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DEFENCE BUDGET AND FORCE MODERNISATION OF THE MALAYSIAN ARMED FORCES

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All things being equal, a nation's military force structure depends on the amount of money that the state allocates for its defence annually. However, the portion allocated for operational expenditure and development programmes will provide a rough indication on how the nation wants the force structure to take shape. Operational expenditure tends to cater for emoluments and the day-to-day running of the organisation. A frequent cut in the allocations for development expenditure will have an impact on force development and modernization.

The Malaysian Budget for 2018 was announced by the Prime Minister on 27th October 2018. One of the stated aims of the budget is to tackle rising costs and to contain the country's fiscal deficit. A decline in traditional revenues from oil coupled with the depreciation of the Malaysian ringgit, points to a significant shrinkage of the government's coffers.

Of interest to the defence community is the annual allocation and funding for activities in the forthcoming year. The figures for the 2018 defence budget follows the trend of the last two years, i.e. a steady decrease in allocations (see table below). In comparison to 2017, the defence budget announced for 2018 is RM 14 billion. This includes the RM 3 billion for purchase and maintenance of defence assets and RM 250 million for the Eastern Sabah Security Command (ESSCOM) to strengthen maritime security in the eastern part of Sabah.

Malaysia's Defence Budget from 2015 to 2018 in RM billion

	2015	2016	2017	2018
Operating Expenditure (OE)	13.595	13.457	11.700	11.000
% of Defence Budget	76.6	76.5	77.5	78.6
Development Expenditure (DE)	4.150	4.145	3.400	3.000
% of Defence Budget	23.4	23.5	22.5	21.4
Total Defence Budget	17.745	17.602	15.100	14.000
Total Government Budget	260.737	265.224	267.15	280.25
% Defence of Government Budget	6.81	6.64	5.65	4.99

This reduced budget means that defence planners will have an uphill task of fulfilling force transformation goals while at the same time meeting all operational requirements. This highlights the dichotomy of maintaining and supporting forces for current operations versus force development. The constant hikes in prices of goods and services nationwide suggest a rising cost of sustaining current security operations. This is likely to impact military modernization efforts, which may see many planned and anticipated programmes to be scaled down.

Since 2012, it has been a persistent challenge for the Malaysian Armed Forces (MAF) to procure capital assets as envisaged by the 4DMAF (4th Dimension Malaysian Armed Forces) plan. This plan, which has had its target date extended to 2030, may see several major procurement ambitions being shelved again in 2018. This may include the much aspired purchase of Multi-Role Combat Aircraft (MRCA) for the Air Force, the Army's refurbishment of armoured vehicles and acquisition of artillery guns, and several new projects under the Navy's 15-to-5 Armada Transformation Programme. However, post-budget statements suggest that there will be purchases of new maritime patrol aircraft and multi-role support ships. There is a likelihood though, that most of the development funds allocated under the budget for 2018 are for those capital items already delivered or in the pipeline such as the A400M aircrafts, littoral combat ships (LCS) and the infantry fighting vehicles (AV 8x8).

In the Malaysian context, the annual defence budget is typically divided into operational expenditure (OE) and development expenditure (DE). The current apportionment for DE is a far cry from budget allocations of the late 70s and early 80s. Back then, the invasion of Cambodia by Vietnamese forces in 1978, created a perception of imminent threat to the security of Malaysia and much of South East Asia. In response to this perceived threat, the government introduced PERISTA (Perkembangan Istimewa Angkatan Tentera), a special plan for the expansion of MAF. Under this plan, a significant sum of almost RM 10 billion was allotted to MAF to aid its transformation from a counter-insurgency

military force into a modern conventional war-fighting organisation. Simply put, the question asked of defence planners back then was “how much was enough?” The speculated threat from Vietnam has since diminished. Although some may argue that a major threat to our territorial integrity still exists vis-à-vis the maritime boundaries in South China Sea, these issue seems to be handled by the government through political and diplomatic channels rather than militarily, with the economic interests and wellbeing of the nation given greater priority. Today, greater focus is placed on enhancing border security to protect economic interests as opposed to defending territorial integrity from an external aggressor. These security issues along the border often emanate from criminal groups which fall under the ambit of non-traditional threats. Against this backdrop, defence managers are increasingly asked to “do more with less” with the allocated financial resources. This calls for more prudent spending and cost cutting measures to be put in place, while constantly working on maintaining or increasing process efficiency and output effectiveness. In all likelihood, MAF will be challenged to meet operational and training targets set for the forthcoming year while also ensuring funds are available for contingencies.

Constrained budgets too will have a serious impact on the capability-based planning approach which MAF has adopted for some years now. While the current strategic focus remains on securing borders and economic resources, the aspiration of creating a full spectrum force in the true sense may not materialise in the near future. Policy makers should be cognizant of the fact that conventional warfighting capabilities cannot be bought and established overnight. Military capability takes years to develop and it is long-term process with appropriate budgetary allocations and management. Although MAF is able to procure some form of capital assets, constrained budgets year in and year out does not aid in meeting overall force development targets.

As a side note, it must be remembered that the defence budget is not solely for maintenance of existing assets and/or purchases of new equipment. It is also intended to look into the wellbeing and welfare of the soldiers and veterans. Towards this end, Budget 2018 has outlined several positive initiatives for housing and medical care. This includes the proposed construction of 40,000 units housing for soldiers, upgrades of the five armed forces hospitals and the construction of a veterans’ hospital. A smaller annual budget also suggests that pay and emoluments will continue to take up a large portion of the budget pie, leaving less resource for general management and routine maintenance needs.

This budget is also likely to have an impact on the larger defence community, specifically the defence industry. The main defence industry players such as DRB-HICOM’s Defence Technologies (DEFTECH), Boustead Naval Shipyard (BNS), Composites Technology Research Malaysia (CTRM) and AIROD (Aircraft Inspection, Repair and Overhaul Depot) may not be affected as major procurement and maintenance programmes still gets the annual financing. However, smaller players may be hard-pressed to get new contracts to sustain their growth. In the long run, the nation’s defence policy’s stated aspiration of growing indigenous defence industry may take a back seat.

Shaping a modern defence force for future challenges requires a long term planning approach. Policy makers need to appreciate the fact that a significant amount of time is required to implement new force structures, make the appropriate acquisitions in terms of equipment, infrastructure and facilities, and train the force to become mission capable. Vital to all this development is a consistent flow of funds for projected acquisitions and development plans. Volatility in budget allocations for defence development often leads to a situation which reflects a mismatch between strategy and resource availability. Faced with such limitations, it is a daunting task for defence managers in continually striving to create a force that is not only capable of carrying out current operations, but also missions in the entire spectrum of military operations well into the future.

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