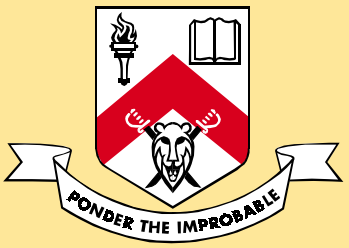

GLOBALIZATION AND DEFENSE

REPORT ON A CONFERENCE ORGANIZED BY
THE INSTITUTE OF DEFENCE AND STRATEGIC STUDIES (IDSS)

15 – 16 MARCH 2006
THE SENTOSA RESORT AND SPA, SINGAPORE

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INTRODUCTION

In his opening address, **Kwa Chong Guan, Head of External Programmes, IDSS, Singapore** noted that globalization, once a concept, has become a buzzword and entered into mainstream dialogue and discourse. The phenomenon has attracted both supporters and detractors. Its supporters argue that it is socially malign and facilitates the war on poverty, the assault on gender discrimination and the protection of both mainstream and indigenous culture. On the other hand, detractors state that globalization increases the power and influence of the multinational corporation which pursues profits at the expense of civil liberties and human rights. In addition, opponents of the phenomenon argue that globalization will increase poverty, increase the rich-poor divide, increase the use of child labour, undermine democracy and harm the interests of women.

Kwa Chong Guan went on to state that what was lacking was a clear, coherent and comprehensive argument on how globalization works and how it can do better. In particular, there is a lack of understanding of the concept in the context of defense trends and patterns. For example, little is known of the relationship between globalization and conflict or cooperation, or how the international flows of workers and humanity, as well as technology affect the state's procurement and acquisition policies. It is these and other questions that shall be addressed by the conference.

Kwa Chong Guan ended his speech by summarising the main areas that the conference will address. First there will be an examination of whether greater economic interdependence that comes with globalization will result in greater cooperation or will exacerbate existing rivalries and hence lead to conflict. The second part will address how globalization affects a country's threat perception and its defense posture. The third part will examine how economic globalization affects the defense economy and allocation of resources to different sectors of the economy. The final part of the conference will explore how globalization affects the defense industry and the acquisition and procurement policies and practices of the different states.

Mr Kwa Chong Guan delivering the opening address

SESSION 1 - GLOBALIZATION AND INTERNATIONAL CONFLICT

Globalization and Armed conflict Among Nations: Prospects Through the Lens of International Relations Theory

Brian Pollins, Ohio State University, US, presented a paper in which he sought to predict the net effect of the positive and negative developments brought about by globalization. He began by sketching those theories of International Relations which link aspects of economic growth, development, exchange and distribution to prospects for war and peace. They fall into three distinct groups: The first set examines how characteristics or trends within a national economy affect the interests and capabilities of the state. The second group focuses on the economic ties between two countries in order to explain their security relations. The third and final set considers the characteristics of the global economic system as the driving force which shapes security relations among nations.

Pollins then went on to examine those aspects of economic globalization that are most likely to impact on the security domain. They can be divided into two groups: *new players* and *new*

forms of interconnectedness. By *new players* the speaker is referring to the rise of non-state actors, for example inter-governmental organisations, and non-governmental organisations. Multinational corporations in particular can both impel and enable nations to move towards more peaceful relations in some cases and towards conflict in others. In addition, globalization will redistribute economic assets and capabilities within the state system itself leading to a change in the capabilities and interests of the states concerned.

In terms of *new forms of interconnectedness*, there are the novel aspects of economic interdependence that distinguish this period of globalization from previous eras. These include the transnational reorganisation of production, the content of trade flows and the dispersion of global capital centres.

In his final section, Pollins employed International Relations theory to evaluate the economic shifts brought about by globalization in order to conclude as to whether or not the phenomenon will increase the prospects for peace in the 21st Century. The key variables in such an analysis isolated by many of the theories are those relating to economic growth and stagnation. However, the speaker notes that the field of International Relations is far from having all of the answers and more research remains to be done in a number of areas. First, more research is needed in order to ascertain whether or not the predictions of the theories are correct and which particular prediction is more accurate. Second, additional research is needed to understand the mechanisms whereby interdependence discourages the resort to force in some circumstances but encourages conflict in others. Third, the relationship between the presence of a hegemon in the world system and the occurrence of war needs further investigation.

Dr Brian Pollins making his presentation

Economic Interdependence and Conflict in World Politics: the Paradox of a liberating Constraint

In the second presentation, **Mark Crescenzi, University of North Carolina at Chapel Hill, US**, introduced his own theory of the relationship between economic interdependence and conflict, in order to answer the question of how globalization influences politics. In order to do so he began by splitting the question into two parts: First, how does economic interdependence constrain governments from using political violence and second, how does this interdependence liberate governments to safely engage in low-level political conflict without the fear of escalation to militarized violence.

The model presented takes the starting point that economic interdependence cannot be defined by the existing economic ties between governments alone. It is also necessary to understand and factor in how costly it would be for both states if these economic ties were broken. These are known as exit costs and the conditions which create them are asset specificity and market structure. Taking this definition of economic interdependence when analysing the link between this concept and conflict reveals an interesting explanation to some puzzling behaviour among interdependent nations.

According to Crescenzi, this model predicts that countries can take advantage of economic interdependence in order to push for political demands without any fear of escalation into a military conflict. There are many examples of this type of interaction. For example, China's ability to successfully gain 'dual-use' technology which can easily be adapted for military use

despite the fact that this violates the principle of the export controls imposed by the US on China following the Tiananmen Square incident. China is able to pressure the US into giving into its demands by threatening economic exit. In other words, the limitation of US access to the massive and relatively untapped domestic economy of China. It must be noted however that while interdependence may lead to the maintenance of peace it does not in fact bring harmony to international politics.

The speaker admitted that his model has limitations. One particular limitation lies in the fact that governments and their foreign policy decisions are often influenced by subsets of a nation's political community. When the nation faces exit costs through its interdependence with another country but the subset does not then the model presented here may incorrectly conclude that the government is constrained by economic interdependence. However, this model represents the first step towards developing a theory to explain the relationship between globalization and political conflict.

Dr Mark Crescenzi making his presentation

Beyond Interdependence: Globalization, State Transformation and National Security

The third presentation in this session was by **Christopher Huges, University of Warwick, UK**. His presentation sought to give an overview of the globalization-security nexus.

Huges began by stating that his argument was that there is indeed an interconnection between globalization and security, and that globalization's impact on national security can certainly be highly corrosive. This relationship can most clearly be explained by examining four inter-related themes. First it is necessary to define the concept of globalization in order to render it a useful analytical tool. The speaker offered a definition which views globalization not only as a quantitative change in the degree of social and economic interaction i.e. increased economic interdependence and inter-connectedness, but also as a qualitative change in the nature of these flows, and in state capacities to respond to them.

Second, the concept of security must be more closely examined, in particular in order to understand how security has been traditionally generated. This will aid the analysis of how globalization may impact on national security. According to Huges, what is found is that security has primarily been organised around the role of sovereign states and that the main impact of globalization will be its ability to infiltrate and undermine the security prerogatives of sovereign states. To make his point Huges paraphrased and altered Charles Tilly's maxim: if the state can be remade or unmade under conditions of globalization, then so is remade the nature of war and security.

Third, it is necessary to examine how and under what circumstances globalization's impact on state sovereignty will result in the generation of specific security issues. It is possible to argue that the principle way in which this will take place is that globalization causes the exacerbation of the economic causes of traditional and non-traditional security issues. These causes feed off each other often resulting in the generation of political violence. One way that that this exacerbation occurs is that globalization can produce economic exclusion which can lead to conflict. The speaker gave the example of North Korea to illustrate his point. Following the end of the cold war, North Korea embarked on a policy of self-imposed isolation (this was

supplemented by externally imposed exclusion) from the rapidly globalising political economy of the region. The leadership of the state is currently aware that any economic liberalisation at this point would expose its economy to the shocks of globalization and may threaten the stability of the ruling regime. The result is that North Korea has used its remaining military assets in what Huges terms a strategy of brinkmanship, in order to extract economic concessions from the surrounding powers. Globalization can also impact on economic disparities within states, causing the disintegration of state structures and the potential for conflict.

Fourth, it is necessary to understand why globalization impacts in different ways on different sovereign states in different regions. This, Huges explained, is a result of 'geographies of national security'. In other words, some countries or regions are more prone to insecurity linked to globalization than others. Huges argued in his presentation that it is those states where sovereignty is weakest that globalization's impact and generation of insecurity is most strongly felt. These states are often located in the developing and post-colonial world. Globalization must be understood as an attack on state sovereignty and the ability of the state concerned to consolidate its sovereignty to limit globalization's impact.

Dr Christopher Hughes delivering his presentation

DISCUSSION

The discussant, **Geoffrey Till, Joint Services Command and Staff College, UK,** began by stating that all three papers usefully talked about the matrix of globalization that may or may not have an impact on security. The most familiar argument is that globalization is a consequence of higher degrees of economic interdependence often in the form of trade between countries and this in turn leads to peace. By weight and volume the majority of this trade goes by sea so essentially we are seeing sea-based globalization. This system has vulnerabilities and so the world's navies are tasked with securing the system. These forces become globalized as a consequence.

Till then posed the question: Is globalization a dependent variable or a consequence of state behaviour rather than a determinant of it? To answer this question we need to gain a more comprehensive understanding of the concept of economic interdependence and to what extent it is central to the well-being of states and their peoples. Each of the papers has a different perspective on this. However, the general and collective view of globalization presented in the papers is that it has a negative impact on security issues, which is in opposition to the more common argument mentioned above, and can be summed up in the following statement: No two countries with McDonalds will go to war with each other.

Till concluded his comments by stating that there is a tendency to focus just on the economic aspects of globalization but how safe is the assumption that mankind's actions are based on economic rationality, or to put it slightly differently - what makes sense economically. Perhaps in the advent of severe resource shortage, for example if oil supplies ran out, globalization and economic interdependence as we know it might collapse, therefore pointing to the fact that it is a dependant variable. In addition to such practical difficulties there is plenty of evidence of principled objection to globalization. These range from the violent attacks of Al Qaeda, to the disenchantment with globalization and the swing to the left currently characterising political behaviour in South America. These developments and others like them may challenge our assumptions about a globalized future.

From left to right: Dr Christopher Hughes, Professor Geoffrey Till, and Mr B. Raman

One participant noted that there was a tendency, in the paper given by Pollins, to group together all Realists in one school and assume that they have nothing to offer the discussion on globalization beyond the notion that economics is a platform for interstate relations. However, there are many Realists that have argued that a countries decision to go to war is sometimes based on economics and that conflict in the international system is often a result of uneven economic development. The participant posed the question to Pollins as to why he had failed to mention this group of Realists in his paper.

The speaker responded that despite these variations in the theory of Realism and some attempts to acknowledge the importance of economic factors, there still remains an overarching assumption in this school of thought that state interests trump non-state interests.

A question was then posed to Crescenzi: Where would you factor in vulnerability and sensitivity in an analysis on the causes of conflict in a globalized world? Surely a country will factor into its decision-making process how vulnerable it will make itself by engaging in or exiting from an economic relationship characterised by interdependency.

Crescenzi responded by stating that vulnerability and sensitivity are important considerations. The main question which needs to be asked is when does a country experience economic vulnerability? In an interdependent relationship, sensitivity is experienced as an exit cost if a country is engaging in a healthy competitive market with a number of different options. Whereas vulnerability only occurs when there is some sort of complete breakdown in the market and there are no other options available. However, this is quite rare.

SESSION 2 - GLOBALIZATION'S IMPACT ON THREAT PERCEPTION AND DEFENSE POSTURE

Globalization's Impact on Threat Perception and Defense Posture in Northeast Asia

Guibourg Delamotte, Asia Centre, **France**, presented a paper in which she focused on Japan, China and South Korea, and globalization's impact on each of these countries' defense posture. As a starting point Delamotte quoted Peter Van Ness's definition which sees globalization as human activities that have a reshaping planetary impact. She went on to state that those security threats or human activities that have such an impact are failing states, rogue states, terrorism and WMD. In addition, the response deployed against these threats should also be taken into consideration for its reshaping impact. Thus, the US's army's transformation and modernisation is also a focus of the presentation.

The speaker began with a discussion of the various countries' responses to terrorism. It was noted that both Japan and South Korea were committed to the fight against terror. Both countries passed new anti-terror laws and both were in some way involved in the war on Iraq. Japan, through the contribution of a $5bn assistance package and manpower to help the reconstruction of the devastated country, and South Korea through its contribution of the third largest amount of troops to the war effort after the UK and US.

China on the other hand had a more controversial

position with regards to the war on terror. China showed support for the fight against terrorism and the war in Iraq through its voting in of the UN Security Councils resolutions related to these issues. However, it is thought that China saw an advantage domestically in supporting the war on terror; and it has argued that Uighur separatists in Xinjiang received financial and material support from Al Qaeda in order to justify crushing this rebellion. The US war on terror has also impacted on US-China relations; China is no longer seen as the strategic competitor that it once was.

The next issue to be examined was the threat of nuclear weapons and the various defense policies of the three countries with regards to this threat. Japan is in a unique position in that it is the only country to have experienced a nuclear bomb attack. Its pacifist Constitition has led it to promote non-proliferation and disarmament actively. Despite the protection of Japan by the US's nuclear umbrella, Japan is very much aware of the threat from North Korea and recently agreed to start joint research with the US on a missile defense system. South Korea also feels threatened by North Korea. It started its own nuclear programme, and despite declaring it had officially stopped following US pressure, it continued clandestinely until 2000. The threat from North Korea has been the basis of its alliance with the US. Since the new president was elected in 2003, the threat has been played down somewhat and some South Koreans now feel that Japan is more of a threat in the region. China is gradually beginning to adhere to non-proliferation regimes, after a period in which it reportedly sold nuclear technology to Pakistan and Iran. However, its recent controversial declaration that the US could become a nuclear target caused some unease in US-China relations.

The next topic of discussion was the US's military influence on South Korea, China and Japan. The South Korea-US military alliance is increasingly seen as unequal by Seoul. Particularly the provision that the US would assume command during a conflict in the peninsula. Recent US withdrawal of its forces from South Korea has prompted it to seek accommodation with China and North Korea in the area of regional policy. Due to policy constraints, it is in Japan's best interest to appear as a trustworthy ally of the US. However, it does not wish to see its troops sent around the world to act alongside the US. Recently Japan has been trying to gain a more influential position in the Alliance in order to be relieved somewhat of US pressure. China has watched the US's military activities with increasing concern. It is eager to close what it perceives as the technology gap between its forces and those of the western countries and has therefore, since the 1990s, been modernising its forces.

The speaker concluded her presentation by highlighting a number of flash points which could cause tension. These included the Taiwan question and future energy policies, particularly with regards to the South China Sea.

Ms Guibourg Delamotte making her presentation

DISCUSSION

The discussant, **Ding Bangquan, National Defense University, Beijing,** commented that despite statements, the US is not a target of China. He then went on to state that when discussing Chinese military issues and in particular its force modernisation, it is necessary to keep in mind a number of points. First, when China started to modernise its forces it was starting from a very disadvantaged position. Second, China's period of modernisation was interrupted from the beginning of the 1980s until the middle of the 1990s. Third, China has one of the largest forces

in the world, with a considerable number of personnel. All of these factors help to account for China's large defense expenditures. In terms of the Taiwan question, China is happy to maintain the status quo as long as Taiwan does not pursue a policy of independence. Regarding China-Japan relations, the discussant argued that the future appeared positive. He disagreed with previous claims that China was a threat to Japan.

The speaker responded by agreeing that conflict is unlikely, not only between China and Japan, but between any of the regional countries. Increased integration and economic bonds brought about by globalization mean that conflict no longer makes sense and would be irrational.

Professor Ding Bangquan making a point during the conference

Globalization and Security in Southeast Asia: Threat Perceptions and Policy Response

The second paper in this session was presented by **Rizal Sukma, Centre for Strategic and International Studies, Jakarta.** The speaker began by highlighting the debate on globalization, in which the key question is whether or not globalization produces security-enhancing or security-eroding effects on national, regional and international security.

The speaker went on to state that his view in this debate is that globalization produces both security-enhancing and security-eroding effects. In other words, globalization produces different security effects in different issue-areas and in different national and regional contexts.

As a case study, five ASEAN states were chosen and the discussion was divided into three sections: An overview of the traditional threat perceptions of the states concerned; an examination of the extent to which globalization has, or has not, altered threat perceptions within the region; and finally, an analysis of the new security challenges facing these countries as a result of globalization.

In terms of the traditional threat perceptions of the states, it was found that each had a preoccupation with internal security and in particular the preservation of sovereignty and political independence. There was a concern to maintain regime legitimacy, ensure domestic stability, and guard against external intervention in their domestic affairs. All of these concerns served as a basis for regional cooperation.

Globalization's impact on security in the region has been mixed. On the one hand it has led to cooperation on a regional basis and therefore reduced some of the concerns that had existed earlier. On the other hand, globalization has reinforced some of the concerns regarding national security. This is especially the case in relation to sovereignty, regime stability and the central role of the state in ensuring domestic order, all of which globalization threatens to weaken.

Globalization has also generated and perpetuated non-traditional security threats. These include

Dr Rizal Sukma making a point during his presentation

piracy, disputes over fishing grounds, drug trafficking, arms smuggling, environmental degradation, terrorism, ethnic and communal violence, and transnational organised crimes. There has also been an increasing concern over threats to human security, such as poverty, hunger, human rights abuses and diseases. Globalization will continue to shape and affect the security environment in Southeast Asia for the foreseeable future.

DISCUSSION

In his comments, **K. S. Nathan, Institute of Southeast Asian Studies, Singapore**, agreed with the speaker in that he would also argue that globalization has had a twin affect on security in the region. It is at once a security eroding and security enhancing phenomenon. Globalization is not easily comprehended; it has different impacts on different locals. However, what will remain a constant, in particular in Southeast Asia, is the central role of the state in regional security and cooperation. In fact Nathan argued that globalization has actually strengthened the power and role of the state in many aspects. In Southeast Asia it is still necessary to view threats to security from a state-based perspective. This is what ASEAN has done and continues to do so today. Security cooperation within ASEAN is intergovernmental, in other words, at the level of the state. Globalization has resulted in ASEAN increasingly seeing itself as a unique region. There is now a belief that what works in Europe works there and what works in ASEAN works in ASEAN. In Europe cooperation takes place at a more supranational level as opposed to the governmental level. Whereas in ASEAN, intergovernmental cooperation is still the primary form of interaction amongst states.

The commentator went on to point out that the US will remain an important actor. The US will be a facilitator in how we perceive threats and how we address them. The US is an important common denominator in terms of security cooperation in the region. This security cooperation leads to a kind of common security culture which means security is seen in a certain way.

One participant commented that perhaps the speaker had deemphasised the significance of interstate threat perceptions amongst ASEAN countries, which are in fact still quite important. In particular territorial disputes, which continue to plague regional interaction. Another participant noted that in the Philippines internal threats such as communist insurgency, rather than transnational crime, remain the greatest threat and that the state itself is seen as perpetuating these insecurities.

From left to right, Dr Li Nan, Dr Arthur Ding, Professor K.S. Nathan, and Dr Thomas Bickford

SOUTH ASIA

The final paper in this session was presented by **Rahul Roy-Chaudhury, International Institute of Strategic Studies, UK**. The speaker stated that his intention was to look at the impact of economic globalization on threat perception and defense postures in South Asia. His paper seeks to answer the following specific questions: What are the traditional threat perceptions in South Asia? How has economic globalization altered these perceptions?

The region of South Asia formally comprises seven countries in what is called the South Asian Association for Regional Cooperation. There are a number of countries which impact on South Asia but which are not in fact in the regional grouping. These are China, Afghanistan, Myanmar and the US. In terms of population, South Asia has over a sixth of the total population of the world. The region is dominated by India

in terms of its large size, large population and the success of its economy.

In South Asia, economic globalization varies substantially in its extent and nature. However, in this increasingly globalized world India will continue to dominate the region. This is because of India's fast growing and interconnected economy. Also, its population has a role to play; half of its population is under 25 years of age, it is increasingly mobile, there is a large middle class, and also a build up of the technical capabilities of the population.

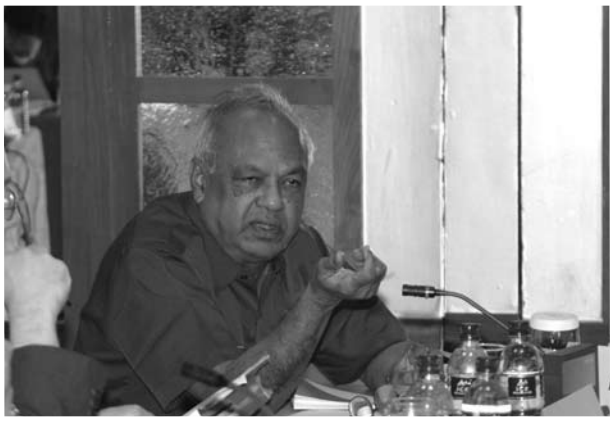
The traditional threat perceptions in South Asia are related to: the India-Pakistan conflict, the China-India conflict, the Sri Lanka conflict, Nepal's internal conflict, and terrorism. Globalization has altered these perceptions by providing both challenges and opportunities which can either exacerbate or moderate the threat perceptions in the region. This is clearly evident in the India-Pakistan relationship. At the moment both countries are working together in a peace-process, which began in 2004. Globalization's impact on India has been positive in the economic sense, and is increasingly widening the divide between India and Pakistan. This, it has been argued, will make India less likely to move forward in the peace-process. There are others that argue however, that it is in India's best interest to work towards stability in the region, the absence of which might have a negative impact on the Indian economy.

In conclusion, the speaker noted that globalization is impacting on threat perceptions and defense policies in South Asia. It is a complex relationship but it is clear that it will dominate security frameworks for the foreseeable future; this is particularly the case in maritime and naval capacity building. Therefore this conference is extremely timely.

DISCUSSION

The discussant **B. Raman, Institute of Tropical Studies, Chennai,** noted that the speaker's paper was very comprehensive. He went on to talk about the principle of interdependence which is promoted by globalization. He argued that interdependence works when it is between two countries which have a psychological sense of parity, either in terms of economic strength or strategic strength. Where the psychological sense of parity is not present, there is always a fear that the interdependence, would lead to the dependence of the weak on the strong. Interdependence between India and China is a prime example of where it has had a positive effect and a sense of parity is in evidence. India and China took the decision to develop their economic linkages in the early 90s. The two countries have not allowed their political differences to prevent their economic cooperation. Since promoting economic linkages, the trade between the countries has boomed, from a low of 2 billion dollars to 13 billion dollars. However, what remained to be seen was how the fruits of globalization would be fed down to all sections of the population in the respective countries.

One participant then asked the question: What is the impact of globalization on India's maritime power? The speaker responded by pointing out that there are problems stemming from the impact of globalization in the maritime sphere. One example is India's shipping industry, which has witnessed a decrease in tonnage over the last few years. There is a concern that disinvestment is taking place in this industry and also in India's energy sector. Globalization's record is certainly mixed in terms of the impact it has had on India.



Mr B. Raman making a point during his presentation

SESSION 3 – GLOBALIZATION'S IMPACT ON THE DEFENSE ECONOMY

Globalization and the Chinese Defense Economy

Thomas Bickford, University of Wisconsin-Oshkosh, US, opened his presentation by saying that the overall impact of globalization on the Chinese defense industry had been positive. In the 1980s and 1990s, China had reorganized its defense industries and had also created links with its civilian economy. Economic growth enabled higher defense budgets and China's defense budget had grown by more than eleven-fold since 1990. According to Bickford, foreign direct investment flows had indirectly helped its defense industries and also aided China in technology acquisition. There had also been a better integration of military and civilian research centers in China.

On the negative aspect of globalization, Bickford mentioned that China was today more vulnerable to resource problems such as oil. China's economy was also far more integrated with potential opponents such as the US, Taiwan, South Korea, and Japan. Bickford said that this only increased their mutual vulnerabilities. Furthermore, he added that the changing nature of the Chinese economy was reducing the ability of the Chinese government to mobilize resources for potential conflict. Bickford also added that the People's Liberation Army owned enterprises that were euphemistically called "PLA Inc" were increasingly joining the civilian economy. The Chinese military was becoming disconnected as there were more private enterprises and as such the state formed increasingly the smaller sector of the society. Most importantly, Bickford mentioned that China continued to remain reliant on foreign technology for innovation. Russia continued to remain China's principal defense supplier.

According to Bickford there had been an unprecedented level of integration between the Taiwanese economy and China as a result of globalization. The globalization of the Chinese economy meant that Taiwan would also face huge hurdles in making purchases from any state other than the US. Taiwan had also faced a loss of diplomatic support, for example, with Saudi Arabia, as a result of the rise of China. The hollowing out of the Taiwanese economy due to globalization was having a negative impact on its local defense industries. Bickford concluded his presentation by saying the while the impact of globalization had been positive on China's defense industries; it was affecting the Taiwanese defense industries negatively.

Dr Thomas Bickford delivering his presentation

Discussion

Ron Matthews, Cranfield University, UK, began his comments by stating that globalization was a nebulous concept that represented a move from Keynesian to classical liberal economy. This meant a big focus on wealth creation, cost reduction, and international industrial integration. Consequently, outsourcing and offsets had emerged as important elements of globalization. Matthews also mentioned that globalization was leading to enhanced civil-military integration particularly due to the changes in the nature of the defense economy. However, he added that barriers to defense trade remained as exemplified by the UK's 2005 Defense Industrial Strategy. Furthermore, protectionism in the defense sector continued even in the European Union. Countries like China continued to espouse self-reliance, even though the so-called revolution in

military affairs (RMA) was making self-reliance difficult.

Matthews mentioned that globalization of the defense sector had produced the new concept of 'Defense Eco-Systems' that emphasized a comprehensive national security framework and promoted civil-military integration to minimize any negative impact on the defense economy. According to him, civil-military integration reduced the burden of defense expenditure by promoting technological sharing, supply chains, spin-on and spin-off technologies, and dual-use technologies. He cited the example of China's Plan 863 to highlight civil-military integration that helped defense industrialization.

In the context of the defense economies of Northeast Asia, Matthews said that states faced self-imposed or externally imposed embargoes like the respective cases of Japan and China demonstrated. Both countries also favored self-reliance. China looked upon FDI as a conduit to self-reliance, while Japan aimed for self-reliance through the process of strategic alliances and international consortia involving its defense firms. According to Matthews, the notion of reliance was built into the cultural aspect of these states. Given the rising costs of weapons systems, Matthews added that states would have to pay greater attention to defense management issues including smart acquisition procedures. Internationalization and regionalization of defense-industries were likely to be the wave of the future for the defense economies of Northeast Asia and beyond. However, work-sharing and technology-sharing were likely to remain sticking issues even between the closest of allies as the Joint Strike Fighter (JSF) project involving the UK and US showed.

It was enquired by one participant whether the integration of the Chinese economy with that of its potential opponents like the US, Taiwan, South Korea, and Japan was a negative consequence of globalization that implied mutual vulnerability or a confidence-building measure that had the potential to reduce tensions and prevent escalation in a crisis. Bickford mentioned that his state-centric perspective led him to view these developments as potentially negative outcomes of globalization.

A question was raised on the feasibility of the internationalization of the defense-industries, for example, the global paradigm represented by the multinational development and production of the joint strike fighter, and if such projects actually worked smoothly. Matthews replied saying that multinational defense projects involved huge challenges. In the case of the JSF, the US was uneasy about sharing some critical technologies with its close European partners, including the UK. Economies of scale were often comprised in the production of such projects due to work-sharing arrangements negotiated between partner countries. Moreover, such arrangements were not equally divided. For the JSF, the UK had negotiated 24% work-share and the US 73%, while the other partners were left with 3% among themselves. Even at the design and development stage of such projects, efficiency is lost due to the demands created by work-sharing.

On the issue of the state of regionalization of defense economies in Europe, Matthews mentioned that collaboration was quite advanced in the UK. He mentioned that it was agreed that 40% of all procurement in the future would be on the basis of collaboration. In spite of this, issues of protectionism persisted in Europe. States were prepared to engage in protectionism in the area of strategic technologies in order to prevent the erosion of their domestic defense-industrial base and to promote defense-industrial sustainability.

Professor Ron Matthews delivering his presentation

Exploring Southeast Asia's 21st Century Defense Economies: Opportunities and Challenges in the Era of Globalization, 1997-2005

Renato Cruz de Castro, De La Salle University, Philippines, spoke on how Singapore, Malaysia, Thailand, and Indonesia were managing their globalizing national economies, while at the same time maintaining viable and relatively autonomous defense economies. He stated that globalization did not adversely affect the ability of these states to develop and maintain a viable defense economy. These four ASEAN states had proven that there was no dilemma in adopting the general economic strategy of an open and globalized economy, and the creation and management of a viable and functioning defense economy.

According to Castro, these states had not experienced any tension between their nationalistic conceptions of security as they built an autonomous defense economy while ensuring the globalization of their national economies. These states had found that economic liberalization and global division of labor in the generation of natural wealth complemented their preoccupation with developing and managing an autonomous and functional defense economy. According to him, this clear-cut thrust helped these states in the pursuit of their two very important goals in the globalizing world: ensuring economic development and prosperity, and enhancing national security in an anarchic international environment.

By opening their economies to the global market, these four countries were able to generate the necessary wealth to finance their war preparation. Implementing a strategy of import-oriented industrialization and neo-liberal economic policies had assisted them with developing conventional armed forces that could be sustained by their existing defense economies. As a result, Castro stated that these states had become skilled and seasoned practitioners of a new form of modern statecraft – neo-mercantilism. Analytically, Singapore, which was the most open economy in Southeast Asia, was also the country that could best afford to develop and mange the most advanced regional defense industry. Furthermore, he said that the statistical test showed that these four countries could afford their defense economies without having to face a guns-versus-butter dilemma. He further speculated that unless a global economic recession occurred in the next decade, these four ASEAN states would be in a position to finance and expand their functioning and relatively autonomous defense economies.

Dr Renato Cruz De Castro delivering his paper

Discussion

Tim Huxley, International Institute of Strategic Studies, UK, raised several issues based on Castro's presentation. To begin with, Huxley mentioned his concerns about using the economic data provided by the Asian Development Bank for analysis. He said that he had reservations about the figures mentioned in these reports for Indonesia and Malaysia even though the figures issued for Thailand and Singapore looked convincing. He mentioned that in the case of Indonesia, almost 70% of the defense spending was derived from non-budgetary sources including both legal and illicit businesses. Malaysia's overall defense spending on a year-by-year basis was difficult to calculate because a large part of its capital and infrastructure budget for a given year was a part of its five-year development budget which was put in a seperate category. A re-evaluation

of these figures could lead to changes in some of the Castro's conclusions, according to Huxley.

Huxley further mentioned that the positive impact of globalization on defense in ASEAN was by no means universal or consistent. He mentioned that for countries such as the Philippines, neither economic growth rates nor increases in defense spending were self-evident. Furthermore, even for the four cases, the impact of globalization on their local economies had not always been positive. For example, during the 1997 Asian financial crisis, defense spending in all these countries, with the notable exception of Singapore, had gone down, and there was a visible guns versus butter trade-off. Defense spending and military procurement had begun to recover only recently due to favorable economic circumstances. Huxley further added that he did not see the relationship between economic growth and military spending as unique or exclusive. According to him, other non-quantitative factors such as threat perception, the prestige factor, and even the level of defense-industrialization were perhaps important in this regard.

Huxley also questioned if increased defense spending could be equated with enhanced state security. On the contrary, it was possible for increased defense expenditure to undermine spending on development projects and thereby erode social security. Increased defense spending did not automatically lead to enhanced capabilities. Huxley wondered if it could be definitely concluded that the money was actually being spent on adequate training and doctrinal and organizational changes. Furthermore, he wondered if enhanced capability meant enhanced security, for there was always the possibility that the state was responding to the wrong threat. For example, was the state responding to meet a conventional challenge when it in fact faced serious non-traditional threats such as maritime piracy and terrorism? Huxley concluded by saying that this could be detrimental to the state in the medium to long-term.

Dr Tim Huxley making a remark during deliberations

Sukma mentioned that Huxley's comments on Indonesian defense spending were a common misreading of the issue. He said that there was a 'gap' in the funding between what the military required and that provided by the government. In 2006, the military had requested US$5 billion in funding while the government allocated $2.5 billion approximately. He said that some of this 'gap' which certain analysts attributed to military spending was in fact not utilized by the armed forces, instead it was best characterized as 'defense income for the generals'.

It was questioned whether Southeast Asia was witnessing an arms race as states were acquiring platforms for power projection as well as to meet immediate challenges. In other words, it was raised if globalization was leading to an arms race in the region. Renato mentioned that the region did not show the classic signs of an arms race for there were few, if any, instances of purchases and counter-purchases of arms in the region. For example, Singapore's purchase of F-16s was not responded by Malaysia's purchase of surface-to-air missiles. Instead, Malaysia was acquiring MiGs and Sukhois. He stated that while states were certainly engaged in acquisition of systems, the pattern did not represent an arms race scenario. Moreover, there was little empirical evidence of hostility between states in the region. Huxley added that the pace and nature of arms acquisition in Southeast Asia did not point towards an arms race. Significantly, he added that states paid attention to the weapons systems that were being introduced into the region. Given the underlying political tensions between pairs of states in the region, the question of an arms race was unlikely to be easily dismissed.

GLOBALIZATION AND DEFENSE

REPORT ON A CONFERENCE ORGANIZED BY
THE INSTITUTE OF DEFENCE AND STRATEGIC STUDIES (IDSS)

15 – 16 MARCH 2006
THE SENTOSA RESORT AND SPA, SINGAPORE

Institute of Defence and Strategic Studies
Globalization and Defence Conference
15-16 March 2006 at The Sentosa Resort and Spa

Summary of Conclusions

GLOBALIZATION AND INTERNATIONAL CONFLICT

1. Using International Relations theory to evaluate the economic shifts brought about by globalization in order to conclude as to whether or not the phenomenon will increase the prospects for peace in the 21st Century is far from having all the answers and more research is needed in a number of areas namely:

   a. to ascertain whether or not the predictions of the theories are correct and which particular prediction is the more accurate,

   b. to understand the mechanisms whereby interdependence discourages the resort to force in some circumstance but encourages conflict in others, and

   c. to understand the relationship between the presence of a hegemon in the world system and the occurrence of war.

2. Economic interdependence may make peace more likely, or harder to fail, but it does not in and of itself bring harmony to international politics, but could lead to more low-level conflicts like protests, diplomatic complaints, and minor political threats.

3. As security has primarily been organised around the role of sovereign states and that the main impact of globalization will be its ability to infiltrate and undermine the security prerogatives of sovereign states, the concept of security must be more closely examined, in particular in order to understand how security has been traditionally generated.

4. As globalization can result in economic exclusion, which could lead to conflict, it is necessary to examine how and under what circumstances globalization's impact on state sovereignty will result in the generation of specific security issues.

5. As some countries or regions are more prone to insecurity linked to globalization than others, it is necessary to understand why globalization impacts in different ways on different sovereign states in different regions.

6. In order to understand whether globalization is a dependent variable or a consequence of state behaviour, there is a need to gain a more comprehensive understanding of the concept of economic interdependence and to what extent it is central to the well-being of states and their peoples.

GLOBALIZATION'S IMPACT ON THREAT PERCEPTION AND DEFENCE POSTURE

7. As more countries participate in the anti-terror effort led by the United States, the participation itself also serves as a Confidence Building Measure. Therefore, more countries should be encouraged to participate in the fight against Jihadi terrorism.

8. As Japan, South Korea, and the United States are keenly aware of the nuclear threat generated by North Korea, besides participating in joint research on a missile defence system, the East Asian countries should also develop a multilateral dialogue process to better understand intentions and increase transparency.

9. As China and the United States view each other with increasing suspicion, the

dynamics of a classic security dilemma could materialise. As such, more dialogue is needed between China and the United States to demystify intentions and develop more confidence in each other.

10. As globalization has generated and perpetuated non-traditional security threats, governments will need to take measures to deal with issues like piracy, disputes over fishing grounds, drug trafficking, arms smuggling, environmental degradation, terrorism, ethnic and communal violence, and transnational organised crimes.

11. Despite the phenomenon of globalization, inter-state threat perceptions amongst ASEAN countries are still quite important and measures should be taken to reduce inter-state tensions, like territorial boundary disputes.

12. As there is uncertainty as to how the fruits of globalization have benefited the populace in general despite the booming regional economies and increasing bilateral and multilateral trade, governments should continue to examine ways to spread the wealth effects derived from globalization to all segments of the population.

13. As globalization of the defense sector had produced a new concept of 'Defence Eco-Systems' that emphasized a comprehensive national security framework and promoted civil-military integration to minimize any negative impact on the defense economy, governments should therefore promote civil-military integration to reduce the burden of defense expenditure by promoting technological sharing, supply chains, spin-on and spin-off technologies, as well as dual-use technologies.

14. Given the rising costs of weapons systems, states will have to pay greater attention to defense management issues including smart acquisition procedures as internationalisation and regionalization of defense-industries were likely to be the wave of the future for the defense economies of Northeast Asia and beyond.

15. To best afford to develop and manage an advanced defense industry, it would be necessary to adopt a general economic strategy of an open and globalized economy.

GLOBALIZATION'S IMPACT ON THE DEFENCE INDUSTRY

16. As globalization has made dual-use technology more accessible than before, adopting dual-use technology would be the quickest way for states to develop its own defense industrial capabilities.

17. As globalization has made the private sector more lucrative than the defense sector, more highly-skilled personnel would leave and opt to work in the private sector. As such, states will have to develop human resource practices and policies that can match the private sector in order to retain much needed talent to develop the defense industry.

18. As persistent lack of transparency in Asian defence procurement was resurrecting fears that arms purchases would destabilize the region, states should adopt more transparent government procurement processes and promulgate white papers to build confidence between regional countries.

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Globalization and the Defense Economy of South Asia

Vijay Sakhuja, Observer Research Foundation, New Delhi, mentioned that South Asia's experience with globalization and market reforms presented a mixed picture. He mentioned that while the regional countries were conscious of cooperative and mutually beneficial economic benefits that accrued from globalization, they would go to great lengths to prevent any forces that questioned the sovereignty of the state. Sakhuja mentioned that the linkages between globalization and the defense economy were more apparent and forceful in the case of India. He added that in India, the security function had increased with its liberalizing economy.

According to Sakhuja, in the case of India, there was a positive correlation between technological growth, national GNP growth, and defense expenditure growth on the one hand, and defense industrialization, defense transformation, and the export of defense hardware on the other. To a significantly lesser degree, Pakistan might have gained with globalization, however, its defense expansion was driven more by its traditional animosity with India and more than three decades of military government. The impact of globalization had been varied for Bangladesh, Sri Lanka, Nepal, Bhutan, and Maldives; however, there was no tangible evidence to prove that they had expanded their defense economies on account of it.

Sakhuja mentioned that South Asia was still mired in conflicts and the mentality of partition was pervasive. Given these facts, Pakistan had been unable to look beyond Kashmir and had often accused New Delhi of being a hegemon. Bangladesh also aired similar views about New Delhi from time to time. There was a general belief that as India gained in economic and military capability, it would attempt to gain a leadership role and that there was a distinct possibility of a conflict in the region. In Nepal and Sri Lanka, ethnic violence, insurgency, and terrorism were the major challenges that were severely hampering economic development.

Dr Vijay Sakhuja making his presentation

Discussion

Rajeev Sawhney, Institute of Defense and Strategic Studies, Singapore, began his presentation by mentioning that globalization was a historical process that had accelerated in modern times due to the fantastic advances made in transportation and communications technologies. He further added that even though globalization seemed like an economic phenomenon, it had strong cultural, political, and military dimensions. He added that he belonged to the liberal school of thought that emphasized the positive effect of globalization on security as a result of the interdependence created by trade. Furthermore, if the trading partner happened to be a neighboring state, the process of globalization enhanced regional security.

He added that even as South Asian economies were partaking in the process of globalization, it remained home to the bulk of the world's poor thereby creating socio-economic tensions. Sawhney mentioned that many developed nations practiced double standards with regards to globalization. They urged the developing nations to open their markets when it benefited their own economies, but were retreating from the processes of globalization as the economies of large nations of the developing world like India and China began posing economic challenges to them.

In its long history, according to Sawhney,

South Asia had been a geographic as well as an economic unit. However, the region was in an historically anomalous period today, as there was little to show in terms of economic linkages between the states of that region. Even SAARC had nothing to show as far as regional cooperation was concerned. He highlighted that India had common borders with all the countries of South Asia and more importantly, none of the other regional countries shared common borders among themselves. This created tensions between India on the one hand and all the other regional countries on the other, but not between the other regional countries. According to Sawhney, this geographical-structural reason was a huge stumbling block to regional economic integration. Sawhney further remarked that if the level of tensions in the region were to come down, defense spending would continue to remain substantial as states in the region would like to be prepared for all eventualities.

In the Q&A it was highlighted that the so-called revolution in military affairs had limited relevance for the war against terrorism. This type of non-state transnational threat could be countered only with a revolution in intelligence affairs, a revolution in police affairs, and a revolution in the way governments interact with the communities from which the terrorists came. Sakhuja concurred that the threat of terrorism especially its suicide-bomber variant required a revolution in the way states thought about security and that the military was only one of the instruments, and perhaps not even the most important instrument that could be used to respond to it.

It was questioned if India required to peg its defense budget to 3% of its GDP in order to modernize its military forces and whether this would be regarded as alarming by the regional states and other international players. Sakhuja mentioned that the Indian government had been very clear about its strategic agenda and the kind of strategic space they would like to create for India. Hence, there was no reason for the regional states to worry if India increased or pegged its defense budget to 3% of its GDP.

It was also questioned if the Indian government was facing a military manpower crisis as a result of the globalization of the Indian economy. In this regard it was mentioned that the Indian army was short of 10,000-15,000 officers, and many analysts suspected that that was due to the fact that the best and the brightest were choosing to join the commercial economy as opposed to the military as careers in the civilian sector were more lucrative. Sawhney agreed with this general assessment and mentioned that the civilian economy was creating careers that were unimaginable even just a few years ago.

Commodore Rajeev Sawhney making his presentation

SESSION 4 – GLOBALIZATION'S IMPACT ON THE DEFENSE INDUSTRY

Globalization and the Defense Industry in East Asia: Seeking Self-Sufficiency and Teaming Up in Dual-Use Technology

Arthur Ding, National Chengchi University, Taiwan, mentioned that there were two trends in Northeast Asia in the field of international relations. The first was that globalization and regionalization of the Chinese economy was demonstrated best through its accession into the WTO and the "ASEAN plus 3" process. However, there was another trend moving in the opposite direction: the growing tensions in Northeast Asia. This was embodied in US-China,

China-Japan, and China-Taiwan tensions as well the US-Japan alliance. According to Ding, faced with uncertain political developments, China was likely to see a need to continue its military modernization in order to prepare for all eventualities.

China fully understood that it could not rely on foreign countries to support its military in the long-term, and thus self-sufficiency remained the only way for China to go. There was no likelihood for China to form a regional defense consortium or to rely on the EU, Israel, or the US for defense technology. Ding mentioned that globalization had made dual-use technology more accessible than before and that it was the most feasible option for China to develop its own defense industrial capabilities.

Ding further mentioned that joint ventures represented a feasible path for China to adopt. China's highly developed space industry had been invited for international projects. China's participation in the EU's Galileo project was a typical case from which China could learn to manufacture navigation satellites of its own in the future for military use. Diversification into civilian production would be the other strategy China would adopt together with spin-on and cost-down measures. The end objective was to employ the state's limited resources for urgent military technology development and to let the civilian sector provide the innovative input required for arms development.

Dr Arthur Ding making his presentation

Discussion

Li Nan, Institute of Defense and Strategic Studies, Singapore, highlighted that China's concerns about energy security and its vulnerabilities on external trade had made the protection of sea-lanes of communication a major objective of China's security policy. This was an important factor in the modernization of China's military. Consequently, the focus of Chinese military modernization was shifting from land wars to the building up of its naval capabilities. Li also highlighted the changing content of China's military modernization seen in its shift away from an emphasis on mechanization to an emphasis on platforms and now finally to an emphasis on IT and network-centric capabilities. He further emphasized that China was seeking to learn from the American military and its advanced technological capabilities seen since the first Gulf War. This was a major reason behind the Chinese military's drive towards IT.

On the supply side, Li mentioned there was a virtual failure of defense conversion in enhancing China's defense capabilities. According to him, one major reason behind the indigenous failure of the Chinese defense industry was the 'brain drain' problem. China's stellar economic performance meant that China's engineers and scientists were leaving its defense industries for the more lucrative private sector. Many had also headed for the West in their search for higher salaries or due to the lack of opportunities within China itself. Li mentioned that Chinese universities were producing more engineers than could be absorbed by its economy.

Li also highlighted the problems associated with the physical location of the Chinese defense industries. During the Cold War, they were all relocated to the 'third line', that is, to the interiors of China in the mountainous regions and other heartland provinces out of Chinese concerns over a possible Soviet invasion. This has created serious problems such as high transportation and information costs. Li also stressed the need for structural reforms of the Chinese defense industry. Lastly, Li also highlighted the problems

created as a result of political interference in the development of science and technology in China.

Ding mentioned that energy security and as well security of SLOCs had emerged as a major issue for China especially as Beijing did not have a well-developed system of strategic energy reserves. He added that China had also been pursuing policies to achieve a high degree of 'informationization' as opposed to 'mechanization' of its military forces. Ding agreed that 'brain drain' was a big issue that China was trying to resolve; however, he added that Chinese military had begun recruiting graduates from civilian institutes since the mid-1990s. Ding highlighted that the administration of China's defense industries was the responsibility of the State Council and not the Central Military Commission. He added that while many in the younger generation were reluctant to join the military they were not shying away from jobs in the defense industries.

On the issue of dual-use technologies, it was mentioned that China's interest in acquiring these technologies from abroad had a strong and definite economic and developmental dimension. That they also had potential applications for China's military was an added bonus. On the issue of competition between the civil and military sectors to attract talent, the civil sector was likely to win as it was the more lucrative sector. This posed serious challenges for the military, and the Chinese government was trying to devise various strategies to deal with it.

A point was made that China's military modernization was not the result of China's desire to meet a real or imaginary military threat from another country or to respond to specific challenges like energy security. Instead, China was keen on modernizing its military to ensure a peaceful regional environment in order to promote domestic economic growth and development. Moreover, the Taiwan issue was a prime concern for Beijing and that it definitely had a military dimension. Ding agreed with this observation but added that responding to a challenge that could be posed by a possible US military intervention in the Taiwan straits was high on the agenda in Beijing's strategic calculations.

From left to right: Commodore Rajeev Sawhney, Dr Li Nan, and Dr Arthur Ding

Globalization's Impact on Defense Industry in Southeast Asia

Rommel Banlaoi, National Defense College of the Philippines, mentioned that globalization had led to the internationalization of defense industries. However, the defense industries in Southeast Asia remained rudimentary. With the sole exception of Singapore, ASEAN countries had failed to develop their domestic defense industries. Though most ASEAN countries had increased their defense spending in the aftermath of 9/11, the funds were used to purchase rather than to produce arms.

According to Banlaoi, ASEAN countries continued to be arms recipients rather than suppliers of weapons. ASEAN was an important market for global defense industries. But he added that the persistent lack of transparency in Asian defense procurement was resurrecting fears that arms purchases would destabilize the region. Banlaoi reiterated the conclusion of many analysts that in the absence of more defense white papers and open-ended discussions about what arms purchases the regional states were making and why, the region was likely to be riddled with suspicions and tensions.

Banlaoi said that the globalization of the defense industry could provide ASEAN states an important opportunity to invite foreign investors. However, this required new thinking in ASEAN. This new thinking required the overcoming of sensitivities on defense issues and the improvement of their governance of the security sector. Unless ASEAN states improved the functioning of their security sector and overcame their sensitivities on issues pertaining to defense, Banlaoi mentioned that they were unlikely to be able to transcend the embryonic and rudimentary state of their defense industries.

Dr Rommel Banlaoi making his presentation

Discussion

Tim Huxley, International Institute of Strategic Studies, UK, mentioned that he agreed with Banlaoi's observation that the official publications of the governments of Southeast Asia gave little details, if any, on the state of their respective domestic defense industries. However, he added that with the possible exception of Singapore, the main aspects of the region's defense industries were hardly 'secret' or in the cutting-edge. Huxley also wondered if Banlaoi's conclusion that the defense industries of most Southeast Asian countries (other than Singapore) were 'rudimentary' was actually valid given that both Malaysia and Indonesia had commendable defense-industrial capabilities. He mentioned that Indonesia had a particular strength in aerospace, particularly in transport aircraft and helicopters for the domestic defense and commercial markets. Malaysia's aviation sector was also expanding rapidly from upgrading, maintenance, and repair work. Huxley mentioned that many countries in Southeast Asia did not have strong national defense industries because many regional states did not favor domestic defense production. This was because they viewed acquisitions from abroad as opportunities for making commissions on defense contracts.

Huxley mentioned that one reason behind Singapore's highly developed defense-industrial base was the infrastructure left behind by the British after they withdrew in the 1960s. He also added that Singapore's only 'natural resource', its geographic location, also contributed significantly to the cause of its defense-industrial advancement. Its strategic location allowed it to develop itself into a key civil aviation hub, a fact that had contributed to the development of its aviation industry, including military aviation. As for the globalization of the region's defense industries, Huxley mentioned that 'industrial participation', a euphemism for offset, was an important component of Singapore's weapons procurement strategy and that it had allowed Singapore to advance its defense-industrial base. Licensed production was another strategy that many regional countries like Indonesia had adopted to enhance their indigenous defense capabilities. Singapore's defense industries had also entered into numerous collaborative arrangements with their western counterparts.

Huxley said that Southeast Asian countries had been talking about the possibility of regional defense-industrial collaboration for many years now. Some countries like Malaysia and Singapore had even drawn up formal agreements to this extent. However, none of these had amounted to anything significant. He attributed this to the fact that even though Southeast Asian countries had managed to cooperate on numerous issues, they distrusted one another in matters pertaining to security. As a result, defense-industrial cooperation in the region remained a 'no go' area for reasons of security as well as national prestige. In this respect he reminded that even the 'quasi-federated' states of Europe

were finding it difficult to cooperate on defense-industrial issues. On the other hand, Southeast Asian states were willing to partner the more distant powers in the defense-industrial sector. This was evident in many states like Singapore, Malaysia, and Indonesia.

It was mentioned in the Q&A that the Malaysian shipbuilding yards were in the process of building highly sophisticated vessels and as such the Malaysian defense-industry could not be regarded as 'rudimentary'. Banlaoi agreed that he needed to expand his definition of defense-industrial infrastructure to include shipbuilding and aviation industries.

From left to right: Dr Renato Cruz De Castro, Dr Tim Huxley, and Dr Emrys Chew

Globalization's Impact on the South Asia Defense Industry: A Historical Perspective

Emrys Chew, Institute of Defense and Strategic Studies, Singapore, mentioned that the military-industrial configuration of South Asia was the globalized by-product of countless cross-cultural interactions that emerged out of a complex interplay between the motive forces of a changing world order and the crises of indigenous societies. In military-strategic terms, the transfers of military hardware and technology in South Asia had accelerated largely as a result of a world power that wanted to enhance its military capabilities in order to maintain its hegemony and contain its rivals or a South Asian power. In political-economic terms, the development of the South Asian defense industry had been driven by Western (and in the most recent case, American-led) global expansion, as well as by regional transformation and indigenous crisis in Asia.

Chew mentioned that shaped by these military-strategic and political-economic imperatives, the defense establishments of India and Pakistan were at first armed by foreign powers. But their strategic rivalry and their pursuit of greater military-industrial self-reliance had led progressively to 'global diversification' of companies and corporations, the 'internationalization' of supply networks, production systems, labor forces, management, and financing. As the global military market unfolded across the subcontinent, the territorial boundaries of nation-states became more porous. This diluted and reconfigured national sovereignty and allowed for the arming of groups and individuals beyond the interstices of state power, and encompassed states in the wider South Asian periphery such as Sri Lanka and Afghanistan.

According to Chew, the arming of South Asia manifested itself as a creeping militarization beyond the official jurisdiction of the state: the arming of local warlords, resistance groups, and global terror networks. South Asia was one of the world's most militarized zones not only on account of the global expansion of the West or great power rivalry in Asia; modern India and Pakistan were nation-states constructed out of myriad societies and polarized communities of the subcontinent whose growing sense of alienation, independent aspirations, and volatile ambitions led to weaponization and violence. Chew mentioned that the military-industrial globalization in contemporary South Asia broadly suggested a scenario in which indigenous military developments were largely subordinate to the global and regional interests of others. However, the volatile military cultural context of the subcontinent did indicate that there had been episodes in the earlier history of globalization when that was clearly not the case.

Dr Emrys Chew making his presentation

Discussion

Dipankar Banerjee, Institute of Peace and Conflict Studies, New Delhi, began his comments by mentioning that Mughal India had mastered the art of weapons making and that the Mughal army was one of the most advanced in the world in the seventeenth and eighteenth centuries. He mentioned that Mughal India contained many large factories that designed and produced sophisticated weapons like large caliber guns and cannons. Banerjee attributed the military successes of the British in India in the eighteenth and nineteenth centuries to their fiscal policy and their military strategy. Unlike the British, the Mughal successor states faced fiscal difficulties and were unable to pay their soldiers on a regular basis. Backed by their sophisticated industrial and trading networks the British recruited soldiers from amongst Indians and paid them regularly. Furthermore the British military strategy focused on bribery and treachery which led to defections among senior ranks from the military and government bureaucracies of the Mughal successor states and their consequent downfall.

Banerjee then mentioned that the British Indian Army (and to a lesser extent the Navy) was perhaps the most globalized army in all of Asia that defended the interests of the British Empire in East Africa, Southeast Asia, the Middle East, China and elsewhere. By the end of the Second World War, India had a highly developed military technological base compared to other parts of Asia. Around independence Nehru also toyed with the idea of doing away with the army as India had no aggressive designs on any state. However, the partition of the subcontinent and subsequent the crisis over Kashmir saved the Indian army from extinction. Banerjee also highlighted that military developments in China could not be ignored for they weighed heavily in India's calculations especially after the 1962 Sino-Indian border war. In this context India established military-industrial links with the Soviet Union.

In the modern period, the nuclear and missile proliferation network run by A Q Khan of Pakistan demonstrated the negative side of globalization of defense. Banerjee mentioned that the extent of this proliferation was unclear up to this day; both in terms of the countries (or entities) proliferated to as well as the systems they were provided with. In the context of future of India's defense globalization, Banerjee mentioned that India's relations with Israel were likely to take off in the areas of avionics and other electronic systems. India was also exploring joint production and development of high-end weapons systems with Russia, as well as exploring defense-industrial cooperation with the US. Banerjee concluded his comments by mentioning that the private sector was poised to increase its profile in the defense-industrial sector in India.

It was mentioned that India had thus far been heavily dependent on Soviet/Russian systems. With India increasing its defense suppliers to include Israel and possibly the US, did India foresee systems integration challenges? Banerjee cautioned against the tendency among many analysts to speculate that India would rapidly purchase large quantities of American weapons systems. The possibility for acquisitions had been opened up in India. Since the arms market was a buyer's market, India was likely to strike a high bargains game for its overseas weapons acquisitions. India was interested in having its domestic capabilities built up and had even initiated a new offsets policy in this regard since last year. According to Banerjee, issues related to

systems integration were likely to be subsumed under such agreements when arms procurement decisions would be made.

Sawhney mentioned that India had initiated a new offset policy worth 30% of the contract value for all new defense acquisitions from abroad in excess of US$70 million. He highlighted that India was determined to become self-reliant in defense and had tried to go down this path since independence. He mentioned that the Indian Navy had made big leaps in its bid towards self-reliance. According to Sawhney, almost 80% of the Indian Navy's surface platforms were indigenously developed. The Indian Navy was also moving towards indigenization of its submarines. The Indian Navy had set-up an in-house design bureau almost three decades ago and as a result India has highly sophisticated naval systems design capability. The naval design bureau had also learnt to successfully integrate naval systems that contained Russian, Western, and Indian components.

Concluding Remarks and Summing Up

Geoffrey Till, Joint Services Command and Staff College, UK, highlighted the need to understand globalization of defense with a view on the "levels of analysis" that included dynamics internal to the state, state-to-state dynamics, and systemic factors, as well as how they impacted policy. He stated that the present discussion had been essentially state-centric while the other two levels were briefly skimmed through. According to Till, the state-centric bias of most speakers was evident from the fact that their presentations revolved around the positive and negative impact of globalization for the states under discussion. In this respect Till wondered if it was possible for states to impact globalization instead of only being affected by it. In other words, was globalization governable? To illustrate that states still making decisions while losing some of their autonomy, Till mentioned the case of Northeast Asia. Globalization had increased the access these states had to foreign capital and technology. This represented two themes: Northeast Asian states had implemented the processes to open up to the wider world and at the same time they were losing control over their entrepreneurs, including defense entrepreneurs, as well as their foreign policy.

Till also raised the issue of globalization of military power and how it had been used effectively in varied circumstances from Kosovo to East Timor. The globalization of military power had an important impact on national and international security. It was also a major determinant in shaping and sizing armed forces. Till further mentioned that the uncertainty over the exact definition of many terms used in the analysis on the impact of globalization on defense meant that many of its concepts were not yet fully understood and that no definitive relationship between conflict and globalization had yet been established. However, this conference was successful in as much as it highlighted these and other important issues on the impact of globalization on defense.

Rapporteurs:
Joshua Ho
Manjeet S Pardesi

Globalization And Defence, 15 – 16 March 2006
Programme Schedule

Tuesday, 14 March 2006

1500 **Arrival of Participants and Registration**

1900 **Welcome Reception for Participants**

Wednesday, 15 March 2006

0830 **Registration**

0900 **Opening Address**
Kwa Chong Guan, Head External Programmes, Institute of Defence and Strategic Studies

0910 **Session 1: Globalization and International Conflict**
Chair: Kwa Chong Guan, Head External Programmes, Institute of Defence and Strategic Studies

Globalization and Armed Conflict Among Nations: Prospects through the Lens of International Relations Theory
Brian Pollins, Associate Professor, Department of Political Science, Ohio State University, US

When can we expect globalization to reduce conflict in world politics?
Mark J.C. Crescenzi, Assistant Professor of Political Science, Department of Political Science, University of North Carolina at Chapel Hill, US

1010 **Break**

1025 **Beyond Interdependence: Globalization, State Transformation and National Security**
Christopher Hughes, Senior Research Fellow, Deputy Director, Centre for the Study of Globalization and Regionalisation, University of Warwick, UK

Discussant: Geoffrey Till, Dean of Academic Studies, Joint Services Command and Staff College, United Kingdom

1145 **Lunch**

1300 **Session 2: Globalization's Impact on Threat Perception and Defence Posture**
Chair: Kwa Chong Guan, Head External Programmes, Institute of Defence and Strategic Studies

Northeast Asia
Speaker: Guibourg Delamotte, Asia Centre, Paris

Discussant: Ding Bangquan, Professor, National Defence University, Beijing

Southeast Asia
Speaker: Rizal Sukma, Deputy Executive Director, Center for Strategic and International Studies, Jakarta

Discussant: K.S. Nathan, Senior Fellow, Institute of Southeast Asian Studies

1530 **Break**

1545 **South Asia**
Speaker: Rahul Roy-Chaudhury, Research Fellow for South Asia, International Institute of Strategic Studies

Discussant: B. Raman, Director, Institute of for Topical Studies, Chennai

1700 **Adjourn**

1900 **Dinner**
Venue: House of Peranakan

Thursday, 16 March 2006

0900 **Session 3: Globalization's Impact on the Defence Economy**
Chair: Sam Bateman, Senior Fellow, Institute of Defence and Strategic Studies, Singapore

Northeast Asia
Speaker: Thomas Bickford, Associate Professor, Political Science Department, University of Wisconsin-Oshkosh, US

Discussant: Ron Matthews, Chair in Defence Economics, Department of Defence Management and Security Analysis, Cranfield University, UK

1015 **Break**

1030 **Southeast Asia**
Speaker: Renato Cruz de Castro, Chair, International Studies Department, De La Salle University, Philippines

Discussant: Tim Huxley, Senior Fellow, International Institute of Strategic Studies, London

1145 **South Asia**
Speaker: Vijay Sakhuja, Senior Fellow, Observer Research Foundation, New Delhi

Discussant: Rajeev Sawhney. Visiting Senior Fellow, Institute of Defence and Strategic Studies, Singapore

1300 **Lunch**

1400 **Session 4: Globalization's Impact on the Defence Industry**
Chair: Ron Matthews, Chair in Defence Economics, Department of Defence Management and Security Analysis, Cranfield University

Northeast Asia
Speaker: Arthur S. Ding, Research Fellow, Institute of International Relations, National Chengchi University, Taipei, Taiwan

Discussant: Li Nan, Senior Fellow, Institute of Defence and Strategic Studies, Singapore

1515 **Break**

1545 **Southeast Asia**
Speaker: Rommel Banlaoi, Director, Political Dimension of National Security Programme, National Defence College of the Philippines

Discussant: Tim Huxley, Senior Fellow, International Institute of Strategic Studies, London

South Asia
Speaker: Emrys Chew, Visiting Fellow, Institute of Defence and Strategic Studies, Singapore

Discussant: Dipankar Banerjee, Director, Institute of Peace and Conflict Studies, New Delhi

1715 **Concluding Remarks and Summing Up**
Geoffrey Till, Dean of Academic Studies, Joint Services Command and Staff College, United Kingdom

1730 **Conference Ends**

List of Participants

1. HE Munshi Faiz Ahmad
   High Commissioner
   High Commission of the People's Republic of Bangladesh

2. HE Sajjad Ashraf
   High Commissioner
   High Commission of the Islamic Republic of Pakistan

3. HE Ilan Ben-Dov
   Ambassador
   Embassy of Israel

4. LTC Boey Tien Seng
   Officer
   Joint Research Department
   JID

5. Capt Gilles Bonavita
   Defence Attache
   French Embassy

6. HE Marc Calcoen
   Ambassador
   Royal Embassy of Belgium

7. Mr Clement Maxwell Cameron
   Counsellor (Political and Trade)
   High Commission of the Republic of South Africa

8. HE Juan Jose Gomez Camacho
   Ambassador
   Embassy of Mexico

9. Mr Oswaldo Canto
   Second Secretary, Education, Cultural & Tourism
   Embassy of Mexico

10. Mr Yves Carmona
    First Counsellor / Deputy Head of Mission
    French Embassy

11. Mr Cheng Hongbo
    Third Secretary
    Embassy of the People's Republic of China

12. Mr Diana Chia Shuo Hui
    Desk Officer / Regional Agreements & Organisation
    Ministry of Foreign Affairs

13. LTC Jeri Chua
    Officer
    Joint Research Department
    JID

14. Capt Dai Bing
    Assistant to Naval, Army and Air Attache
    Embassy of the People's Republic of China

15. Ms Daw Maw Maw
    Minister Counsellor
    Embassy of the Union of Myanmar

16. Col Martin Dransfield
    Defence Adviser
    New Zealand High Commission

17. Mr Duong Van Quang
    Ambassador
    Embassy of the Socialist Republic of Vietnam

18. Mr Igor Evdokimov
    Minister Counsellor & Deputy Chief of Mission
    Embassy of the Russian Federation

19. Dr Wilfried Herrmann
    Project Director
    Friedrich Naumann Foundation

20. Mr Irwan Heryudanlo
    Third Secretary (Political Section)
    Indonesian Embassy

21. Mr Christopher R. Kavanagh
    First Secretary (Political)
    US Embassy

22. Mr Sanjiv Kumar
    First Secretary
    High Commission of India

23. Dr Peter Lehr
    Research Fellow
    CSTPV, St Andrews University, UK

24. Snr Col Le Nhan Cam
    Military Attache
    Vietnam Defence Attache Office

25. Comd Lee Sang Dae
    Defense Attache
    Embassy of the Republic of Korea

26. Mr Lee Yeaw Lip
    Deputy Director (Systems)
    Defence Technology & Resource Office (DTRO)

27. Dr Lim Choo Hoon
    Lecturer, MHB
    SAFTI MI

28. Maj Lim Lit Lam
    Assistant Director
    Future Systems Directorate, MINDEF

29. Col Lim Teck Yin
    Commandant
    Singapore Command and Staff College

30. Mr Lye Liang Fook
Assistant Director (Policy Studies Group)
Defence Policy Office

31. Mrs Florence Mayol-Dupont
First Secretary
French Embassy

32. Mr Kevin McGahan
PhD Student, US Fulbright Scholar
University of Wisconsin at Madison

33. HE Ozichi J Olimole
Acting High Commisioner
High Commission of the Federal Republic of Nigeria

34. Mr Reiner L. Sauer
Project Director
The Association of Banks in Singapore

35. LTC Sunny Seah
Head
Foreign Military Liaison Branch (FMLB)

36. Mr Kenny Seow
Director
Regional Head Business Continuity Management, Asia Pacific
Deutsche Bank AG

37. Mr Sim Li Kwang
Asst Editor Pointer
MINDEF

38. Mr Gombyn Sukhee
Consul General
Consulate-General of Mongolia in Singapore

39. Maj Azhar Bin Tahir
Asst Defence Adviser
Malaysian High Commission

40. Mr Ensley Tan
Senior Officer
Ministry of Defence

41. BG Jimmy Tan
Commandant
SAFTI Military Institute HQ

42. Ms Michelle Tan
Senior Officer
Ministry of Defence

43. Ms Tan Sui Kim
Senior Manager
Ministry of Defence

44. Cpt Teh Hua Fung
Assistant Director
Future Systems Directorate, MINDEF

45. HE Chalermpol Thanchitt
Ambassador
Royal Thai Embassy

46. HE Daniel Woker
Ambassador
Embassy of the Swiss Confederation

47. Mr Wong Chee Wai
Head, MHB
MINDEF

48. Ms Janet Xie Zhangwei
Third Secretary
Embassy of the People's Republic of China

49. Ms Karen Yeo
Policy Officer
Ministry of Defence

50. Col Yuri Zolotarev
Military, Air and Naval Attache
Embassy of the Russian Federation

IDSS

51. Ms Jaime Sarah Burnell
Research Analyst
IDSS

52. Dr Alvin Chew
Associate Research Fellow
IDSS

53. Asst Prof Deborah Kay Elms
Assistant Professor
IDSS

54. Mr Joshua Ho
Senior Fellow
IDSS

55. Professor Brian L. Job
Visiting Professor
IDSS

56. Ms Catherine Zara Raymond
Associate Research Fellow
IDSS

About IDSS

The Institute of Defence and Strategic Studies (IDSS) was established in July 1996 as an autonomous research institute within the Nanyang Technological University. Its objectives are to:

- Conduct research on security, strategic and international issues.
- Provide general and graduate education in strategic studies, international relations, defence management and defence technology.
- Promote joint and exchange programmes with similar regional and international institutions, and organise seminars/conferences on topics salient to the strategic and policy communities of the Asia-Pacific.

Constituents of IDSS include the International Centre for Political Violence and Terrorism Research (ICPVTR), the Centre of Excellence for National Security (CENS) and the Asian Programme for Negotiation and Conflict Management (APNCM).

Research

Through its Working Paper Series, *IDSS Commentaries* and other publications, the Institute seeks to share its research findings with the strategic studies and defence policy communities. The Institute's researchers are also encouraged to publish their writings in refereed journals. The focus of research is on issues relating to the security and stability of the Asia-Pacific region and their implications for Singapore and other countries in the region. The Institute has also established the S. Rajaratnam Professorship in Strategic Studies (named after Singapore's first Foreign Minister), to bring distinguished scholars to participate in the work of the Institute. Previous holders of the Chair include Professors Stephen Walt (Harvard University), Jack Snyder (Columbia University), Wang Jisi (Chinese Academy of Social Sciences), Alastair Iain Johnston (Harvard University) and John Mearsheimer (University of Chicago). A Visiting Research Fellow Programme also enables overseas scholars to carry out related research in the Institute.

Teaching

The Institute provides educational opportunities at an advanced level to professionals from both the private and public sectors in Singapore as well as overseas through graduate programmes, namely, the Master of Science in Strategic Studies, the Master of Science in International Relations and the Master of Science in International Political Economy. These programmes are conducted full-time and part-time by an international faculty. The Institute also has a Doctoral programme for research in these fields of study. In addition to these graduate programmes, the Institute also teaches various modules in courses conducted by the SAFTI Military Institute, SAF Warrant Officers' School, Civil Defence Academy, and the Defence and Home Affairs Ministries. The Institute also runs a one-semester course on '*The International Relations of the Asia Pacific*' for undergraduates in NTU.

Networking

The Institute convenes workshops, seminars and colloquia on aspects of international relations and security development that are of contemporary and historical significance. Highlights of the Institute's activities include a regular Colloquium on Strategic Trends in the 21st Century, the annual Asia Pacific Programme for Senior Military Officers (APPSMO) and the biennial Asia Pacific Security Conference. IDSS staff participate in Track II security dialogues and scholarly conferences in the Asia-Pacific. IDSS has contacts and collaborations with many international think tanks and research institutes throughout Asia, Europe and the United States. The Institute has also participated in research projects funded by the Ford Foundation and the Sasakawa Peace Foundation. It also serves as the Secretariat for the Council for Security Cooperation in the Asia-Pacific (CSCAP), Singapore. Through these activities, the Institute aims to develop and nurture a network of researchers whose collaborative efforts will yield new insights into security issues of interest to Singapore and the region.

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