

A Consideration for Standard Level of National Defence Expenditure

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I. Introduction

For the past few years, the world situation has been changing so rapidly that it could be called a "The Revolution." For example, there are the changes in Eastern Europe, the unification of Germany, and the disappearance of the Soviet Union, the leader of the Communist nations and a major participant in the Cold War during the 20th century, from the historical stage.

Moreover, North-Korea which has persued an open-door policy and armed revolutionary unification for half a century, has begun a step by step effort for the eatablishment of peace. It has produced an atmosphere of detente on the Korean peninsula.

All these world wide changes and North-South Korea developments toward peace cause people to fantasize about the unification of Korea. With this fantasy in their mind, people demand to spend more on economic and social welfare, and cut down on NDE. At the end of the last National Assembly meeting, it announced that it will cut about 10 to 20 billion won from the Military Budget. People who were concerned about the National security were outraged.

The Army has attempted to explain the difficulties in determining the NDE and refute the calls for cuts. It is, However, a complex subject, making it difficult to persuade or inform people. To find a solution, this report wishes to review actual circumstances of objective data and research whether our NDE is sufficient enough for the security under current conditions.

II. Reality and Problems of NDE

1. Characteristic & Scale of NDE

As we look at a list of historical wars, we see a clear pattern of increasing lethality. According to historical wars, we see a clear pattern of increasing lethality. According to Banabi's 『Future Wars』, 65% of the population of the participating nation in the 30 year war (1856-1864), 15,000,000 during the 4 years of World War I and 5 million (1.4% of the world population) during 6 years of the World War II were killed.

In the future wars, the most advanced science and technology will be used such as high precision weapon systems and the nuclear weapons. There is no doubt that there will be catastrophic damage beyond our imagination in future war. The only way to guarantee our security is to build a firm national defence power. We could say, by all means, that National Defence Expenditure is an insurance policy that guarantees the protection of nation and its people.

The prosperity of a nation can be seen by looking at the balanced developments as politic, economic, and society. But in our situation, where North and South stand face to face, firm national defence power based on high defence awareness. It is essential for the existence and prosperity of this nation.

The major part of Korea's defence budget is referred to as the Defense Expense. The Defence Expense, which is 96.2% of the National Defence Expenditure, not only includes the National Defence Budget (under the jurisdiction of Ministry of National Defence), but also includes Conscriptorial Administration Expense (under the jurisdiction of the Office of Manpower Administration), and expenses on Combat/Ocean Police (under the jurisdiction of the Ministry of Home Affairs).

Defence data up to 1986 show that, the National Defence expenditure compared to general GNP ratio (inflation of defence and GNP) made no improvement of GNP according to the loss of peristatic move (once occupied more than 1/3 Govt. Financial Standard Level), limitation of financial support ability, and inflation of Government Financial Demands. the scale of the Defence Budget is decreasing from 32.4% of Govt. finance in '92.

2. Distribution and Management Realities of NDE

Defence expense, not including Combat/Ocean Police expenditures and conscriptional Administration expense, should be spent on the purchasement of weapons and equipments. Steadiness in personnel expense, weapons/equipments, and essential spendings on working expense must be reconsidered due to limited defence budgetal. Diagram—1 shows distributed ratio of investment expense on the develop-

<Table 1> Distributed ratio of NDE

CLASSIFICATION		'85	'87	'88	'89	'90	'91	'92
GOVERNMENT FINANCIAL COMPARISON	Development of Military Capacity	33.5	38.8	39.0	38.1	36.8	34.9	33.0
	Management Maintenance	66.5	61.2	61.0	61.9	63.2	65.1	67.0
THE RATE OF INCREASE	Development of Military Capacity	16.8	23.1	18.9	6.3	6.8	6.3	6.7
	Management Maintenance	9.1	9.1	16.3	10.7	12.5	18.3	15.6

ment of military capacity has relatively decreased.

With this kind of distribution of NDE, there are difficulties in investing Military Capability and operation management. To summarize these difficulties:

First, in the case of military capacity investment, large amounts of new investments are required to suppress the military threats from N.Korea not including surrounding nation's threat. With our current budget for new investment, we can only purchase 2-3 Fighters a year. This brings concerns for the failure in military capacity development plan. Reduction in maintenance expenses will decrease the equipment life time expectancy due to the lack of maintenance.

Second, the necessities of soldiers(food, clothing, shelter). Food supply expenses per day (about \$3) is 51% of food expenditure (\$169 per month), which is the minimum cost that "The Federation of Korean Trade Unions" researched. Although the military leaders tried their best to improve the soldier's living environments, there were limits to such improvements. Also, the facility modernization plan has been promoted since 70's but due to the shortage of funding, the project will not be completed until 2010. The outdated shelters (block built in 1960) are in such a disastrous condition, that soldiers of the younger generation find it difficult to live in them.

Finally, the disadvantages of being a soldier are low wages (equal to general Govt. worker) frequent moves, long work hours, and soldiers making difficult for us to obtain and keep bright young people.

Especially difficult to retain are the highly qualified technicians, that are essential in the management of the modern arms and equipment. Without them, arms capability and life time will decrease on one hand and increase maintenance bill on the other hand. In the long term, we should realize the need for adequate compensation in maintaining a quality force with a declining military budget.

III. National Defence Expenditure Review

The level of a nation's defence budget can be determined by its political, economical, and military elements. But we must remember that diplomatic relations and the people's consciousness about their national security are very essential elements of the defence budget review process. We can see that a determination of the defence budget is variable according to people's recognition of the threats to their country. From this point, even the Japanese, who pose no direct threat, can be seen as a potential threat to our security because of their unpredictable political doctrine. When we look at all these reasons, it would be very difficult to explain the exact level of spending for the defence budget.

Instead of a theoretical approach to the resolution of this problem, we will study whether the demanded level of Korea defence budget is reasonable. And in the examination, we wish to show the general trends of distributional defence budget in the other countries.

1. Defence Demand Level for the Security Threat

A. Potential Threat

In spite of the South and North's diplomatic progress, the military threat of North Korea still exists. The North still possesses a strong desire for unification of the peninsula under communism, a relative superiority of military power and advantageous geographic position.

(1) Strategic Goal for Unification by Communization

A small part of the intellectual class in our society, think that North Korea's new movement for reform will be inevitable.

Above all the intellectuals think that the possibility of war has disappeared after the adoption of North-South agreements last year.

Even though the North has accepted the need for negotiations, it does not constitute a fundamental change of their strategic goal. We can see this clearly, if we remember that while pursuing negotiations on peace and unification they continued to sustain their effort to develop a nuclear capacity. For that reason the negotiations have been maintained only by our patience.

As several foreign specialists said in 『National Defence White Paper』 (1992, Feb.), it is difficult to have confidence in the North, because of Kim Il-Sung's pursuit of a nuclear weapons capability. Also, the North has been delaying to gain time to build nuclear facilities. Mr. Gates, Director of the CIA, announced that North Korea's mili-

<Table 2> Comparison of North and South Korea's military strength

Classification	Ground Troop	Tank	Field Gun	Navy	Sub—Marine	Air Force	Strategic Bomber
North Korea	1 Million	3,500	8,100	41,000	22	70,000	778
South Korea	650,000	1,550	4,240	60,000	0	40,000	350

*Data 11SS, Military Balance 1991—1992, 1991.10

tary threat still exists and that there is a great possibility of a war.

(2) Military Capacity of North Korea

According to the description in 『National Defence White Paper』, the military capacity of the North is greater in numbers and total scale. Diagram—2 shows the analysis of military strength of the North and South.

(3) Military Budget of North Korea

The economy of the North is in serious trouble because of their unworkable system and their exorbitant defence budget. We can estimate the overall structure of North Korea's national defence budget. According to the documents of the Ministry of National Defence, the North's annual national defence budget has been greater than that of South until the beginning of the 70's. Since 1976, we have started to surpass them, and now, the South's National defence expenditure is 1.9 times as much as the North. In 1991, our total sum of national defence expenditure was about 80% of the North's and we can expect to have some balance with the North after the mid-90's. But, according to the other documents from ACDA in the U.S., we must notice that North's national defence expenditure was greater than that of the South until 1987.

B. Potential Threat

Because of our geographical position we are surrounded by potential national security threats.

During the past century, South Korea has experienced, threats from powerful nations such as Japan, China, and Russia.

(1) Japan

Owing to the lack of indigenous natural resources, Japan depends access to overseas resources. Historically, Japan has been making their effort to strengthen their military power to conquer other continents and oceans.

The recent military power of Japan is based on their military strength of the country. As we know well, their basic power depends on the population which is about 2

times that of North and South Korea combined, and 12.4 times as much in GNP. So we estimate that Japan will be stepping in road to 'Political Military Empire' in the near future, Japan will be presented as a military power in the East Asia. Inevitably, the growing military power of Japan will stimulate Russia, China, and the Korean peninsula. In the future, it's potential power can be a threatening element to the unification of Korea.

(2) China

Historically China has not allowed another military power to exist on it's frontiers. We know that China's 'Centralism' is the one that the chinese always like to bring enemies to their knees.

Today, China is facing its own problem opening the country to foreign investment and trade. On the road to reform, they have seen the collaps of the U.S.S.R. and the democratic liberalization in the Eastern Europe. Maybe, China has begun to feel a crucial moment, so they are now considering only about their national security and modernization. For now, China is not a significant threat to the security of Korea, but when China finishes its Force Modernization in the late 90's, their potential threat will be much greater. Then the China will influence activities on Korean peninsula with their immense resources. We can predict that there will be a major conflict.

(3) Russia

Over the past 5 decades, the U.S.S.R. was a super power and the greatest enemy of the U.S. when we consider the potential capacity of Russia, including its strategic nuclear systems, its the immense territory, and abundant natural resources, Russia has the potential to be a great menace for Korea. We should not underestimate it's potential threat. We can not deny the possibility of Russia's traditional doctrine on Policy of southward advance.

C. Demand Level of National Defence

Demand level of national defence for South depends upon the level of recognition of potential threats. After we determine from reliable sources of military capacity from estimated potential threats of potential hostile countries, it is necessary to secure military capacity for the maintenance of national security.

While it is desirable to maintain our military power at a level equal to or greater than the north, in terms of quantity and quality, it is probably not realistic. Such an expenditure for defence could have an adverse economic impact.

Thus, we have determined that our military power should be about 80% of the North's capacity. In order to achieve this it will be necessary to spend an additional 2% of our GNP on defence.

Although the North's ability to intimidate us is decreasing, we suggest that a high

level of defence spending is still necessary. It is the only way to insure against the potential threats posed by the surrounding powerful countries.

2. National Defence Budget and National Economy

It is true that, generally, in the case of taking predominance-superior policy rather than national security, makes national evaluation go with economy superiorism. So the NDE is taken as an 'obstacle' of the national economy. But Hitch pointed out the economic coniderational preferences' risk, (in the decision of independent national defense budget level) rather than military theory, and made a fabulous point that military power/technology is proportional to NDE defrayments.

A. Limit of National Defence Expenditure Defrayment

The definition of total-security or total-war is potentializing possible mobilizing resources, pointing to 100% of the defrayment. Actual NDB defrayment increase on GNP, during the world war II were; England up to 63.1% U.S. up to 49.2%, and Japan raised up to 68.6%.

Gerhard Colm, considering the tax resistance and inflation, suggested of 18-20% military expenditures of GNP is possible during the peace time. Klans Knorr suggested 8-12% of GNP. P.A. Samuelson and A.C. Pigou suggested the possibility of spending 50% during the war-time. To summerize, the limit of National Defence Defrayment during the war-time is 50% and 8-12% during the peace-time.

B. Influence of NDE on the National Economy

To consider the pros and cons of the influence:First, for the negative views, as to the approach of the civilian investment and inevitable education/welfare sacrifice due to suppression, heavy support of NDB causes inflation and consequently decreases the income as workers lose their will to work. Firm national defence, with international confidence, contributes on capital custody, and guarantees safety and development on economic activity. Road and contributes on capital custody, and guarantees safety and development on economic harbor investment for military purpose causes indirect social capital investment effect. It is a general pattern that national education and operational human power training dischargement not only contributes to the national economic development but also contributes to the national development as formation and official management not only contributes to the national economic developments but also contributes to the national development as formation and official managements (trained in a huge formation called 'army') are resorted to the society.

High level of NDE does not always hinder economic growth. For example, Taiwan made a development of 9.8% (of GNP). Israel made up to 7.5% with high burden

level. Egypt's NDE effected national income, as defrayments were raised from 12.7–21.7%, during 1967–1971. As we can see from here, not only the economic situation, but national defence support and resource distribution strategy should be considered for NDE defrayments.

C. NDB Defrayments and Economic Development

Scholar's opinion on NDB defrayments has low relation with the amount of GNP. Generally, a nation with heavy NDB shows low development. South America's low burden did not affect its economic development and developing potential and efforts were the principals for economic developments in Taiwan and Israel. Heavy NDB burden encroaches the general investments but limited defrayment changes is likely to cause a small influence to the developments.

Analysis of the influence on economic developments, on 44 developing countries, with 1% of the NDB defrayments increased, follows: Average of -0.2% for the developing countries, $+0.22\%$ for the nations with abundant domestic resources, -1.22% for the nations with shortage of resources, -0.274% for the gregarious nations with high-income rate, -0.108% for the gregarious nations with standard rate of income, -0.195% for the gregarious nations with low income rate.

3. International Tendency

Summerizing the international tendency, U.S calculated the world-wide military expense in 1987 totaling 1,016.4 billion dollars (5.4% of total GNP) with an average of 5.5% investment for the developed countries and average of 5.1% for developing countries. Nations confronting the an enemy spend an average of 13.2% of GNP on military expense. Generally, nations with immediate threats, spend more on their military than Korea. World-wide military expenditures have increased despite the end of the Cold-War. Kuwait realized the importance of national defence after the Gulf-War. In 1991, Kuwait's military expenditures were raised to 40.0% of GNP (from 5.9% of GNP in 1990) and Arabia, up to 30.5% (from 15.8% in 1990). The U.S has been spending more than 5.5% of GNP on military expenditures regardless of economic problems. Japan's military expenditures are around 1% of the GNP, is not related to economic reasons. Other nations, with situations not as urgent as Korea (in our point of view) spend higher amounts of NDE compared to Korea. Also it proves that spending on military expense dose not always bring negative effects on the national economy.

To summerize the international tendency; most of the other nations spends more military expense than that of Korea and has been increasing yearly

IV. Analysis for the Propriety of Doctrine on Slashing Defence Budget

1. Development and National Defence Expenditures of North and South

When we take a good look at the opinion of slashing defence budget, that was recently proposed, we find that the cut is based on the fact that all the threat from the North is now disappearing.

Consequently, such a theory states that we must reduce global armaments which is 30% of government's budget so that it could be invested in economy and in the social area. But there are two reasons why we do not agree with this opinion.

First, a tension that we see in the Korean peninsula, which will continue to exist. Of course, as we research, the attitude of North is now more tense as it ever was, and is a major problem in South's struggle with the North. As support of the two communist nations, U.S.S.R. and China's support has disappeared, situation was not positive for the aggressive intention of North. In spite of this situation, it was not referred as the collapse of the Cold War in Korean peninsula. In fact, it is true that Korean security consciousness went too tense on the real situation.

Second, after the unification, we should sustain a strong military capacity.

As we mentioned before, each country in the world spends 5-6% changing level of GNP for their national defence expenditures, even if they are in the safe-zone (peaceful situation). But in the case of South Korea, it is possible to produce military capacity by the aid of the United States' military support. That is the reason for South Korea's ability to spend less than 4% of national defence expenditure under the menace of the North.

2. Quality and Amounts of Military Power

If there is an another reason why we should cut down on the NDE, it is a theoretical explanations that is presented to indicate that we can produce a military capacity with high professional standards and the ability to use modern weaponry, maintaining powerful deterrent force.

Maybe, it can be a goal of our national army, but this theory has so many problems that we can not practice under the situation of North's military menace.

First, the capacity to retaliate against any threats is very essential to win a battle. It means that the available military capacity to prevent ourselves from the rapid attack of the North in our geographical circumstances. So we think that the powerful military capacity to destroy North's attack in a very short period is the key to sinning the war. Korean army will have to take full charge of the ground wars as U.S. troops can not be committed immediately as the war begins.

Second, the opinion of reduction of NDE to improve the quality of Korean army, is not available for our military management system, what is depended on the cheap maintaining expense due to the conscriptional system. It is evident that it will be called necessary more than double the cost of the NDE, so that we can produce military capacity with the ability to use modern weaponry. And then, we knew about it before the mathematical account. If we study the military system of the other developing countries (there are other countries, like South Korea, using cheap labor. If we suppose that we can reduce 100 thousand of Armed Forces, we can expect that it is possible to buy only two F-16 fighter planes with difficulty, so the total cost spending level to maintaining 8—9 divisions, what can be of 100 thousand Force, is estimated at 300—350 billion wons.

Finally, even if we admit the justification of Korean military's modernization, the opinion of the financial reduction for the improvements of military quality has some problems, it is impractical on the economical point.

V. Conclusion

All the living organs in our world have their own way to protect themselves from various dangers. The existence of security and nation has it's relative conditions for living in the international order. The stability of national security is the basis for economic development, and by this way, a powerful national defence can be sustained. So when there is objective judge that we are in the high tensions, we must estimate the standard level of national defence budget what is more greater than that of this time.

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