmament Affairs served as the Secretary of the Group. The Group also appreciated the valuable contribution and advice of Professor Alan Heston, Chief of the International Price Statistics Section, United Nations Statistical Office.

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II. WORK OF THE GROUP

5. The first session held by the Group from 7 to 11 March was of an organizational nature. During that session, it considered the first phase of the exercise under the mandate, namely ascertaining the willingness of Member States to participate in the exercise and seeking their voluntary participation. Subsequently the Secretary-General, on 6 April 1983, addressed a note verbale to Member States to that effect.

6. The Group also undertook a preliminary discussion regarding the means to carry out the exercise and identified the issues to be considered, such as the role of specialized expertise, the type of data required from participating States and a tentative procedure to analyse such data.

7. At the second session held from 8 to 19 August 1983, the experts examined the replies received from Governments to the note verbale addressed to them by the Secretary-General on 6 April. There were 21 replies by 19 August 1983 received from the following countries: Australia, Austria, Barbados, Belgium, Botswana, Burma, Canada, Denmark, El Salvador, Finland, Germany, Federal Republic of, Guatemala, Italy, Kuwait, the Netherlands, Norway, Saint Lucia, Sweden, Seychelles, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

8. Ten of the 21 countries that replied indicated their willingness to participate in the exercise: Australia, Austria, Canada, Finland, Germany, Federal Republic of, Italy, Norway, Sweden, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

9. Although the feasibility of the exercise cannot be fully assessed at this time, it is the view of the Group that the number of participating States constitutes a sufficient ground for proceeding with the exercise.

10. Nevertheless, the Group is of the view that it would be highly desirable to obtain an even wider participation, which would include countries in all geographic regions and with different accounting and budgeting systems. The General Assembly, at its thirty-eighth session, might renew its invitation to all countries to participate in the exercise.

11. During the second session, the Group felt that it would need to establish continuous and direct communication with officials or offices especially designated by the Governments of participating States, who would be able to provide data, further information and follow-up in the framework of the exercise. As a result, the Department for Disarmament Affairs has by letter requested those participating States that have not already done so to designate such an official point of contact.

12. Also, during the second session, the Group prepared the initial request for information from participating States to be communicated by letter from the Group to the designated official contact officer. A variety of relevant information is requested, with a deadline of 30 October 1983. It is anticipated that repeated follow-up requests will be necessary as the exercise progresses, both before and after the next session of the Group in February 1984.

13. The Group is of the view that successful completion of its complex task depends heavily on its ability to obtain the required data. Those data are not only highly detailed, technical in nature and voluminous in amount, but also difficult to specify and obtain without close consultations with participating States. The Group has been advised, on the basis of the extensive experience of the United Nations International Comparison Project and other projects outside the United Nations engaged in the construction of purchasing-power parities, that direct contact between project and State representatives is vital for obtaining the needed data. The Group therefore anticipates that a need will arise for travel to participating States by representatives of the Group. The need for additional military expertise, particularly in assessing the comparability and quality of military goods and services, may also arise. These additional needs will fall primarily in 1984. Sufficient additional resources for these needs should be provided. These resources will be in addition to those currently allocated for computer services and statistical expertise.

14. The Group established a close working relationship with the International Comparison Project in the Statistical Office, from which the Group requested certain consultative services. On that basis consultations are under way between that Office, the Group and the Department for Disarmament Affairs.
