

## CHAPTER 9 DEFENSE GOVERNANCE

Defense governance is the technique of managing resources to achieve strategic goals. That is, defense governance can be summarized in the economic terms of “supplying the demand”—or converting means (or inputs) into ends (or outputs). But as Figure 9-A illustrates, governance includes not only issues of defense economics but also matters of defense relations—both internal and international.

- While traditional methods of corporate governance can have fruitful application to the internal management of defense, the external interfaces of defense establishments are quite different from corporations.
- The explicit design of strategic interactions with foreign governments and among internal organizations—including civilian populations—is of paramount importance in describing and prescribing defense governance practices.

The U.S. Congress has shown an increased interest in the role of defense governance for maintaining regional stability. In response, the U.S. State Department and supporting military attachés periodically appraise the various styles of defense governance around the world.<sup>1</sup>

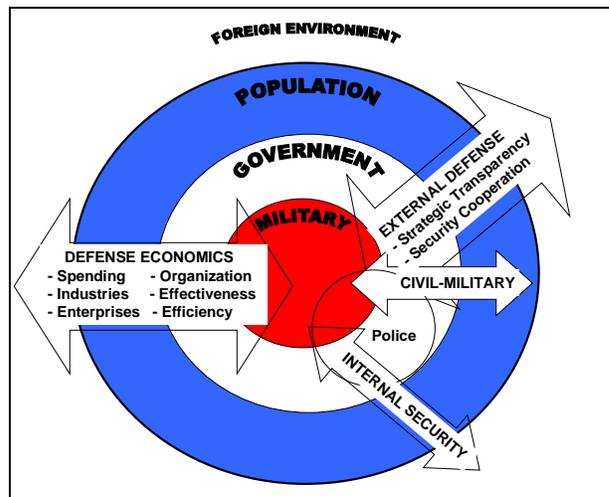
This *Asia-Pacific Economic Update* builds on State Department appraisals by depicting Asia-Pacific examples for each of several dimensions of defense governance.<sup>2</sup> These dimensions of analysis include:

- Defense Economics. Chapter 7 points to issues of defense spending, defense industries, and defense enterprises as well as military organization, efficiency, and effectiveness.
- Domestic Defense Relations. The history of many Asia-Pacific defense establishments is replete with examples of a strong role for the military in domestic governments. This past aggressiveness takes on three sub-dimensions:

- Internal Security Practices, including defense relations to internal law and order and the degree of separation of military and police functions.
- Civil-Military Relations, including the constitution of the government in terms of the role of the military within the government, of government control of the military, military interagency relations, and military interactions with domestic populations.
- Commercial Defense Enterprises, including the role-playing of defense officials acting as profit-making businessmen in commercial markets.
- International Defense Practices, including:
  - Transparency, that is, the open publication of strategic ends and means.
  - Security Cooperation in the form of participation in bilateral and multilateral security communities.

Figure 9-A

### DEFENSE GOVERNANCE STRUCTURES



The following sections carry on the discussions of governance by describing external defense practices as they relate to domestic and international organizations. The illustrative examples of Asia-Pacific countries point to the wide variety of approaches to defense governance.

## Internal Security Practices

Many Asian countries have tried to mix military and police organizations in order to achieve domestic law and order. Today, most Asia-Pacific countries have achieved a balance between military and police functions. Countries like China and Indonesia are undergoing major re-organizations as they try to specialize along purposeful lines. Others like Sri Lanka and Burma are lost in quandaries as they try to use militaries to solve internal political problems.

The practice of combining the military and police functions gains economies of scale when resources and firepower are pooled. However, the use of force often polarizes populations and may overlook political factors such as the need of the people for safety, representation, and justice.

**China.** Because of its size in terms of territory, population, and economy, China's internal security structures are likewise large and often problematic. The need for specialization of security forces was demonstrated during the Tiananmen protests of 1989, when the army's image was tarnished.

- During the 1990s the People's Liberation Army was downsized by over one million personnel, but a large share was transferred to the People's Armed Police (PAP).
- Some of the PAP manning was in turn downsized, but the force remains powerful. PAP has one million people in the functions of internal security, border defense, guards, and communications.
- Today's PLA is oriented towards external defense while supporting the Party's functionality. As such, the PLA remains a backup force for internal security.

**Indonesia.** The Indonesian federal government is experiencing significant internal problems across the Indonesian archipelago in Aceh, Maluku, and elsewhere. Indonesia's control over the former Portuguese colony of East Timor proved to be unmanageable, and in 1999 East Timor achieved independence.

- The government's policy of dual-functions (called *dwi-fungsi*) directed the military to

protect both society and nation, but also allowed the military in a strong role in domestic politics and economics.

- In 1999, the police were administratively separated from the military in an attempt to clarify functions.
- This division of labor makes it easier for a professionally-oriented Indonesian military to interact with U.S. and other militaries, who are concerned about working with human rights violators.

**Sri Lanka.** Since its disenfranchisement in the 1950s, the Tamil ethnic group has struggled for autonomy. In 1983 the struggle turned violent and has claimed 66,000 lives over the last 19 years.

- Sri Lanka places its police force under the Ministry of Defence. A 3,000 member anti-guerrilla unit exists, as do National Guard and Home Guard units. Both police and army have sizable reserves recalled from the population.<sup>3</sup>
- The intermixing of military and police implies that the government treats its insurgent citizens as enemies to be conquered and not criminals deserving justice.<sup>4</sup> Further, the use of military force is often applied remotely—by air strikes and aerial resupply—that does little to solve the political hearts and minds problems on the ground.

**Burma.** Having ignored the elections of 1988, the government lacks popular legitimacy and relies on a tradition of force to stay in power.

- The relationship among military, police, and intelligence organizations remains fuzzy and based on personal loyalties.
- The federal government's inept relations with remote ethnic groups distract the military from its defense duties. Thousands of Burmese refugees crossed borders into Thailand, India, and Pakistan, —producing border relations that are smoldering and potentially explosive.
- True discipline and professionalism in the Burmese army is weak—as proved by the extensive records of inhuman practices of false imprisonment, slave labor, and torture.

- Internal control is weak in places. Private armies exist in areas of remote poppy cultivation, supplying the international drug trade.<sup>5</sup> Ethnic resistance in mountainous border regions has been brutally and systematically co-opted and brought under nominal—but unsteady—control.

### Civil Military Relations

Perhaps the most complicated—and potentially most fruitful—dimension of governance is the study and resolution of problems among the population, the government, and the military. This dimension includes not only the role of civilian control of the military and its budgets, but also the role of the military in government and society.

Over the long history of Asia’s defense establishments, the role of the military in civil functions is intertwined with government control of the military. The following examples illustrate the resulting breadth of Asia’s civil-military relations in terms of:

- Military involvement in government.
- Governmental direction and control of the military, especially regarding executive and legislative branch control of defense budgets.

***Military in the Government.*** The armed forces of many Asia-Pacific countries avoid overtly political activities and partisan political pronouncements. These include Malaysia, Singapore, India, and Japan, among others. However, coup attempts are still a recent memory in many Asian countries, and still occur in several Pacific Island nations.

***Indonesia.*** As noted, the dual function, socio-security role called *dwi-fungsi* gave the military a strong role in politics and the economy. However, the Asian economic crisis revealed weaknesses in government that are being examined after the political elections of 1999.

- Because of abuses and factional infighting, police and defense roles are being separated.
- Generals accused of abuses were forced into retirement, and today more

professional military functionaries are working with the administration to advance reforms.

- In November 1999, Indonesia appointed its first civilian Minister of Defense and Security (MODS), who was personally approved by the President. Generally, defense appointments remain within military MODS control.

Figure 9-B

### Civil-Military Governance and International Terrorism

International terrorism is a key example of the interwoven nature of security governance and civil-military relations.

- Terrorist leaders purposefully confuse their approach to the governance of their organization; i.e., they attribute social ends to their criminal means.
- On the civil-side of government, good governance needs to promote the ends (terrorist deeds are punished) and the means (through a sound and fair justice system).
- From the security side of government, armed forces often overlook their hearts-and-minds mission, and may respond in a confused manner with firepower.

Good governance distinguishes between the military and judicial uses of force, i.e., between an armed soldier in the countryside and an armed bailiff in a court.

- The near-term problem of counter-terrorism is to cut internal and external means of moral, physical, and financial support to terrorists.
- The long-term ends are to maintain popular support through a sound justice system and through the hope of economic prosperity.

***Thailand.*** Unlike in previous decades, the 1990s saw four successive and peaceful transfers of civilian governments in Thailand.

- The 1997 Constitution banned active duty officers from running in Senate elections.
- Given Thailand's economic potential and the increased role of the middle class in

politics, the Thai military remained "in the barracks" during the 1997 economic crisis. Civilian problems were left for civilian solution.

- The military has concentrated on improving professionalism and has tried to reduce the army's role in politics, diplomacy, and business.

Vietnam. While the Vietnam Communist Party exercises control over the military, the military also is a significant participant in the government and society. Its members belong to the highest levels of party and government.

Philippines. Civil-military relations in the Philippines were tested in 2001 when the president was charged with corruption. Rather than intervening, the army and law enforcement organizations accepted a rapid installation of the vice president.

**Government in the Military.** In contrast to the adventures of the military in trying to govern a country, the role of the central government in overseeing the military usually is more mundane. Supervisory functions concern the management of defense budgets, personnel, and strategies, as well as ensuring the rule of law. Further considerations include the degree of oversight by parliamentary bodies and by civilian-led organizations belonging to the executive branch.

India. The civilian government nominates, approves, and can remove high military officials. (In 1998 the Navy Chief was removed for corruption.) Besides parliamentary oversight of the defense budget, the media also play a strong public role in reviewing defense issues.

Thailand. The King and Prime Minister maintain civilian control over the military. In preceding years, the Prime Minister rejected military service recommendations for service chiefs. Parliament is seeking more say in the defense budget and the military appears to be gradually yielding ground to Lower House demands for accountability. Media scrutiny of budgets remains healthy.

The Philippines. The role of the media and popular dissent are strong in the Philippines, and the government thrives in this

environment. Both the media and congress have strong influence over defense budgets.

Malaysia. The civilian leadership sets the overall defense policy orientation and determines the size of the defense budget. Parliament debates defense budgets.

Singapore. The Singapore military is under direct civilian control. The budget is subjected to annual public debate in parliament. Furthermore, Singapore has a constitutional cap on the defense budget similar to Japan's, which in Singapore's case is set at 6% of Gross Domestic Product. (Singapore's budget has never reached this ceiling.)

China. China's collective leadership is based on the pervasive authority of the Communist party, which is reinforced by military and security organs. All key government leaders also hold significant positions in the Communist Party. Stability is maintained by the military's strong support for the Party. Top-level national security issues are overseen by Party's Politburo with the counsel of the most senior military leadership body, the Central Military Commission (CMC).

Japan. Civil-military governance in Japan is a very visible matter in Japan, whose constitution sets a cap on defense spending of 1% of GDP. Both executive and legislative branches are involved in defense budgeting and policy processes. Both government and media closely monitor military activities.

### **Commercial Defense Enterprises<sup>6</sup>**

Many military-controlled enterprises in the Asia-Pacific region produce more than military products, but also actively sell goods and services to commercial markets. Of course, it is very difficult to identify analytically the portion of defense commercial enterprise income that supports defense budget needs.

China. Many PLA enterprises grew out of logistical support for the military, such as lodging, apparel, transportation, and medicine. The PLA has relied on income from entrepreneurial uses of its assets since the 1980s. However, the problems of fraud, waste, and abuse caused by PLA commercialism are widespread, impacting on both military readiness and market efficiency.

PLA commercial abuses flourished because of lax supervision and the extra-legal status of the military businesses.

Authorities are concerned about the impact on military readiness and professional standards. In 1998, Jiang Zemin instructed military, paramilitary and law enforcement organizations to divest themselves of commercial activities. Most have done this, however, many of the original enterprises have been allowed to continue, such as the PLA Air Force's air carrier, China United Airlines.<sup>7</sup>

Indonesia. Because much of Indonesia's defense funding derives from income from widespread defense enterprises, the military remains largely outside of Parliament's budgetary control. The intermixing of federal and local officials with foundations, holding companies, and companies is complex.

Vietnam. Military enterprises possess widespread commercial activities, having earned about \$600M in 1998.

#### **Strategic Transparency: Ends and Means**

Transparency measures such as arms registries and defense white papers are a key element of good governance. Arguably, Asia-Pacific regional security is enhanced through official statements on security strategy, even when done on a unilateral basis. However, the debate on the merits of transparency remains murky. (Figures 9-B and 9-C present arguments for and against transparency.)

Throughout the region, the rise of economic globalism and telecommunications has greatly increased how observable security assets are. As these means of security become more open to observation and debate, so to are the ends. Democratic institutions promote a dialog about strategic ends that takes root in the will of the people, rather than the will of some oligarchy. Given the rise of democratic institutions, conditions under which the region's international relations operate are quite different from those of previous decades.

The openness of mass media is increasing the transparency of arms transactions, military budgets, and national security intentions. Lagging behind these efforts, however, are

official white papers on national and military strategies.<sup>8</sup>

Asia's security establishments are wrestling with secrecy and openness as they cope with newfound economic concerns. While trying to modernize forces, maintain budget austerity, and reform defense institutions, they also seek to identify security threats and needs.

Figure 9-C

#### **Arguments Against Transparency**

- Secrecy and surprise enhance one's chances of success in a military operation. In wartime, secrecy of capabilities, methods, strengths, and deployments provides obvious advantages over opponents.
- In peacetime, maintaining secrecy for potential operations takes on many forms. Specific secrecy requirements are required in planning and policy offices, operations and intelligence departments, defense research organizations, and defense industries.
- Further, foreign ministries are keen to cloak their policy maneuvering.
- Counter-argument: In peacetime, these parameters are continually changing and are subject to intangible factors that significantly modify the force equation, often making secrecy a red herring.

#### **Transparency of Means: Arms Registers.<sup>9</sup>**

The United Nations Register of Conventional Arms was instituted in 1993 to create a database on arms capabilities based on global standards.<sup>10</sup> Originally intended to identify the export and import of arms, UN formats also provide for the voluntary submission of information on indigenous arms production as well as military holdings.<sup>11</sup>

- In 1998, Australia, India, Indonesia, Japan, Malaysia, Philippines, South Korea, Singapore, Thailand, and Vietnam volunteered arms trade information.
- Australia, New Zealand and Japan volunteered supplemental information.
- China was noticeably absent in 1998.

Figure 9-D

### Arguments For Transparency

Proponents for transparency exist at the international, national, and defense levels. Progress at each level encourages efficiency and effectiveness at the others, creating a positive feedback loop that promotes regional security.

International. When potential opponents have knowledge of mutual intentions and capabilities, they are less likely to miscalculate their strategy or engage in capricious threats to regional peace. Transparency efforts help to:

- Give early-warning on arms build-ups.
- Deter arms races.
- Make relations more predictable.
- Encourage a regional diplomatic dialog.
- Counter-argument: Obviously, credibility of information is key to these arguments.

National. Transparency improves efficiency and governance of the overall economy, as well as of the national budget and of the defense budget itself. Openness helps to:

- Support dialog between executive and legislative branches, including the military.
- Encourage public dialog for balancing social, economic, and defense priorities.
- Centralize control of defense. Subordinates are not allowed to hide behind a cloak of secrecy.
- Avoid wasteful spending on unnecessary projects.

Defense. Avoiding waste is a key goal for defense officials, who seek an efficient allocation of resources given a limited budget. Given budgetary constraints, defense strategists seek a balanced force structure—where the utility of the last dollar spent on a force item is the same across all items. This "economy of force":

- Promotes professionalism by concentrating on defense missions rather than political or economic entanglements.
- Exposes military fiefdoms that may focus on sub-optimal goals.
- Avoids dangerous bluffing games.

**Transparency of Ends: Defense White Papers.** Unlike arms registers, there exists no global push for the official publication of security and defense policy papers. Usually, the theme arises in multilateral discussions on Confidence and Security Building Measures (CSBMs) that seek to diffuse regional security tensions.

- The ASEAN Regional Forum (ARF) advocates defense policy papers, but maintains no consistent program to encourage their production.
- Of major significance is China's effort, which originally concerned arms transfers, but is becoming mature with each new edition.
- Other Asia-Pacific countries with defense policy papers include Australia, Japan, New Zealand, South Korea, Taiwan, Thailand, and Singapore.

**Transparency of Ends: Official Webpages.** Major official statements on strategy and capabilities are quietly appearing on government websites. Foreign ministries identify national security priorities and international concerns. Defense agencies then supplement policy statements with information on organization, capabilities, and budgets. Taiwan, India, Sri Lanka, and Singapore have already produced significant security and defense webpages.<sup>12</sup>

### Security Cooperation

Cooperation traditionally includes the bilateral maintenance of allies, friends, and treaties of amity that are expressed in mutual trade of goods and services, assistance, and burdensharing. From a multilateral viewpoint, the Asia-Pacific region does not have either the rigidity of a NATO-like organization nor a two-way polarity as in the Cold War. Many of the region's multilateral efforts focus on economic cooperation, as is the purpose of the Asia-Pacific Economic Cooperation (APEC) and of the Pacific Basin Economic Cooperation (PBEC) organizations.

Expanded opportunities for regional security dialogue about security objectives are developing slowly at both the official level and the non-government level. Examples include:

- The ASEAN Regional Forum (ARF) is an official process established at the ASEAN post-Ministerial Conference in July 1993. ARF attempts to address confidence building measures and some transparency efforts.
- An example of non-governmental security cooperation is the Council for Security Cooperation in the Asia-Pacific (CSCAP), which brings together academic and government personnel on an unofficial basis. North Korea has been an occasional participant in CSCAP.

Numerous opportunities exist whereby three or more countries may wish to come together to pool resources and solve problems on a functional basis.

- These opportunities include transnational issues such as terrorism, piracy, drugs, organized crime, and environment.
- Direct military functions such as search-and-rescue, communications, and interoperability also can serve as a reason to cooperate. These functional security communities form a basis for broader cooperation.<sup>13</sup>
- Broader multinational issues for security cooperation include conflict resolution, disaster consequence management, and law enforcement.

Rather than having one cooperative organization suiting all functions, the Asia-Pacific region may be more amenable to topically oriented organizations that often may be only temporal in nature.

### Conclusion

Surveying Asia-Pacific defense establishments from the point-of-view of governance suggests that while traditional methods of corporate governance can have fruitful application to the internal management of defense, the external interfaces of defense establishments are quite different. Indeed, competition among defense establishments is something to be achieved with discipline and restraint. Nevertheless, the explicit management of strategic interactions among government, the military, and the population is of paramount importance.

This survey's empirical collection of examples suggests that the following principles of governance can promote stable international economic and security relations.

**Defense Economics.** Defense establishments should:

- Constantly seek a balance of ends, ways, and means—which benefits not only defense, but also the broad macro-economy.
- While aligning strategic purposes with available resources, balance the one-time costs with recurring costs.

**External Relationships.** Governments should:<sup>14</sup>

- Maintain separate organizations for internal and external security.
- Regarding internal security practices, maintain a balance between the application of force and the application of justice.
- Ensure a high degree of oversight of armed forces by government and civilian powers.
- Encourage a high degree of transparency of strategic purpose and resources to avoid miscalculations by others.
- Regarding security cooperation, at a minimum establish communication lines, and then also encourage bilateral and multilateral efforts that promote self-defense, internal security, and global economic stability.

### Endnotes

- 1 Department of State, *Annual Report on Military Expenditures, 1999*. (New editions are delayed.)
- 2 Muthiah Alagappa, ed. *Military Professionalism in Asia, 2001*; Alagappa, *Coercion and Governance: The Declining Political Role of the Military in Asia 2001*; and Christopher McNally and Charles Morrison, *Asia-Pacific Security Outlook 2001*.
- 3 ISS. *Ibid.*
- 4 Rajaingham-Senanayake, Darini, *Dysfunctional Democracy and the Dirty War in Sri Lanka*, East-West Center Analysis No. 52, May 2001.
- 5 The role of organized crime and narco-terrorism in Burma is evident. After the government bought out the Shan leader Khun Sa, control of poppy cultivation simply moved north of the Shan region.
- 6 Department of State, *ibid.* Also see conference papers of International Conference on Soldiers in

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- Business 2000, ([www.bicc.de/budget/events/milbus/confpapers.htm](http://www.bicc.de/budget/events/milbus/confpapers.htm)) including Bilveer Singh, *Civil-Military Relations; The Military as an Economic Player*, Lesley McCulloch, *Trifungsi: The Role of the Indonesian Military in Business*; Carlyle Thayer, *The Economic and Commercial Roles of the Vietnam People's Army*; Tai Ming Cheung, *The Rise and Fall of the Chinese Military Business Complex*.
- 7 James Mulvenon, *Soldiers of Fortune: The Rise and Fall of the Chinese Military-Business Complex, 1978-1998*, 2000.
  - 8 A brief review of the literature reveals the need for a more comprehensive appraisal of Asian transparency efforts. In particular, these appraisals should articulate the costs, benefits, options, criteria, and roadmaps that increase transparency in the region's strategic dialog.
  - 9 Since this discussion focuses in a holistic way on strategic transparency, it does not address other—extremely important—sub-elements concerning weapons nonproliferation or regional security issues. Department of State, *Bureau of Nonproliferation Fact Sheets*. ([www.state.gov/www/global/arms/bureau\\_np/factsheets\\_np.html](http://www.state.gov/www/global/arms/bureau_np/factsheets_np.html)).
  - 10 The *UN Register of Conventional Arms* is a voluntary annual report by member states on their arms imports and exports (in numbers of units) of seven categories of weapons—battle tanks, armored combat vehicles, large caliber artillery, combat aircraft, attack helicopters, warships, and missiles and missile launchers. See U.S. Department of State, *Annual Report on Military Expenditures 1999* and also U.N. Department for Disarmament Affairs, *United Nations Register of Conventional Arms*, ([www.un.org/Depts/dda/CAB/](http://www.un.org/Depts/dda/CAB/)).
  - 11 The UN system for the voluntary reporting of standardized military expenditure (MILEX) data provides a detailed reporting matrix and instructions, with countries invited to submit as much detail as they choose. Data submissions are not subjected to any analysis, processing, or checking beyond that needed for forwarding the data to the UN General Assembly. The information requested is actual military expenditures for the latest available year, rather than budgeted military expenditures for the current year. See U.S. Department of State, *Annual Report on Military Expenditures 1999*.
  - 12 See websites of Taiwan ([www.mnd.gov.tw/report/](http://www.mnd.gov.tw/report/)), India ([mod.nic.in/aforges/](http://mod.nic.in/aforges/)), Sri Lanka ([www.lk/peace.html](http://www.lk/peace.html)), and Singapore ([www.mindef.gov.sg/](http://www.mindef.gov.sg/)).
  - 13 Emanuel Adler and Barnett, Michael, eds, *Security Communities*, 1998.
  - 14 ADM Dennis Blair, Speech at East West Center, January 8, 2002. ([www.pacom.mil/speeches/sst2002/020108rsc.htm](http://www.pacom.mil/speeches/sst2002/020108rsc.htm))