

# Measuring the Accountability and Transparency in Defense Budget : a Comparative Study of ROC and PRC

## 衡量我國與中國國防預算問責性與透明度之比較研究

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### Abstract 摘要

Stockholm International Peace Research Institute (SIPRI) has focused on accountability and transparency in defense budget since 1966. Likewise, transparency is also a key value in the United Nation (UN) and Transparency International (TI). Overall, accountability and transparency in defense budget facilitate more open military management, which benefits mutual close integration with defense policy and budget in order to achieve fiscal policy objectives. Meanwhile, accountability and transparency in defense budget can contribute to confidence-building in the international community. Accountability is not only

closely related to transparency, but also in synergy with it, and vice versa. Firstly, in light of the high linkage of accountability and transparency, this study explored the importance of accountability and transparency in defense budget. There are three advantages: (a) corruption reduction; (b) domestic trust building; and (c) international confidence and security building. Secondly, this study respectively looked into national defense-related affairs of transparency mechanisms as well as participations of international matters in the ROC and the PRC. Thirdly, this study analyzed defense budget trends and differences of both countries from 2009-18 based on '2018 SIPRI Military Expenditure Database' as an objective figures. In conclusion, this study aims at that both sides of the ROC and the PRC can boost accountability and transparency

in defense budget and participate in international transparency-related affairs. The ROC and the PRC have to demonstrate with practical measures to bring their contributions to the international community for regional stability and global peace development.

國防預算問責性與透明度為斯德哥爾摩和平研究所自1966年成立後，長期推動的國際研究之一，同時透明度亦為聯合國及國際透明組織核心價值。大體而言，國防預算問責性與透明度的推廣促使更公開的軍事管理，令國防政策與預算緊密結合，達成年度施政目標，同時對國際社會信心建立產生貢獻，二者間擁有相互加乘作用且息息相關。本研究鑑於問責性與透明度兩者鏈結頗深，首先探討國防預算問責性及透明度之重要性，其優點主要有三：減少貪腐、國內信心建立及國際信任及安全建立，並各別探討我國與中國之國內國防預算透明機制及國際透明事務參與情況，另以斯德哥爾摩和平研究所之軍費支出資料庫為客觀依據，運用該所2018年軍費支出數據為透明度指標，分析二國國防預算十年（2009-18）趨勢並進行差異分析，促進二國國內國防預算問責性及持續參與國際透明事務，以實際行動為區域穩定及全球和平發展做出貢獻。

**Key words:** defense budget, accountability, transparency and confidence-building

**關鍵詞：**國防預算、問責性、透明度、信心建立

## I. Introduction

Accountability of the defense budget decision process is mostly meaningful in the domestic domain. The defense sector is responsible for the national security protection, defense policy making and military positioning. To achieve these goals, the defense sector procures arms for defense conducts military-related research and activities. These budget decision processes are one of the most important parts of accountability. However, the decisions on military budgeting and the use of the defense budget are regarded as sensitive information due to security concerns. Many governments choose to partially disclose their budgeting process and highly aggregated defense expenditure on military-related matters.<sup>1</sup>

Accountability specifically in this paper means that military budgeting and procurement have to be based on substantiated national security requirements. Furthermore, legislative body and civil society have to control these defense policies in order to acquire insights into the procedure of the defense budget's implementation. Accountability, hence, should be established with proper practices, investigation and prosecuted implementation of defense budget spent from previous years to affect budgeting decisions.<sup>2</sup>

However, transparency, distinct from

<sup>1</sup> Tian, N., Diego Lopes Da Silva and Pieter D. Wezeman, 'Transparency in military expenditure', SIPRI Yearbook 2018: Arms, disarmament and International security (Oxford University Press: Oxford 2018), p.179.

<sup>2</sup> Perlo-Freeman, S., 'Transparency and accountability in military spending', SIPRI Commentary, 3 Aug. 2016.; Michael Schaeffer and Serdar Yilmaz, 'Strengthening Local Government Budgeting and Accountability', *The World Bank Policy Research Working Paper*, Nov. 2008.

accountability, is a crucial element of sound management of defense budget. Transparency in defense budget conveys interior and exterior implications on military training, operations, and modernization, as well as arms procurement. Transparency includes transparency of process and transparency of information. First, transparency of process on defense budget leads to more effective resources utilization because of external oversight from legislative body and civilian, which helps expose corruption and mismanagement. In terms of transparency of information, it is a key component of government transparency in defense sectors. In general, it related to the right that citizens are entitled to understand and access to internally-held information such as fiscal national defense budget documents and final military expenditure report.

Given the lack of timely, reliable and comprehensive transparency of information, the implementation of defense budget cannot be completely monitored nor be thoroughly assessed by the public.<sup>3</sup> Furthermore, transparency in defense budget is able to enhance international stability. Such transparency should be applied both at the national and international levels which contribute to democratic accountability, good governance and confidence-building.<sup>4</sup>

Undoubtedly, there is the significant linkage between accountability and transparency.

Whereas accountability is considered to generate transparency, transparency is regards as an essential element of accountability. On account of convenience, this study accepts the similar definition of accountability and transparency.<sup>5</sup> Extended accountability and transparency in general leads a more open function of governance. The transparent financial discipline, vulnerable to public scrutiny, is able to confirm the military spending to the plans for achieving fiscal budgetary goals.<sup>6</sup>

This study will examine the defense budget of the Republic of China (ROC) and the People's Republic of China (PRC) and analyze the defense budget transparency from the following aspects: Firstly, is there systematic defense budget transparency in the ROC and the PRC? Secondly, how has the defense budget of the ROC and the PRC been developed toward transparency? Thirdly, what is the consequence of non-transparency?

## II. The importance of defense budget accountability and transparency

Transparency in defense budget is a crucial element of sound democratic accountability, good governance and effective mechanisms for confidence-building. The public information on defense budget and arms procurement is important

<sup>3</sup> Perlo-Freeman (note 2); Omitoogun, W. and Hutchful, E. (eds), *Budgeting for the Military Sector in Africa: The Processes and Mechanisms of Control* (SIPRI: Stockholm, 2006).

<sup>4</sup> Tian, N., Pieter D. Wezeman and Youngju Yun, *Military expenditure transparency in sub-Saharan Africa*, SIPRI Policy Paper, Nov. 2018.

<sup>5</sup> Vincent Mabillard and Raphael Zumofen, *The uncertain relationship between transparency and accountability revisited through four Swiss cases*, IDHEAP Working paper, Aug. 2015. [https://serval.unil.ch/resource/serval:BIB\\_E242DE5C0E09.P001/REF](https://serval.unil.ch/resource/serval:BIB_E242DE5C0E09.P001/REF)

<sup>6</sup> Jonathan Fox, 'The Uncertain Relationship between Transparency and Accountability', *Development in Practice*, vol. 17, No. 4/5 (Aug. 2007), pp. 663–671. [https://www.jstor.org/stable/25548267?seq=1#page\\_scan\\_tab\\_contents](https://www.jstor.org/stable/25548267?seq=1#page_scan_tab_contents)

indicators of transparency. However, defense budget has traditionally been shrouded in confidentiality for two main reasons.

First, complete transparency is viewed as a disadvantage, undermining the possible military policy and acquisition of defense arms due to opposition from parliament or from civil society. Second, the traditional concept of military secrecy has become an excuse overexposing military strategies which would jeopardize national security. In other words, the defense sector has often withheld military-related information to prevent potential adversaries from receiving excessive obtainment of information on military capabilities, which may reveal national defense weaknesses. Such reasoning leads to low levels of transparency in the military sector on procurements, payment of service, and military-related investments.<sup>7</sup>

Under the guise of confidentiality, however, defense budget is especially vulnerable to be one of the least opaque funds.<sup>8</sup> In the wake of opaque funds, many corruption and criminal practices take place, which results in scandals.<sup>9</sup> For example, in early 1998, a series of arms scandals broke out in the ROC; therefore, people once again are reminded the vital importance of transparency.<sup>10</sup> Likewise, the PRC's former military chief of staff in 2019 was sentenced to life in prison for corruption.<sup>11</sup>

Accountability and transparency, hence, is an ideal approach to relatively eliminate the risks of scandals in military domain.

In addition to the risk of corruption, defense budgets cannot be accurately analyzed without information transparency. The execution of defense budgets also cannot be completely monitored or thoroughly evaluated by the public. In light of the budget procedure and the requirements of technical analysis, defense budget has been called for embracing transparency. The military-related budget and substantial data should be presented in coherent simplified forms, aggregated outlays and complete disclosure to the public. The information must be timely disseminated so that citizens and legislators can not only provide effective feedback, but also affect defense policy formulation and military resources reallocation.

However, higher defense transparency in a country is not equal to lack of corruption. For instance, South Africa released availability of defense budget documents to strengthen greater transparency, but there were persistent allegations of fraud as highlighted by its arms procurement in 1999 worth almost \$5 billion.<sup>12</sup> In 2015, Transparency International (TI) categorized the state's military procurement risk of corruption as 'high' in which operations' risk of corruption

<sup>7</sup> Tian, Pieter and Youngju (note 4).

<sup>8</sup> Gorbanova, M. and Wawro, L., *The Transparency of National Defence Budgets* (Transparency International: London, 2011).

<sup>9</sup> Perlo-Freeman, S., 'Nigeria's armgate scandal', *A Compendium of Arms Trade Corruption*, World Peace Foundation, 5 Apr. 2018.

<sup>10</sup> Lin Miao-Jung, 'Report released on frigate scandal', *Taipei Times*, 21 Mar. 2002.  
<http://www.taipeitimes.com/News/front/archives/2002/03/21/0000128569>

<sup>11</sup> BBC news, 'Fang Fenghui: China's ex-top general jailed for life', BBC news Asia, accessed 23 Apr. 2019.  
<https://www.bbc.com/news/world-asia-china-47306275>

<sup>12</sup> Perlo-Freeman, S., 'The South African arms deal', *A Compendium of Arms Trade Corruption*, World Peace Foundation, 5 Oct. 2017; and Tian, Pieter and Youngju (note 4).  
<https://sites.tufts.edu/corruptarmsdeals/2017/05/05/the-south-african-arms-deal/>

was categorized 'very high'.<sup>13</sup> These have showed the importance of accountability. First, military budgeting and procurement have to be based on practical national security requirements. Second, legislature and the public have to participate in the budgeting process to control these defense policies in order to acquire insight into the procedure of the defense budget's implementation. The lack of accountability and transparency mechanisms for scrutiny means that there is almost no censorship over a government's defense budget, increasing the risk of both corruption and resource mismanagement.

Although in reality the defense sector takes account of the sensitive security matters such as arms procurement and military modernization that has been classified as secrecy or confidentiality, the decision-making processes related to acquiring weapons and conducting training exercises should be regarded as open budget.<sup>14</sup> Therefore, it is achievable to keep secrecy and confidentiality without sacrificing transparency or accountability.

## Benefits of budget transparency

The benefits of budget transparency are well-known. First, at national level, the World Bank has suggested that budget transparency entails numerous

advantages, but four benefits surpass all others: less corruption, efficient use of resources, more trust in the authorities, as well as higher tax revenues.<sup>15</sup> In addition, according to TI low transparency level in military is likely to result in higher possibility of corruption.<sup>16</sup>

At international level, the United Nations Office for Disarmament Affairs (UNODA) also argues that confidence and trust increase when nations are open about their military capacities and plans. The United Nations (UN), hence, encourages each country to report its national military spending annually for verification and analysis, to be publicly available in the UN Report on Military Expenditures. Such transparency may boost confidence within regions and beyond.<sup>17</sup>

Overall, transparency is an inevitable component of sound discipline of defense budgeting. In conclusion, there are three main benefits laid out in this paper.

### 1. Corruption reduction

Transparency creates vulnerability for corruption reduction.<sup>18</sup> The risks of corruption take place when decision makers who are able to abuse power for the benefit of private interests. The abuse of power in defense sectors leads to misallocation of military

<sup>13</sup> Transparency International, 'Central African Republic', Government Defense Anti-corruption Index 2015, accessed 20 Oct. 2018. [http://government.defenceindex.org/generate-report.php?country\\_id=6271](http://government.defenceindex.org/generate-report.php?country_id=6271)

<sup>14</sup> Ball, N. and Fayemi, K. (eds), *Security Sector Governance in Africa: A Handbook* (Centre for Democracy and Development: Lagos, 2004).

<sup>15</sup> World Bank Group, Budget Transparency: What, Why, and How?, *World Bank*, accessed 20 Oct. 2018.

<sup>16</sup> Gorbanova and Wawro (note 8).

<sup>17</sup> United Nations, General Assembly, 'Group of Governmental Experts to review the operation and further development of the United Nations report on military expenditures', Note by the Secretary-General, A/72/293, 4 Aug. 2017

<sup>18</sup> Perlo-Freeman (note 2).

resources and illicit acts, especially in arms procurement processes.<sup>19</sup> The mechanisms of intense scrutiny can lead to less corruption in defense affairs. Transparency in defense budget allocation and utilization disincentivizes financial abuse or misappropriation of funds in the military. Legislatures, independent civil society organizations, and citizens are more able to scrutinize how the defense budget is allocated and appropriated. For these reasons, defense budget transparency due to the high repetition requires the presence of public participation in the budgeting process.<sup>20</sup>

Effective oversight and legislative scrutiny provide less space for deviation from policy decisions, as well as help to identify the strengths and weaknesses of defense budget management system.<sup>21</sup> If the arm forces unveil defense budget, the defense policies will be less prone to be distorted and be manipulated by the ruling elite. In brief, transparency over the government's defense budget mitigates the risk of corruption, since transparency allows legislatures, civil society, and the public to hold the military leaders accountable for their actions preventing resource mismanagement in defense governance and management.

## 2.Domestic trust building

Defense budget transparency tends to create trust toward legislatures, civil society

organizations, and citizens. Transparent budgeting and publicly available defense policies offer sufficient data for informing the public to debate. The process of debate boosts military sectors' policies to resonate with the public. This resonance of defense policies follows public trust because people and society are able to comprehend how the military objectives will be achieved and what the amount of the defense budget will be applied for. In other words, the public gradually realizes that defense policies have taken account of both national security and economic considerations.

Given that defense budget is non-transparent to the public, it is inclined to exacerbate the relations between the defense sectors and the general population, and provoke public distrust and arguments to armed forces. Therefore, the gesture of opening the account book in military is able to assist the military in obtaining the confidence from the public.

## 3.International confidence and security building

Defense budget transparency generally is considered as a fundamental component to increase regional and global security-building.<sup>22</sup> Opaque defense budget exacerbates apprehensions and suspicions in regional

<sup>19</sup> Bromley, M. and Solmirano, C., Transparency in Military Spending and Arms Acquisitions in Latin America and the Caribbean, SIPRI Policy Paper no. 31 (SIPRI: Stockholm, Jan. 2012).

<sup>20</sup> Tian, N., Diego Lopes Da Silva and Pieter D. Wezeman (note 1).

<sup>21</sup> Perlo-Freeman (note 2).

<https://www.sipri.org/commentary/topical-background/2016/transparency-and-accountability-military-spending>

<sup>22</sup> Paul R. Viotti, 'Arms Control and Global Security: A Document Guide', *Praeger Security International ABC-CLIO*, vol. 1 (Apr. 2010), p. 279.

and international countries concerning the military intentions, which is possible to cause misunderstanding and miscalculation. The realities of distrust also enhance the possibility of uncertainty in arms race, regional or global instability, and reckless armed conflict. Therefore, military transparency, especially in the realm of defense budget, helps the trends of military modernization accurately capture and leads to reduce tensions that accelerate regional and global security and enhance the confidence-building between states.

### III. Defense budget transparent mechanisms

Transparency in defense budget lacks globally agreed binding guideline.<sup>23</sup> At the national level, defense budget transparency broadly relates to the providing information in terms of defense budget proposals, enacted budgets, and military expenditures, through either specific reports such as defense white papers or audit reports published by the government and fiscal year actual budget.<sup>24</sup>

At the international level, reporting is performed through the submission of information to a publicly accessible reporting instrument maintained by the UN or collaboration with TI, an international non-governmental organization (NGO). Such transparency aims to mitigate the level of suspicion between countries regarding

mutual military intentions and capabilities.

Transparency in defense budget at the national level can interact with the international level so as to become a measure of confidence-building. As the result of the positive impacts of defense budget transparency, most countries have established the exchange of information on military capabilities as an essential security and confidence building measure. It can prevent countries from the threat exaggeration, misinterpretations of military intentions, military miscalculations and arms race.

In practice, it can be difficult to ascertain a complete measure of defense budget transparency without drawing a comparison between countries. As a result, this Chapter will look into the transparent mechanisms in military between both sides of Taiwan Strait in a narrative approach at the national level. At the international level, this Chapter will present the current situations and facts of both sides' participation with the UN and TI.

#### 1. The ROC's transparency mechanisms in military

For decades, the ROC has consistently devoted to peace maintenance on stability and prosperity in the Asia-Pacific region.<sup>25</sup> Hence, the Ministry of National Defense (MND) has been implementing information transparency measures such as publishing the National Defense Report and Quadrennial Defense Review (QDR), issuing regular announcements of military exercises to

<sup>23</sup> Pieter D. Wezeman and Siemon T. Wezeman, Balancing transparency and national security, SIPRI, 29 Jan. 2014. <https://www.sipri.org/node/405>

<sup>24</sup> Bromley and Solmirano ( note 19).

<sup>25</sup> Ministry of National Defense (MND) Republic of China (ROC), *National Defense Report 2017*, pp.14-23, accessed 22 Oct. 2018.

allow adjacent countries to realize the purpose of ROC defense policy, resources utilization, budget planning, weapon development statuses, and military activities. It is hoped that the ROC is possible to decrease the probability of regional military conflicts through promoted mutual understanding.

#### a. Defense policy documents

Defense policy is a crucial component of transparency budgeting for the military sector to help the general public understand its national defense objectives and development. The publication of a publicly available defense policy is an important tool that has been fully argued for informing the population in a national security goal how these aims will be reached, the length of time these programs will take and significantly the amount of resources that will be required. This demonstrates that the government has taken both economic development and national security into account. In addition, this process confirms that both planning and budgeting are implemented because of real defense requirements and real-world scenarios that a country encountered. These defense policy documents should be published to increase trust among the citizen.<sup>26</sup>

#### *National Defense Report*

National Defense Report is one of the essential elements of transparent criteria to identify the requirements and crucial objectives so as to progress the transparency

of national defense affairs. Pursuant to Article 30 of the National Defense Act: The MND shall periodically submit the National Defense Report in accordance with national goals, general international situations, military situations, defense policy, force buildup, combat readiness preparations, utilization of defense resources and implementation of all-out defense.<sup>27</sup> The MND, hence, has periodically published the National Defense Report since 1992 in order to elaborate the ROC's national defense concepts, national defense challenges and policy implementation performance.

In addition to Chinese version available publicly, the MND issued the National Defense Report in English in the meantime in 1996. The latest English National Defense Report was released in 2017. Both Chinese and English versions provide details on the budgetary allocations divided into the three main areas of maintenance of personnel levels, operations and maintenance, and military investment. Each area's budgetary allocations are clearly presented in the key aspects of national defense budget's allocation and policy implementation.

Furthermore, the ROC's National Defense Report outlines strategic environment, national defense readiness, development of self-reliant national defense and national defense governance in which not only elaborates

<sup>26</sup> Gorbanova and Wawro (note 8).

<sup>27</sup> Law & Regulation Database of the Republic of China, National Defense Act, accessed 20 Oct. 2018. <http://www.rootlaw.com.tw/en/LawContent.aspx?LawID=A040060020001200-1010606>

defense financial resources and weapons acquisition but also analyzes the past decade proportion of the MND budget and the central government budget. The most important function is the MND budgetary allocations that highlight the disaggregation of data by personnel, operation and maintenance (O&M), military investment and others (see the analysis on trends in defense budget in Chapter IV).

### ***Quadrennial Defense Review***

The QDR is another main MND's publication of a publicly available defense policy. In conformity with Article 31 of the National Defense Act, the MND shall publicly submit the QDR in written form, describing the ROC's military doctrine, to the Legislative Yuan every four years within ten months after each presidential inauguration.<sup>28</sup> The Review has been issued third times bilingually in Chinese and English, starting from the year 2009, thenceforth, 2013 and most recently 2017.

The 20317 QDR illustrates strategic environment, strategic guidance, force buildup, national defense reform, defense industries, civil protection operations and cooperation with partners.<sup>29</sup>

### **b. National defense budget documents**

National defense budget documents are an essential component to be one of the sources for national citizens and international public

to understand a country's defense policy. In addition, defense budget documents are one of one of sources for international experts and organizations such as Stockholm International Peace Research Institute (SIPRI) to analyze a country's military armament and disarmament and military spending for boosting international transparency.<sup>30</sup> Defense documents published by government or defense sectors can enhance the accuracy of their research on military expenditure for building up international confidence. Therefore, publicly available data and easily accessible defense budget documents are a vital part of transparency.

Defense budget in the ROC is treated without difference and subjected to the same rules, standards, procedures and practices as other government sectors. Defense documents such as annual legal defense budget document and annual final accounting report are provided comprehensive information. To assess the degree of transparency in defense budget of the ROC, there are five indicators which have to be taken into consideration: availability, comprehensiveness, reliability, accessibility with ease and level of disaggregation.<sup>31</sup> Using these five indicators to look at the budget documents in detail in the ROC can help assess transparency in defense budget and its development.

### ***Availability***

<sup>28</sup> Law & Regulation Database of the Republic of China (note 27).

<sup>29</sup> 2017 Quadrennial Defense Review Republic of China, pp.62-63, accessed 22 Oct. 2018

<sup>30</sup> See the sources and methods for the SIPRI Military Expenditure Database for more information.  
<https://www.sipri.org/databases/milex/sources-and-methods#methods>

<sup>31</sup> Tian, Pieter and Youngju (note 4).

Availability of information is evaluated by determining whether a country provides updated defense budget documents on an annual basis to reflect the past, current and upcoming fiscal year. The data can be reached from previous years to the coming year; for example, the public around the world can easily acquire the latest legal defense budget documents of the ROC from 2014-19 and the final accounting reports from 2014-17.<sup>32</sup> Both defense budget documents are available publications online.

### ***Comprehensiveness***

Comprehensiveness reflects the real and actual costs regarding military activities. First, legal defense budget documents show various categories' figures estimates and purposes for each upcoming fiscal year, which is approved by legislature body of authority. Second, the details of actual spending or layout as a final accounting report conducted at defense sectors are also published each year, which are scrutinized by the audit office.

### ***Reliability***

Defense documents in the ROC are reliable sources published by defense sectors. First, the budget approval process takes place in the ROC's Legislative Yuan. Defense budget proposals showing an 'initial budget' are examined by legislators. This budget is

followed by a 'revised budget', which is an amendment to the initial estimated budget. After the revised proposals reviewed and approved by legislators, the proposals signed by the ROC's President become legal defense budget documents. Moreover, during the budget execution process, the monitoring departments in accounting, comptroller sectors ensure that the legal defense budgets should follow the budget programs and are able to be fully executed. Finally, actual military expenditure is scrutinized by the National Audit Office after the fiscal year to publish as a final accounting report. Due to the complete democratic censorship, defense documents in the ROC have a degree of accuracy and reliability.

### ***Accessibility with ease***

Publicly available data and easy accessibility to defense budget documents are essential to transparency in defense budget. Not only well-established National Defense Report and QDR, but also many relevant defense budget documents are publicly available on websites of the MND. Moreover, the DGBAS (Directorate General of Budget, Accounting and Statistics) in Executive Yuan provides a user-friendly website in English that legal defense budget documents and final accounting reports are able to be accessed by people overseas.<sup>33</sup> Through these platforms, the

<sup>32</sup> See the Ministry of National Defense (MND) of the Republic of China's website, legal defense budget documents and final accounting report, accessed 23 Apr. 2019.

<https://www.mnd.gov.tw/Publish.aspx?p=71877&title=%E6%94%BF%E5%BA%9C%E8%B3%87%E8%A8%8A%E5%85%AC%E9%96%8B&SelectStyle=%E9%A0%90%E7%AE%97%E5%8F%8A%E6%B1%BA%E7%AE%97%E6%9B%B8>

<sup>33</sup> See the DGBAS's website, Central Budget Information, accessed 23 Apr.2019.  
<https://eng.dgbas.gov.tw/np.asp?ctNode=1911>

documents can be downloaded by the general public.

### ***Level of disaggregation***

A final check for transparency in defense budget of the ROC is in respect of level of disaggregation in defense budget documents. Both legal defense budget documents and final accounting reports provide the disaggregation of data in defense sectors. These documents and reporting of detailed figures on relevant defense documents are an important consideration in determining whether budget allocations are in accord with defense policy. Disaggregation is the breakdown of defense budget categorized by different functional areas including personnel expenditure, O&M, procurement and investment. This classification provides comprehensive accounts of the MND's defense budget. In addition, these budgetary categories contain fundamental information and detailed breakdown on a number of resources allocated to each defense objective by the units responsible.

### **c. Live streaming on legislative sessions**

The ROC is one of countries such as the US, the United Kingdom, South Africa and Australia made live legislative sessions available to the citizens via television or web-streaming.<sup>34</sup> For enhancing transparency and providing greater public access, the ROC

official legislature television channels are to be broadcasting live question-and-answer sessions at the Legislative Yuan.<sup>35</sup>

By law, legislature has final decision-making authority concerning the annual budgetary allocation. Legislators can freeze budget items or cut defense budget based on the report in the budget review phase; nevertheless, they cannot add the expenditure in the defense budgetary bill presented by the Executive Yuan.<sup>36</sup> People in the ROC can watch trials and consultations between party caucuses live streaming of proceedings during a budget approval process, which benefits efficiency, public scrutiny and lawmaking track record.

This transparent broadcast system in the budget review phase has two advantages. First, live streaming on legislative sessions enhances the public accountability of the Legislative Yuan and the MND in its defense budget decision-making. Second, it reduces the chances of civil misunderstanding and public criticism of defense matters because the process of legislative approval is completely disclosed to the public. Accordingly, the ROC's civil society organizations and citizens can comprehend the process of defense budget and receive the first-hand proceedings. Meanwhile, it also can promote the quality and

<sup>34</sup> The online citizen, 'How many countries broadcast their parliamentary/assembly sessions live?', accessed 23 Oct. 2018. <https://www.theonlinecitizen.com/2018/01/23/how-many-countries-broadcast-their-parliamentary-assembly-sessions-live/>

<sup>35</sup> Alison Hsiao, 'Legislature to broadcast sessions live from Friday', *Taipei news*, 15 Feb. 2017.

<sup>36</sup> Andrew Podger, Tsai-Tsu Su, John Wanna, Hon S. Chan and Meili Niu, 'Value for Money: Budget and financial management reform in the People's Republic of China, Taiwan and Australia', *ANU Press*, May 2018. <http://press-files.anu.edu.au/downloads/press/n4096/pdf/ch05.pdf>

adequacy of the military modernization.

## 2.The PRC's transparency mechanisms in military

The PRC's defense budget expenditure has long been viewed as incompleteness. Many independent organizations such as TI, the International Institute Strategic Studies (IISS), Center for Strategic International Studies (CSIS) and Jane's as well as the SIPRI continuously argue that the PRC has comparatively low level of defense budget transparency.<sup>37</sup>

However, the PRC refuses to accept the accusations of opaque defense budget. In 2017, Chinese Finance Minister, Xiao Jie, rejected the statement related to opaque concerns stating that there was no opacity in the country's defense budget.<sup>38</sup> In general, PRC has its subjective military transparent mechanisms and notions, but those policies have not widely been accepted.

### a.National Defense White Paper

The PRC published a national defense white paper entitled arms control and disarmament in November 1995, regarded as a predecessor of defense white paper and the first report illustrated its defense affairs since 1949. In 1998, the PRC issued the first National Defense White Paper, which broke

down the defense budget into three roughly categories: human resources, operations, and equipment; thereafter, the defense white papers has been released on a biennial basis.

The PRC's defense white papers demonstrated a substantial step forward before 2013 and showed the growing adherence to international norms. The Pentagon in its 2010 Annual Report to Congress on China's military power even claimed that the transparency of China's military and security affairs has increased, including its biennial publication of Defense White Papers and launch the official Ministry of National Defense (MOD) of the PRC website in August 2009.<sup>39</sup> In addition research from Michael Kiselycznyk and Phillip C. Saunders indicated that the PRC's degree of transparency improved gradually from 1998 to 2008, with slight advance in announcements of planned acquisitions.<sup>40</sup> The white papers can be perceived as efforts that contribute to adequate improvement of transparency in military forces, though the majority of content showed limited topics and the lack of substance on the motivations of military investments, the military capabilities and the strategic intentions.

While the PRC's Defense White Paper

<sup>37</sup> Wang, S., "The military expenditure of China, 1989-98", SIPRI Yearbook 1999; and China Power, 'What does China really spend on its military?', CSIS, 9 Oct. 2018.

<https://chinapower.csis.org/military-spending/>

<sup>38</sup> Sina financial news, 'There is non-transparency in the defense budget of PRC', Sina financial news (in Chinese), 7 Mar. 2017. <http://finance.sina.com.cn/roll/2017-03-07/doc-ifycaasy7799681.shtml?cre=financepagepc&mod=f&loc=5&r=9&doct=0&rfunc=100>

<sup>39</sup> Office of the Secretary of Defense (OSD), 'Military and Security Developments Involving the People's Republic of China 2010', A Report to Congress Pursuant to the National Defense Authorization Act for Fiscal Year 2010, p.13.

<sup>40</sup> Michael Kiselycznyk and Phillip C. Saunders, 'Assessing Chinese Military Transparency', INSS, June 2010, p.10.

calls for peaceful development, it largely offers military strategic intentions, but relatively low military capabilities such as force deployments and nothing concerning decision-making in the chain of command, which has heightened regional and international countries' concerns about the PRC's aims of military expansion.<sup>41</sup> In fact, the defense white papers merely demonstrate the PRC's national defense policies, modernization of People's Liberation Army (PLA) and partial defense budget information as well as military outlook.

In terms of the defense budget, from 2004 to 2010, the white papers repeated some essential explanation of the components of the defense budget breakdown.<sup>42</sup> Moreover, these white papers indicated budget related information. For instance, the draft of defense budget each year was scrutinized and promulgated by the National People's Congress (NPC) during the full session. In addition, the defense budget was audited by the military audit departments to practice the stern financial system. These directions heighten the transparency and criterion of the PRC's defense spending.

However, after the President Xi Jinping

stepped up in 2012, the disaggregation of defense budget has never been described in the defense white papers from 2013 to 2017. In this aspect, transparency is declining in the PRC. It is hoped that the greater modernization the PRC's armed forces develop, the more responsibilities of transparency in defense budget the PRC will take on.<sup>43</sup>

The three none deep-going National Defense White Papers designated topics between 2013 and 2017, the same as the predecessor paper without defense expenditure in 1995, and this impose its armaments strength, military strategy and security cooperation with Asia-Pacific zone. The purpose of pretending transparency is more likely to attempt to bolster its status in the Asia-Pacific zone and even further region.<sup>44</sup>

#### b. National People's Congress

The NPC, the largest parliamentary body with nearly 3,000 delegates in the world, serves the highest organ of the PRC. However, the NPC's decisions are controlled in secret by the Standing Committee of the NPC (NPCSC). Proposals even experienced few dissenting votes, whereas the NPC in annual full session has never rejected the decisions of the Chinese

<sup>41</sup> ChinaFile, 'What China's Lack of Transparency Means for U.S. Policy', ChinaFile, 28 May 2015.

<http://www.chinafile.com/reporting-opinion/two-way-street/what-chinas-lack-transparency-means-us-policy>

<sup>42</sup> See the Ministry of Nation Defense of the People's Republic of China's website, Defense White Paper 2004-10.

[http://www.mod.gov.cn/regulatory/node\\_47121.htm](http://www.mod.gov.cn/regulatory/node_47121.htm)

<sup>43</sup> BBC news, 'The "globalisation" of China's military power', *BBC news*, 13 Feb. 2018; and Japan Ministry of Defense (MOD), Defense of Japan 2018, p.46, accessed 24 Apr. 2019.

<https://www.bbc.com/news/world-asia-china-43036302>

[https://www.mod.go.jp/e/publ/w\\_paper/pdf/2018/DOJ2018\\_Full\\_1130.pdf](https://www.mod.go.jp/e/publ/w_paper/pdf/2018/DOJ2018_Full_1130.pdf)

<sup>44</sup> Forbes, 'The Military Imbalance In The Taiwan Strait', *Forbes*, 11 May 2015.

<https://www.forbes.com/sites/niallmccarthy/2015/05/11/the-military-imbalance-in-the-taiwan-strait-infographic/#1ebf406526d5>

Communist Party (CCP). Therefore, the NPC is known as a rubber-stamp parliament.<sup>45</sup>

The NPC, in annual full session for almost two weeks, unsurprisingly muted proposals made by the CCP. For instance, at the first plenary session of the 13th National People's Congress held in March 2018, the NPC without vehement argument has unanimously approved the abolition of the two-term limit on the presidency. In other words, this constitutional change abolished term limits, granting Xi Jinping the lifetime presidency. It seems to become a regression signal to point out Chinese authoritarianism.<sup>46</sup> While it is hard to prove that whether Xi Jinping, the most powerful Chinese leader since Mao Zedong, will be reappointed in 2023, he admittedly not only further consolidates his power, but also processes the right in office as the head of the CCP and the commander of the armed forces.<sup>47</sup>

Not only does the proposal of political power consolidation hardly happen in the US Congress and the British Houses of Parliament, but it also is impossible in the ROC's

Legislature Yuen. The NPC approves the vote for presidency with 2,958 positive votes, only two against, three abstentions and one invalid. It demonstrates that there is never a doubt the NPC does not oppose any proposal.<sup>48</sup>

In terms of the PRC defense budget, the annual session of the NPC holds in March to review the PRC defense budget in the current year. Unlike two sessions of the ROC's Legislative Yuan from February to the end of May and from September to the end of December, the duration of the NPC's session holds only ten to fourteen days and does not have an oversight process for its defense expenditure. The report on draft central and local budgets for the NPC's annual session merely reveals the ostensible overall defense budget, which excludes the procurement of foreign weapons and equipment, military-related research and development(R&D), military-industrial corporate expenses, and the People's Armed Police of paramilitary forces from its defense budget.<sup>49</sup>

Experts and scholars abroad have to

<sup>45</sup> Channel News Asia, 'China's parliament puts Xi on course to rule for life', *Channel News Asia*, 11 Mar. 2018; and Time, 'The National People's Congress: Rubber Stamp?', *Time*, 5 March 2008  
<https://www.channelnewsasia.com/news/asia/china-s-parliament-puts-xi-on-course-to-rule-for-life-10034148>  
[http://world.time.com/2008/03/05/in\\_my\\_last\\_entry\\_i/](http://world.time.com/2008/03/05/in_my_last_entry_i/)

<sup>46</sup> Xu Zhangrun, 'Our current fears and expectations', *Unirule Institute of Economics* (in Chinese), 24 July 2018.  
<http://unirule.cloud/index.php?c=article&id=4625>

<sup>47</sup> Taipei Times, 'NPC abolishes presidential term limits', *Taipei Times*, 12 Mar. 2018; and The Guardian, 'China reappoints Xi Jinping as president with no term limit', *The Guardian*, 17 Mar. 2018.  
<http://www.taipetimes.com/News/front/archives/2018/03/12/2003689118>  
<https://www.theguardian.com/world/2018/mar/17/china-reappoints-xi-jinping-as-president-with-no-term-limit>

<sup>48</sup> BBC news, 'China's Xi allowed to remain 'president for life' as term limits removed', *BBC news*, 11 Mar. 2018.  
<https://www.bbc.com/news/world-asia-china-43361276>

<sup>49</sup> Office of the Secretary of Defense (OSD), 'Military and Security Developments Involving the People's Republic of China 2009', accessed 16 Nov. 2018; and Office of the Secretary of Defense (OSD), 'Military Power of the People's Republic of China 2018', accessed 16 Nov. 2018.  
[https://dod.defense.gov/Portals/1/Documents/pubs/China\\_Military\\_Power\\_Report\\_2009.pdf](https://dod.defense.gov/Portals/1/Documents/pubs/China_Military_Power_Report_2009.pdf)  
<https://media.defense.gov/2018/Aug/16/2001955282/-1/-1/1/2018-CHINA-MILITARY-POWER-REPORT.PDF>

attempt to figure it out by piecing snippets of related-defense affairs and figures together. Fuzzy budget is also hard to be accessed by the PRC's citizens.<sup>50</sup> Even the NPC can neither receive details on individual budget line items including defense budget nor propose any amendments, simply approving a proposed lump sum figure every year.<sup>51</sup>

### 3.Linkages with international

At the international level, the UN established a Standardized Instrument for Reporting Military Expenditures in 1980 attempting to facilitate the reduction of military expenditures and increase transparency or be open about how much military budget spent on. Many UN member countries have regularly submitted their military expenditures to the UN for compiling and issuing archived data in an annual report of the Secretary-General.<sup>52</sup>

However, the attempts of the UN to agree on reductions of military expenditure were unfruitful because the request to provide certain standard data on military spending is voluntary.<sup>53</sup>

#### a.Military expenditure report to the UN Secretary General

On 31 August 2007, the PRC announced that it formally participated in the UN

standardized instruments for reporting an annual report to the UN Secretary General on its military expenditures, and subsequently on 3 September 2008 submitted the first report containing military expenditures for 2008 fiscal year.<sup>54</sup>

The PRC submitted eight reports to the UN from 2006 until 2017(see table 1).<sup>55</sup> No submission had been received from the PRC in 2011 and 2014-16. In addition, from 2008 to 2017, the PRC preferred to submit the superficial 'Other format' and 'Simplified Reporting Form' rather than 'Standard Reporting Form' recommended by the UN. The Standard Reporting Form contains not only the four categories (the costs of personnel, operations and maintenance, procurement and construction or investment, as well as R&D), but the more disaggregated figures in detail on 'force groups' (the active forces, reserve forces, and militia military expenditure). Standardized reporting form with disaggregation is an important document in determining whether defense budget allocations are in accordance with the PRC's defense policy. Furthermore, the defense spending on the reports excludes the funding of weapons procurement abroad,

<sup>50</sup> ChinaFile, 'What China's Lack of Transparency Means for U.S. Policy', ChinaFile, 28 May2015. <http://www.chinafile.com/reporting-opinion/two-way-street/what-chinas-lack-transparency-means-us-policy>

<sup>51</sup> Gorbanova and Wawro (note 8), p.12.

<sup>52</sup> United Nations, A/72/293 (note 17).

<sup>53</sup> United Nations Office for Disarmament Affairs, 'Promoting Further Openness and Transparency in Military Matters', UNODA Occasional Papers No. 20, Nov. 2010, p.1.

<sup>54</sup> Pieter and Siemon (note 23); and see Arms Control and Disarmament in the Ministry of National Defense the People's Republic of China's website. <http://eng.mod.gov.cn/Database/ArmsControl/index.htm>

<sup>55</sup> See military spending in United Nations Office for Disarmament Affairs (UNODA) website.

<http://www.un-arm.org/MilEx/CountryProfile.aspx?CountryId=42>

<https://s3.amazonaws.com/unoda-web/wp-content/uploads/2019/03/MilEx-2017-China.pdf>

indigenous weapons research and the figure of military's commercial activities. Hence, the military expenditure figures reported through the UN's Simplified Reporting Form or its own format cannot reflect a comprehensive representation of the PRC's military spending.

The ROC, on the other hand, was the UN member before 25 October 1971; therefore, it is no obligation or right to report the UN. However, the ROC has strived to cooperate with an international organization such as TI to willingly enhance global linkages.

**Table 1. Timetable of the PRC military expenditure report to the UN Secretary General**

| Year | Date of submission | Type         | Currency and units |
|------|--------------------|--------------|--------------------|
| 2017 | unknown            | Simplified   | RMB in millions    |
| 2013 | 5-Nov-14           | Other format | RMB in millions    |
| 2012 | 18-Oct-13          | Other format | RMB in millions    |
| 2010 | 1-Oct-11           | Simplified   | RMB in millions    |
| 2009 | 30-Aug-10          | Simplified   | RMB in millions    |
| 2008 | 16-Jul-09          | Simplified   | RMB in millions    |
| 2007 | 3-Sep-08           | Other format | RMB in millions    |
| 2006 | 31-Jan-07          | Other format | RMB in millions    |

Source: UNODA website.

#### b. Transparency International

Transparency must be complemented by scrutiny and punishment to effectively eliminate corruption.<sup>56</sup> In order to coordinate with international mechanisms of transparency, the ROC has collaborated with the TI and established the Transparency International's National Chapter in Taiwan (TI-Chinese Taipei, TICT) on 28th September 2002 to help prevent the abuse of power, bribery and secret deals.<sup>57</sup>

There are two offices of the MND, the Ethics Office for civilian matters and the

Office of the Inspector General for military affairs, which cope with the task of clean and transparent MND, ensuring the MND follows the TICT's principles of fighting graft as well as eliminating corruption.

TI published Government Defense Anti-Corruption Index 2015 stating that information is not always sufficiently to enable effective monitoring, but there is some good evidence of measures to ensure control of defense budget over the military. The ROC with robust control against corruption was placed in Band B (low corruption risk) in this index (see table

<sup>56</sup> Alvaro Cuervo-Cazurra, *Transparency and Corruption* (The Oxford Handbook of Economic and Institutional Transparency), Oct. 2014.

<sup>57</sup> See Transparency International Taiwan website, accessed 7 Nov. 2018. <https://www.tict.org.tw/english/what-is-tict/>

2). First, the ROC has high levels of military expenditure effective oversight over spending particularly in the quality of external audit and rigorous acquisition planning processes. Moreover, the ROC has showed a willingness to get involved with an international NGO to open dialogue on defense corruption issues.<sup>58</sup>

Conversely, the PRC in this index was categorized its risk of corruption as 'high' in military, where there is little transparency especially in 'Operational' since relevant defense documents are internal and not publicly available to the public.<sup>59</sup> The PRC's highest score was in personnel management categorized as 'moderate' (Band C) because of anti-corruption campaigns, investigations, and public commitments to fight corruption by senior staff.

In addition to an absence of no publicly

available military doctrine, the results of the lack of transparency in the PRC are as follows:

Firstly, defense budget with highly aggregated figures were available excluding strategic forces, R&D, and the military-related space exploration. Secondly, the off-the-books spending was estimated from 35% to 50% of total defense expenditures. Thirdly, the allocation of the expenses for China's paramilitary forces and PLA remained undefined. Fourthly, acquisition planning is not available; the public is hard to gain information about its planned purchases and defense capabilities. Overall, in the defense budget of the PRC, there is little or no transparency on the assessment indicators of the degree of transparency: availability, comprehensiveness, reliability, accessibility with ease and level of disaggregation.

Table 2. Government Defense Anti-Corruption Index 2015

| Country       | Region       | Band | Corruption Risk |
|---------------|--------------|------|-----------------|
| New Zealand   | Asia Pacific | A    | Very low        |
| Australia     | Asia Pacific | B    | Low             |
| Japan         | Asia Pacific | B    | Low             |
| ROC (Taiwan)  | Asia Pacific | B    | Low             |
| Canada        | Asia Pacific | B    | Low             |
| Singapore     | Asia Pacific | B    | Low             |
| United States | Asia Pacific | B    | Low             |
| South Korea   | Asia Pacific | C    | Moderate        |

<sup>58</sup> Transparency International, 'GI-Asia-Regional-Results Taiwan', Government Defense Anti-Corruption Index 2015, accessed 24 Sep. 2018. [http://government.defenceindex.org/generate-report.php?country\\_id=6349](http://government.defenceindex.org/generate-report.php?country_id=6349)

<sup>59</sup> Transparency International, 'GI-Asia-Regional-Results China', Government Defense Anti-Corruption Index 2015, accessed 24 Sep. 2018. [http://government.defenceindex.org/generate-report.php?country\\_id=6273](http://government.defenceindex.org/generate-report.php?country_id=6273)

| Country     | Region       | Band | Corruption Risk |
|-------------|--------------|------|-----------------|
| Bangladesh  | Asia Pacific | D    | High            |
| Indonesia   | Asia Pacific | D    | High            |
| Philippines | Asia Pacific | D    | High            |
| India       | Asia Pacific | D    | High            |
| Malaysia    | Asia Pacific | D    | High            |
| P.R. China  | Asia Pacific | E    | Very High       |
| Pakistan    | Asia Pacific | E    | Very High       |
| Sri Lanka   | Asia Pacific | E    | Very High       |
| Thailand    | Asia Pacific | E    | Very High       |
| Cambodia    | Asia Pacific | F    | Critical        |
| Myanmar     | Asia Pacific | F    | Critical        |
| Togo        | Asia Pacific | F    | Critical        |

Source: Transparency International Defense & Security website.

#### 4. Conclusion: towards greater transparency mechanisms

Defense budgets have a degree of influence on the economy, on security and, in particular on the potential for conflicts between countries. Greater transparency is one part of building regional confidence. The ROC has engaged in building sustainable foreign relations based on defense budget transparency to maintain status quo, regional stability and international peace.<sup>60</sup> The PRC, likewise, has committed to attaching great importance to military transparency and strengthening the existing international rules,

norms and mechanisms pursuant to the purposes and principles of the Charter of the UN.<sup>61</sup> While transparency in defense budget has been pursued by both the ROC and the PRC, documents and policies related to the defense budget document show that the two sides retain distinct notions on this international norm.

In the ROC, at national level, its defense budget adopts an appropriate level of transparency mechanisms based on open established approaches: national defense report, QDR, budgeting process, legislative approval and live streaming on legislative sessions. In addition, at the international level, the MND follows the TICT's anti-corruption

<sup>60</sup> Forbes, 'How Taiwan Fostered The World's Most Open Government', *Forbes*, 15 Dec. 2015.

<https://www.forbes.com/sites/ralphjennings/2015/12/15/how-taiwan-rose-to-world-no-1-in-government-transparency/#6d1e04e75c04>

<sup>61</sup> See Arms Control and Disarmament in the Ministry of National Defense the People's Republic of China's website.

<http://eng.mod.gov.cn/Database/ArmsControl/index.htm>

principles to participate in international NGO, TI, against corruption. However, the ROC's national security seems to trump the principles of transparency in defense budget. Even though in theory it is possible to retain secrecy over sensitive matters without sacrificing transparency and accountability, in practice the weapon costs and decision making processes in acquiring weapons of the ROC are subject to confidentiality.<sup>62</sup> Despite a part of sacrifice, the MND is striving to follow the principles of accountability and transparency to obtain these benefits: corruption reduction, trust building and, most significantly confident and security building.

In the aspect of the PRC, the government has longstanding concerns over the sensitivity of defense budget. First, the Defense White Paper illustrates strategic planning in key objectives of the military; however, the number of resources are not mentioned after 2013, and that how this aims are achieved and how much defense budget required are not available in its defense budget documents to the public.<sup>63</sup> Second, the NPC has insufficiently debated neither defense policies nor the military expenditure figures that results in diminished credibility. Third, at international level of transparency, the PRC as a member of the UN has continued to participate in reporting the UN via providing reporting formats since 2006, although it opted to submit less information's simplified form

or its own format compared to standardized form.

Overall, further obscuring the military expenditure is a strategy pushed by the PRC government after 2013. It is greatly anticipated that the PRC can play a more responsible role as a world military power to cooperate with Asia-Pacific regional countries and international community. Meanwhile, the PRC could truly achieve transparency regarding its military and security. However, it has been continuously increasing defense budget and rapidly reinforcing its military capabilities in a wide range of areas.

In light of such circumstances, countries have voiced concerns over these Chinese activities due to no substantial confident-building measures. This sense of insecurity also mostly from Chinese military buildup and arms threats is looming over global countries especially the ROC. While the PRC continues sending a signal to the world regarding its peaceful intentions, and intends to rise peacefully, non-transparency defense budget and policies are in complete contradiction with its commitments, providing less convincing peaceful military expansion. How the PRC attempted to strengthen the credibility of its commitments on rising is the top-priority; otherwise, outside countries need to mull over related economic and political cooperation with the PRC. Therefore, in order to pursue a peaceful ascent and maintain the stability of multilateral relations in the meantime, the PRC is

<sup>62</sup> Ball, N. and Fayemi, K. (note 14); and see press release of the Ministry of National Defense of the R.O.C., 9 Sep. 2018, accessed 2 Nov. 2018.

<https://www.mnd.gov.tw/Publish.aspx?p=75581&title=%E5%9C%8B%E9%98%B2%E6%B6%88%E6%81%AF&SelectStyle=%E6%96%B0%E8%81%9E%E7%A8%BF>

<sup>63</sup> See the United Nations Report on Military Expenditures, accessed 22 Apr. 2019. <https://www.un.org/disarmament/convarms/milex/>

responsible for disclosing practical defense budget and establishing greater transparency mechanisms to help allay concerns.

Admittedly, the PRC's transparency in defense budget is far less than the degree of transparency of the ROC: availability, comprehensiveness, reliability, accessibility with ease and level of disaggregation. The defense sectors under the CCP's control obviously do not attempt to improve its defense policies to be more transparent and to enjoy the benefits of transparency: corruption reduction, trust building as well as confidence and security building. This chapter concludes that the PRC as a rising power must take greater transparency in defense budget into account. It is crucial for the PRC to disclose accurate information on its defense policies and military capabilities, in particular, national defense budget to quell doubts about its military modernization and demonstrate sincere commitments on peaceful development. Had the PRC not accepted the existing international transparency norms, relations between the PRC and global countries would have experienced more turbulence and unpredictable conflicts.

## IV. Trends in defense budget

### 1. The ROC defense budget and central government budget

In the past decade (2009-18), the proportion of ROC national defense in the central government budget reached a plateau. The allocated defense budget ranged from NT\$ 3,187 million to NT\$3,232 million, equivalent to around 16% to 17% of the overall budget of the central government, showing that the MND's budget has been confined in a reasonable extent by the ROC government (see figure 1).<sup>64</sup>

The MND's budget is based on the level of funding that the Central Government is able to allocate. The Executive Yuan taking responsibility for guiding a healthy financial status considers a nation's overall prerequisites, economic development, financial circumstances and the buildup of forces on timetable to decide an appropriate proportion in the central government budget.

<sup>64</sup> See ratio of recent 10 years defense budget to central government budget from National Statistics of the R.O.C. website, accessed 20 Nov. 2018.

<https://www.mnd.gov.tw/NewUpload/files/%E8%BF%91%E5%8D%81%E5%B9%B4%E5%9C%8B%E9%98%B2%E9%A0%90%E7%AE%97%E5%8D%A0%E4%B8%AD%E5%A4%AE%E6%94%BF%E5%BA%9C%E7%B8%BD%E9%A0%90%E7%AE%97%E6%AF%94%E7%8E%87%E7%B5%B1%E8%A8%88.pdf>

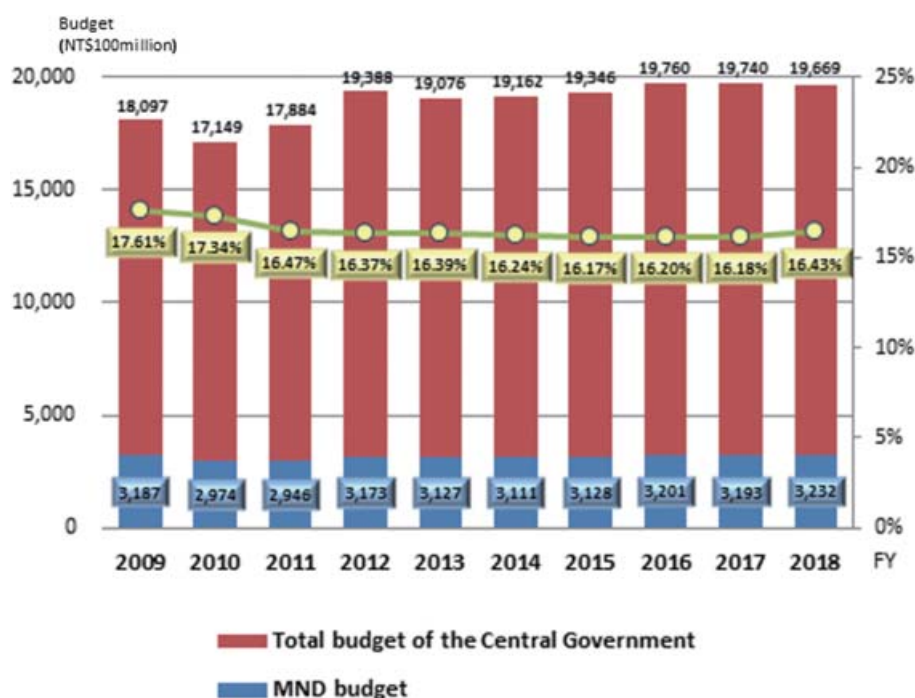


Figure 1. Proportion between the MND budget and central government budget in the ROC, 2009-18

Source: National Statistics, R.O.C. (Taiwan) website.

## 2. The ROC defense budget allocations

The MND's budgetary categories are divided into four areas: personnel, operations and maintenance, and military investment. It is obvious that each category presents from 2009 to 2018 has minor fluctuation.<sup>65</sup> On a stable growing defense budget, the ROC Armed Forces have devoted to force buildup and military modernization (see figure 2).

In light of strategic requirements, the MND allocates funds by proper planning of defense financial resources in order to prioritize the following demands: defense R&D, self-reliant defense, acquisition of advanced weapon systems, maintaining availability of major operational assets, and the renovation of living facilities for service members and so forth.

<sup>65</sup> Ministry of National Defense (MND) Republic of China (ROC), National Defense Report 2017, pp.134-137, accessed 22 Oct. 2018.; National Statistics (note 64).  
[https://www.mnd.gov.tw/NewUpload/files/3329-01-11\\_%E8%BF%91%E5%8D%81%E5%B9%B4%E5%9C%8B%E9%98%B2%E9%A0%90%E7%AE%97%E7%B5%90%E6%A7%8B%E5%88%86%E6%9E%90%E7%B5%B1%E8%A8%88%E8%A1%A8.pdf](https://www.mnd.gov.tw/NewUpload/files/3329-01-11_%E8%BF%91%E5%8D%81%E5%B9%B4%E5%9C%8B%E9%98%B2%E9%A0%90%E7%AE%97%E7%B5%90%E6%A7%8B%E5%88%86%E6%9E%90%E7%B5%B1%E8%A8%88%E8%A1%A8.pdf)

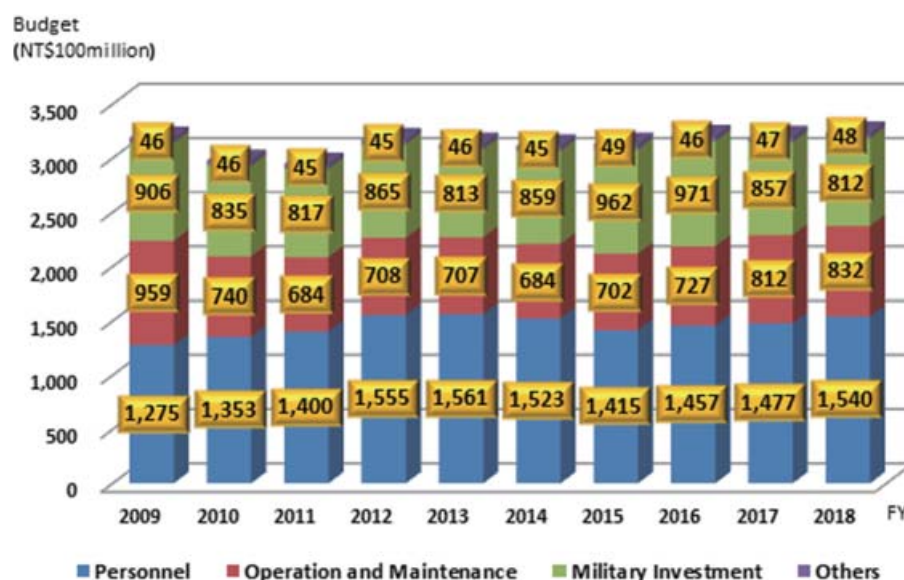


Figure 2. The MND budgetary allocations chart in the ROC, 2009-18

Sources: National Defense Report 2017; and National Statistics, R.O.C. (Taiwan) website.

#### a. Personnel

The Personnel gradually increased from NT\$1,275 million in 2009 to NT\$1,540 million in 2018 mainly earmarked for military salaries and subsidies improvement for the plan of all-volunteer armed forces. The average of Personnel in last decade was NT\$870 million, equivalent to 46% of the defense budget average.

#### b. Operation and Maintenance

The average of O&M in past decade was NT\$756 million, equivalent to 24% of the defense budget average, earmarked for the basic operational upkeep, the improvement of living quarters of all level units, military exercises and training of combat readiness, as

well as disaster prevention and relief missions etc.

#### c. Military Investment

The average of military investment in past decade was NT\$870 million, equivalent to 28% of the defense budget average, allocated chiefly to continue contractual implementation of R&D, acquisition of weapons and equipment to reinforce joint operations capabilities.

#### d. Others

Budget for miscellaneous expenses were mainly earmarked for the National Security Bureau. The average of others in last ten years was NT\$46 million, 1% of the defense budget average.

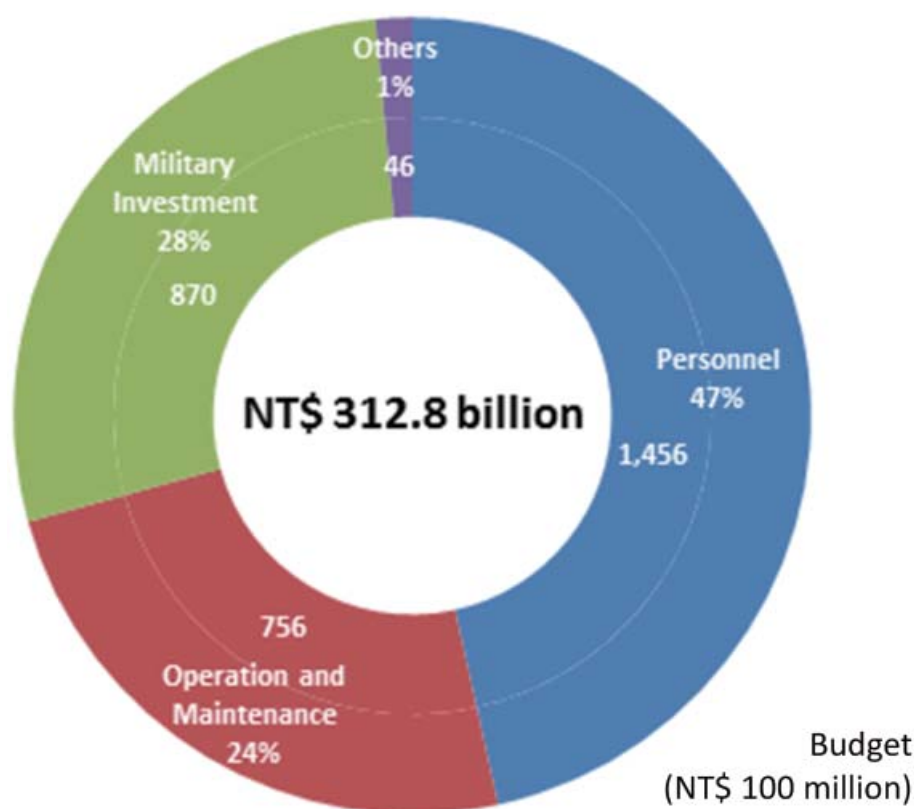


Figure 3. The ROC defense budget average, 2009-18

Source: National Statistics, R.O.C. (Taiwan) website.

### 3. Discrepancies between defense budget and SIPRI's military expenditure

SIPRI's definition of military expenditure is distinct from defense budget that the ROC and the PRC announced. In fact, there is generally no definition in agreement of military expenditure worldwide. In particular, it is not a secret that the official defense budget of the PRC only shows a part of the military-related resource allocation.

SIPRI Military Expenditure Database admittedly provides objective military spending data in a long term. This paper assumes SIPRI's military expenditure is an indicator of a nation's transparency.

As shown in Figure 4, there are significant discrepancies between the ROC and the PRC. There were mostly slight differences between the ROC's defense budget and the SIPRI's military expenditure data. On the contrary, the PRC defense budgets are distinguished from the SIPRI's military expenditure. The discrepancy of the PRC's figures is because SIPRI believes some of other factors are also part of the PRC's defense budget (see SIPRI's military expenditure methodology in Appendix).

The annual stable increase of discrepancy represents more powerful military capability in the PRC. The upward trend reached \$868 million in 2015 that increased by 25.3% compared to last year. In addition, the average of growth rate reached 10.5% between 2009 and 2018. Furthermore, in

this constant discrepant expansion, calculated by the annual average of growth rate, the discrepancy between the PRC's defense budget and the SIPRI's military expenditure could exceed \$100 billion in

2021. The defense budget declared by the PRC is substantially underestimated due to the lack of the extra budget items on actual outlays.

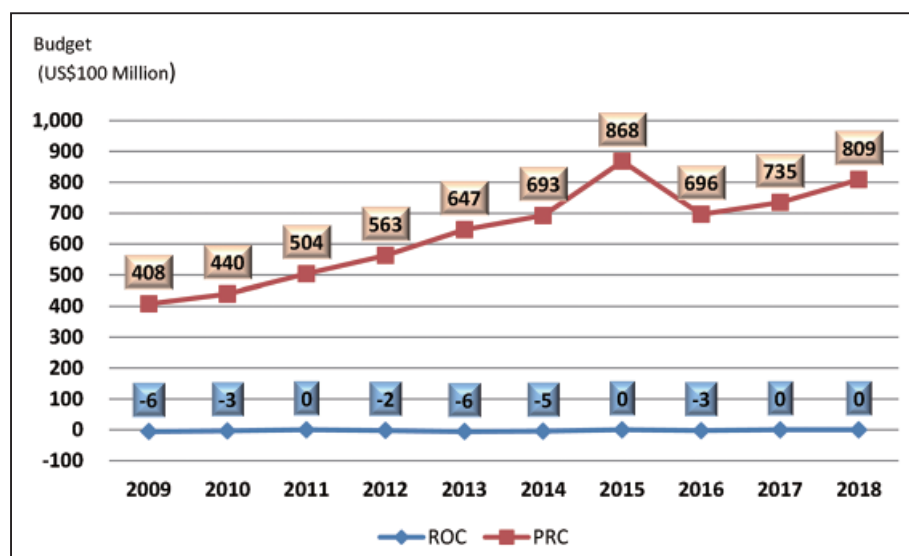


Figure 4. Discrepancies between defense budget and the SIPRI's military expenditure, 2009-18

Source: SIPRI Military Expenditure Database, Apr. 2019.

Note: Figures are expressed in constant (2017) as changed in real terms or adjusted for inflation.

However, in terms of the average military spending as a share of gross domestic product (GDP) between 2009 and 2018, the averages military burden of the PRC and the ROC are respectively 1.9% and 2%. This clearly shows that the current irrational arms race does virtually not happen on both PRC and ROC.<sup>66</sup>

#### 4. The PRC military expenditure statistics

Estimating actual military expenditure of the PRC is a difficult process due to the lack of transparency. Given the possibility of the deficient defense budget in the PRC, this study utilizes the

SIPRI Military Expenditure Database instead of the PRC's open defense budget to analyze the trends of the PRC's actual military expenditure. The PRC's military expenditure, following GDP growth, has been a steady increase since 1999.<sup>67</sup>

Based on the 2018 SIPRI Military Expenditure Database, the PRC allocated an estimated \$250 billion in 2018. During the past decade, the PRC's military expenditure nearly doubled growth. The PRC's military expenditure has been outstripping all other Asian and European armed-forces. Meanwhile, it remained the second largest defense spender in the world behind the US thanks to its massive growth in economy.

<sup>66</sup> SIPRI Military Expenditure Database, Apr. 2019.  
<https://www.sipri.org/databases/milex>

<sup>67</sup> SIPRI Military Expenditure Database (note 66).

In terms of the GDP growth rate, in the PRC this gradually decreased between 2011 and 2016. Even though the growth rate of military spending exceeded GDP growth rate from 2012 to 2016, the growth rate of military spending consistently declined since 2009 from 20.1% to 5% (see figure 5). The military spending increase in 2018 was the lowest since 2009. It is obvious that both growth trends were more and more approaching. Furthermore, it is worth noting that both average

growth rates between 2009 and 2018 were the same at 8.3%. In brief, these findings prove the sufficient evidence that economic performance and military expenditure in the PRC has become more significant. The PRC's economic growth influences its national defense requirements and military expenditure trends since the PRC cannot continuously afford significant increases in military expenditure.<sup>68</sup>

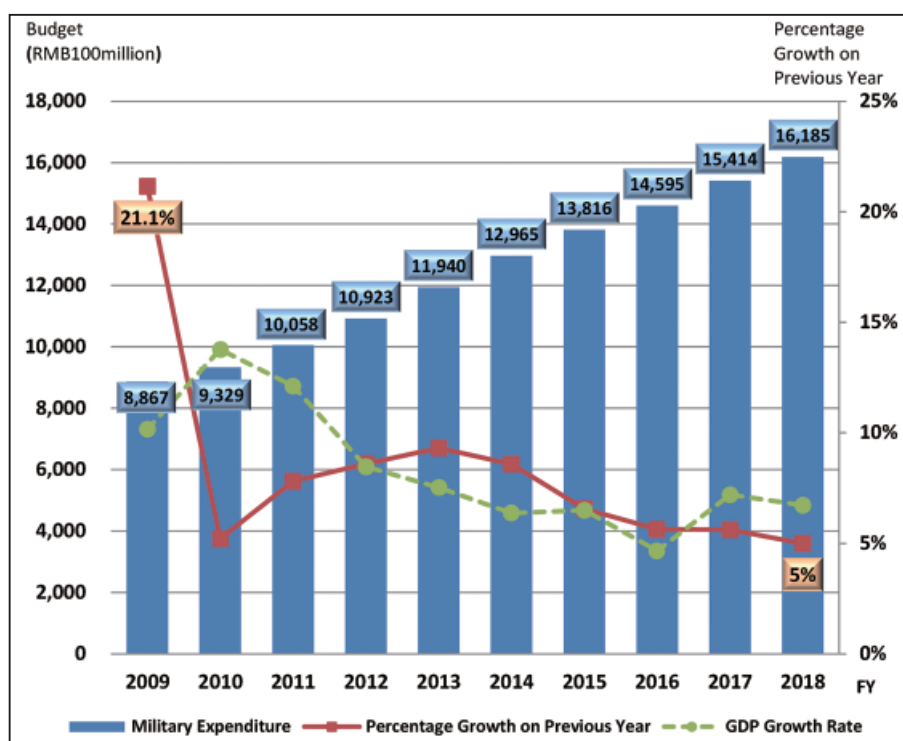


Figure 5. Military Expenditure in the PRC, 2009-18

Source: SIPRI Military Expenditure Database, Apr. 2019.

Note: Figures are expressed in constant (2017) as changed in real terms or adjusted for inflation.

## 5. Military expenditure comparison

On the basis of the SIPRI Military Expenditure Database in 2018, constant rising military expenditure in the PRC leads to a broader gap

compared to the low-growth figures of the ROC. The difference has widened from 12.1 times in 2009 to 22.8 times in 2018, which implicates more developed military capabilities in the PRC and poses a serious threat to ROC security (see figure

<sup>68</sup> SIPRI Military Expenditure Database (note 66).

6). In terms of military development and military spending, the ROC recognizes that it is unable to compete with quantitatively superior military power of the PRC. The ROC, thus, concentrates on its military build-up and advances its military

modernization in the immediate surroundings, for deterring the PRC's assertiveness which causes concerns regarding the ROC's sovereignty and territorial claims.

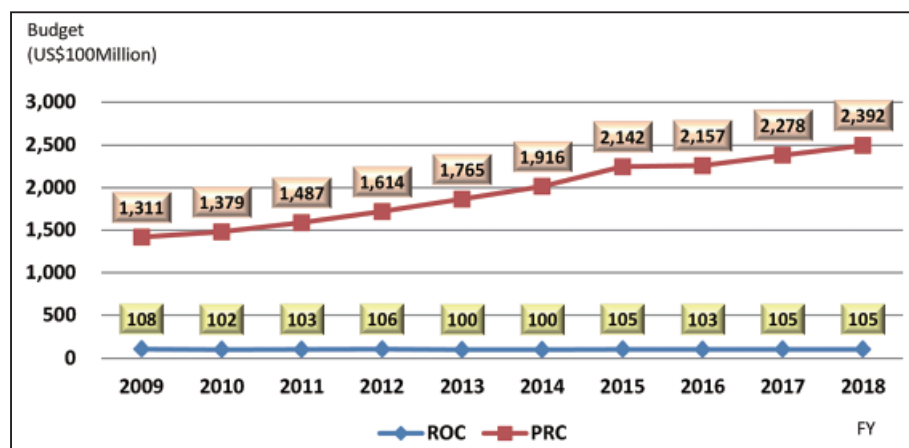


Figure 6. The comparisons of military expenditure, 2009-18

Source: SIPRI Military Expenditure Database, Apr. 2019.

Note: Figures are expressed in constant (2017) as changed in real terms or adjusted for inflation.

## 6. Military expenditure percentage growth in previous year

According to the SIPRI Military Expenditure Database in 2018, the PRC's military spending grew by 8.3% per annum on average from 2009 to

2018. On the other hand, the average of the ROC's military spending growth merely came to 0.5%, far less than the PRC's growth. In addition, there were five negative growths in the ROC during the decade, but the PRC in this period maintained consecutive ten years of growth (see table 3).

Table 3. Military expenditure percentage growths in previous year, 2009-18

|     | 2009  | 2010  | 2011 | 2012 | 2013  | 2014  | 2015 | 2016  | 2017 | 2018  | Average |
|-----|-------|-------|------|------|-------|-------|------|-------|------|-------|---------|
| ROC | 7.7%  | -5.5% | 1.0% | 3.5% | -5.6% | -0.6% | 5.4% | -1.7% | 1.3% | -0.2% | 0.5%    |
| PRC | 21.1% | 5.2%  | 7.8% | 8.6% | 9.3%  | 8.6%  | 6.6% | 5.6%  | 5.6% | 5.0%  | 8.3%    |

Source: SIPRI Military Expenditure Database, Apr. 2019.

Note: Figures are expressed in constant (2017) as changed in real terms or adjusted for inflation.

## V. The PRC's notions on military transparency

Transparency in the military realm generally consists of two dimensions: strategic intent transparency and military capability transparency.<sup>69</sup>

<sup>69</sup> Oriana Skylar Mastro, 'The Vulnerability of Rising Powers: The Logic Behind China's Low Military Transparency', *Asian Security*, vol. 12, no. 2 (2016), pp. 63–81.  
<https://doi.org/10.1080/14799855.2016.1157786>

Strategic intent transparency is related to transparency in military strategies, including missions and strategic tasks, strategic guidelines, building and development, preparation for the risk of conflicts, as well as military and security cooperation. Military capability transparency, on the other hand, is linked to the factors comprising military power which refers to information about states' defense budget, arms acquisition and military R&D. The PRC's notions on military transparency are analyzed as follows:

First, the PRC's low military transparency is mostly the result of a reluctance to increase its military capability transparency. The PRC retains its military capabilities veiled for deterrence. A rising power is comparatively also a weaker power. Greater capability transparency may boost adversaries' confidence and increase the possibility of conflicts. Revealing weaknesses to potential opponents does not seem to be an optimal notion for the CCP, since its despotism is often criticized by many democratic countries. This vulnerability enhances the determination of the CCP to create the uncertainty and ambiguity related to its military capabilities.

Second, the PRC has less incentive to gain all of the benefits of transparency: corruption reduction, trust-building and confidence and security building. These benefits relatively have more effects on a democracy, but not under communism. After all, the PRC's people in communist system have less power and right to restrain their government than the

people in democracy. The benefit of confidence- and security-building with the UN or other international non-government organizations such as TI and SIPRI has more incentive than corruption reduction and trust-building; therefore, the PRC marginally accepts the strategic intent transparency.

Third, the PRC insists it has no obligation to follow the arrangement of international norms to unveil its military capabilities either in domestic political processes or from treaty obligations (e.g. the bilateral arms control and disarmament treaties between the US and Russia).<sup>70</sup> The same situation also occurred at the notion of transparency in the PRC. The PRC government views transparency as a double-edged sword.<sup>71</sup> Other countries use transparency as an excuse to intervene the PRC's domestic affairs. The PRC, thus, rejects a high-level military capability transparency included veiled defense budget breakdown even though the PRC is willing to gradually raise intent transparency. Overall, the PRC prefers to increase more intent transparency rather than opening the disaggregation of defense budget to boost confidence-building between countries.

In terms of the transparency in defense budget, on 12 March 2018, the PRC's president Xi Jinping urged a significant policy of private-sector companies to develop in advanced dual-use technologies. 'Civil-military integration' in the PRC is blurring the line between private-sector companies and defense sector, making other countries harder to get a handle on the PRC's actual defense budget.<sup>72</sup> This strategy

<sup>70</sup> China.org.cn, 'Transparency in military capability and strategic intent', *China.org.cn*, 29 May 2015.  
[http://www.china.org.cn/opinion/2015-05/29/content\\_35691371.htm](http://www.china.org.cn/opinion/2015-05/29/content_35691371.htm)

<sup>71</sup> Chen Zhou, 'On military transparency' (in Chinese), Chinese people's liberation army publishing house: Beijing (2013).

<sup>72</sup> Asian Review, 'China's defense spending grows increasingly opaque', *Asian Review*, 2 Apr. 2018.  
<https://asia.nikkei.com/Politics/International-Relations/China-s-defense-spending-grows-increasingly-opaque>

has deteriorated the level of the PRC's transparency in defense budget. It has elevated other countries concerns that the national rejuvenation of PRC intends to rise peacefully or exacerbate regional instability.

The PRC's rise will inevitably challenge the global status and move forward to rewrite the norms in extent international system. As a rising power like the PRC, shifting amid the nations of the world is likely to be believed the more information released, the more risks the PRC will be hindered by those concerned nations in particular the current superpower. The rising power is likely to adopt greater capability transparency when its overall military capabilities are evenly matched to the current superpowers.

In the PRC's transparency notions, high-level of capability transparency does not generate greater security. On the contrary, it has more likelihood of the severe cost of national security. Consequently, the PRC only increases marginally transparency, showing the ostensible intent, to deal with international transparency requirements. In terms of strategic intent transparency, the PRC declares that it never pursues global hegemony and expansionism; therefore, the PRC argues that its military strategy and guidelines for armed forces do exhibit a degree of intent transparency.<sup>73</sup>

## VI. Consequences of non-transparency

Non-transparency in a country means less confidence and security building with others. The PRC has experienced unprecedented economic growth over the last two decades; this economic growth has followed rapid military modernization. The PRC leader, Xi Jinping, continuously states that its military objectives by no means jeopardize regional stability and that the PRC will never seek economic development at the expense of other countries' interests; nevertheless, 'where there is power, there is resistance'.<sup>74</sup> The PRC's coercive domestic measures, tight control over the internet, mass media, and academia make his claims less persuasive for other countries, in particular the US.<sup>75</sup>

Since the CCP is a one-party authoritarian system, it will be difficult for the PRC to reach the level of transparency of other countries like the ROC. The PRC's opaque defense budget and military capabilities are closely linked to the mistrust between the US and the PRC. After the dissolution of the Soviet Union, the US has proved itself a superpower to dominate the world affairs since 1991. However, the PRC might challenge the dominant role of the US and the lack of

<sup>73</sup> Xinhua, 'China never seeks hegemony, expansion: Xi', Xinhua, 18 Oct. 2018.  
[http://www.xinhuanet.com/english/2017-10/18/c\\_136688622.htm](http://www.xinhuanet.com/english/2017-10/18/c_136688622.htm)

<sup>74</sup> Michel Foucault, *The History of Sexuality*, Pantheon Books, vol. 1, no. 2(1976), p. 95.  
[http://www.24grammata.com/wp-content/uploads/2013/06/foucault\\_sexuality\\_24grammata.com\\_.pdf](http://www.24grammata.com/wp-content/uploads/2013/06/foucault_sexuality_24grammata.com_.pdf)

<sup>75</sup> Human right watch, 'world report 2019', Human right watch, 18 June 2018.  
[https://www.hrw.org/sites/default/files/world\\_report\\_download/hrw\\_world\\_report\\_2019.pdf](https://www.hrw.org/sites/default/files/world_report_download/hrw_world_report_2019.pdf)

transparency will also make the US's concerns deeper.

However, the PRC's rise will inevitably counteract the US's influence in Asia region and even around the world. Non-transparent military capabilities with growing and veiled defense budget push the US to doubt that the PRC is an approaching counterweight since the PRC's rise will potentially threaten the global hegemony of the US and gradually transit its long-established dominance.

Moreover, the NPC passed the National Intelligence Law on 28 June 2017; according to Article 7: an organization or citizen shall support, assist and cooperate in national intelligence work in accordance with the law and keep confidential the national intelligence work that it or any person knows. Therefore, not only government and quasi-government, but the PRC's all academic, commercial entities and the citizens are obligated to collaborate with the PRC intelligence agencies to carry out espionage activities inside and outside the PRC.<sup>76</sup> Under this circumstance, a reasonable suspicion is aroused since transparency in the PRC has been a main issue especially in military domain. The PRC's national intelligence work boots not only in its economy development but also in military moderation. The US intelligence agencies, hence, stated on 22 June 2018 that the US faces 'unprecedented threat' from the PRC on tech

takeover by theft intellectual property.<sup>77</sup>

A rising power lacking transparency can heighten global tensions. The relations between the PRC and other countries are relatively unstable and hardly to succeed in a long-term based on distrust. The impacts of distrust are only worsening with time. Such non-transparency will gradually turn into a vicious cycle due to lack of mutual understanding. Even if the PRC one day would like to be a more transparent country, it will make substantial efforts to revive international trust in it. Under such circumstance, as long as the basic disputes over transparency and competitive tendencies are not solved, irrational policy decisions will remain a long-lasting issue. Incidents such as US-China trade war that will be protracted and exacerbated. Overall, transparency is an efficient measure to mitigate the deteriorated relation between the PRC and a great power competition. Unfortunately, it is obvious that the PRC will be failing to embrace transparency in defense budget and military capabilities since it is believed that no one can instruct the PRC's behavior.<sup>78</sup>

## VII. Conclusions

Defense budget transparency has a significant influence on security and mitigating potential conflicts. Over the past 25 years, the PRC has

<sup>76</sup> See National Intelligence Law of the People's Republic of China on pkulaw website.  
<http://en.pkulaw.cn/display.aspx?cgid=313975&lib=law>

<sup>77</sup> Bloomberg, 'U.S. Faces 'Unprecedented Threat' From China on Tech Takeover', Bloomberg, 22 June 2018.  
<https://www.bloomberg.com/news/articles/2018-06-22/china-s-thousand-talents-called-key-in-seizing-u-s-expertise>

<sup>78</sup> BBC news, 'Xi Jinping says China will not seek to dominate', BBC news, 18 Dec. 2018.  
<https://www.bbc.com/news/world-asia-china-46601175>

rapidly modernized its military's operational capabilities with fast-expanding defense budgets lacking transparency. This is a cause of misunderstanding and exacerbates cross-strait tensions. The low level of defense budget transparency leads to a vicious cycle, broadening the gap of relations between two sides of the PRC and other countries.

The levels of transparency in defense budget differ greatly between the ROC and the PRC. Not only are defense budget data scarce in the PRC, but the quality of data availability, comprehensiveness, reliability, accessibility with ease and level of disaggregation are also lower than the ROC. In addition, the PRC's transparent mechanisms are particularly censorable in the aspect of the National Defense White Paper, the NPC and cooperation with international transparency-related affairs. Moreover, the figures that PRC government announced excluded funding for national defense technology research projects, arms sales revenue, arms procurement spending and national defense industry revenue from foreign sources. Such information is regarded as the PRC's top secrets, which also have to be measured by reference to international rules and transparent approaches in other countries like the ROC.

On the basis of the PRC's communist assertions incompatible with the existing international democratic value, transparent defense budget in the PRC is likely to undermine not only national security but also the CCP's ruling. Transparency for the PRC

is not an ideal route to achieve its national interests to consolidate the CCP regime. The PRC is believed that transparent defense budget is inclined to reveal its disadvantages in military capabilities. Under this negative thinking of transparency, there are strong concerns expressed by international community particularly the ROC and the US. Dealing with the contingency of the ROC is believed to be a top priority in the PRC's effort to hinder the independence of the ROC and foreign military aid, specifically from the US. The PRC, consequently, has not provided a detailed breakdown of its national defense budget but attempted to change existing international status quo by coercion, trying to establish unique international order without making any compromises in transparency.<sup>79</sup>

In terms of the ROC, embracing defense budget transparency is a part of a longer process of showing its development in relation to military and security affairs. Defense budget transparency in the ROC demonstrates a clear future vision in military buildup with a rules-based global norm of transparency. For the ROC, it is essential to receive international support and recognition, deriving from the demonstration of the ROC as a trust-worthy partner with genuine democratic values. This study argues that transparency in defense budget is an effective approach to increase regional stability and the development of international peace. Moreover, defense budgets in the ROC prove that the protection of sensitive information can coexist with accountability and transparency. For instance,

<sup>79</sup> Japan Ministry of Defense (MOD), Defense of Japan 2018, p.45, 223, accessed 24 Apr. 2019. [https://www.mod.go.jp/e/publ/w\\_paper/pdf/2018/DOJ2018\\_Full\\_1130.pdf](https://www.mod.go.jp/e/publ/w_paper/pdf/2018/DOJ2018_Full_1130.pdf)

defense budget transparency in the ROC is not only limited to the disclosure of information, but includes the establishment of a robust and effective system through legislative oversight, censorship and control of defense budget. There are systematic and effective measures in which the MND can manage the scrutiny of even highly confidential information and sensitive matters such as intelligence, military capabilities development and procurement; meanwhile, it is attempting to minimize sacrificing accountability and transparency.

This study concludes that transparency in defense budget is a core of confidence-building which can benefit relations between the ROC and the PRC, based on the nature of accountability and transparency. Transparent frameworks of defense budgeting and execution must be reinforced and envisioned for peace and development. Both sides of cross-strait have to monitor and assess evolutions of defense budget transparency, and utilize more systematic mechanisms to facilitate domestic accountability and international transparency.

## Appendix-SIPRI military expenditure methodology

SIPRI's definition of military expenditure is distinct from defense budget announced by international countries. The definition of military expenditure is a theory, which includes relevant defense spending but not in a country's main defense budget regardless of source of funding. The

nine categorization of military expenditure argued by SIPRI is adopted:<sup>80</sup>

- Pay and allowance of military personnel
- Pensions of retired military personnel
- Operations and maintenance (O&M)
- Procurement
- Military research and development (R&D)
- Construction
- Military aid provide (in the military expenditures of the donor country)
- Paramilitary forces (trained and equipped for military operations)
- Military space activities

Firstly, the personnel contains all spending on on-duty personnel included military and civil, military personnel's retirement pensions, as well as social services for personnel and their families.<sup>81</sup> Secondly, it is noted that in the SIPRI definition military expenditure includes on armed forces, including peace keeping forces, defense ministries and other government agencies engaged in defense projects, paramilitary forces when judged to be trained, equipped and available for military operations, and military space activities. Thirdly, those expenditures exclude civil defense and current expenditure for previous military activities which comprise of four spending: veterans benefits, demobilization, conversion of arms production facilities, and destruction of weapons.

SIPRI suggests that military expenditure should include two areas of spending, military pension payments and expenditure on paramilitary

<sup>80</sup> Wang, S.(note 37).

<sup>81</sup> Perlo-Freeman, S., 'Monitoring military expenditure', SIPRI Commentary, 11 Sep. 2017.  
<https://www.sipri.org/commentary/topical-background/2017/monitoring-military-expenditure>

forces. Nonetheless, most defense budgets basically in all nations exclude both crucial parts. First, military pension payments are the key to sustaining a professional armed force. Without the benefit of military pension, there would not be the same amount of sufficient and excellent soldiers and officers to operate all types of military missions. Second, expenditure on paramilitary forces is included in SIPRI's military expenditure. Paramilitary forces are semi-militarized forces whose function is similar to that of professional armed forces. Hence, paramilitary forces are equipped with operational capabilities for military operation. While armed police or internal security forces currently conduct civil conflicts, they can join with the military to provide powerful combat capabilities as a battle breaks out.

While the SIPRI researchers by all means collect relevant information about military expenditure published by national government, various government frameworks in all nations generate more detailed information in terms of military budgets and off-budget military expenditure. For instance, in many cases separate military pension funds can be identified outside the main defense budget. Therefore, it is impossible to apply an ideal into practice in all nations. In order to efficient estimates, in all cases a data series is the most significant criterion. Despite inconsistent with the SIPRI definition, the SIPRI Military Expenditure Database in many cases does not include military

pension payments and all paramilitary forces in military spending.

## SIPRI estimates for the PRC

As a result of the SIPRI methodology, the PRC's figures show a number of sources of military expenditures outside the PRC defense budget increased in the estimates which the SIPRI took into account include seven items as follows:

- Spending on the paramilitary People's Armed Police (PAP)
- Additional military research, development, testing and evaluation (RDT&E) funding outside the national defense budget
- Soldiers' demobilization and retirement payments from the Ministry of Civil Affairs
- Subsidies to the arms industry
- Additional military construction expenses
- Chinese arms imports
- Residual military-owned enterprises



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