

# **MASTER OF SCIENCE IN INTERNATIONAL RESOURCE PLANNING AND MANAGEMENT**

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## **FACTORS INFLUENCING DEFENSE EXPENDITURES – A HUNGARIAN PERSPECTIVE**

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**Master of Science in International Resource Planning and Management-June 2000**

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This thesis attempts to explore the economic, political and military factors influencing defense expenditures in general and in particular for the case of Hungary. The description of the empirical models leads to an analysis of the Hungarian defense expenditures and a forecast of the tendency of Hungary's military spending in the near future.

The level of defense expenditures is a function of at least two variables: how threatened a government (or a society) feels and how much security that government (or country) can afford. Therefore, the determinants of defense spending stem from a combination of security policy (dealing with threats to vital national interests) and fiscal policy (the allocation of societal resources).

Economic strength is a factor contributing to the determination of military spending. Another significant driving force behind military spending is the power and leverage of the armed forces relative to other national actors. The degree of transparency in military outlays is also important. The size of the military budget is conditioned by geo-strategic concerns both at the regional and international levels. Finally, increases in military expenditures reduce the availability of funds for socio-economic development projects (guns vs. butter trade off).

**DoD KEY TECHNOLOGY AREA:** Other (Finance)

**KEYWORDS:** Defense Budget, Military Expenditures, Hungary, Military Alliances, NATO, Public Goods, Statistical Modeling

## **INDONESIA: DEFINING NEW OPTIONS IN THE SOCIO-POLITICAL ROLE OF THE INDONESIAN ARMED FORCES**

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The purpose of this thesis is to analyze civil-military relations in Indonesia since independence in 1949 through the resignation of President Suharto in mid-1998. It will examine the military's exercise of power by using the prerogatives and contestations as defined by Alfred Stepan. The Indonesian Armed Forces (*TNI*) has been deeply involved in socio-political roles since the struggle for independence against the Dutch. Most scholars consider the New Order regime (1966-1998) to have been one dominated by the *TNI*. Suharto resigned in May 21, 1998 and brought an abrupt end to Indonesia's 32-year-old New Order regime and started the process of

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redrawing the country's political map. The *TNI* as the most powerful political institution has started to decline. A number of the civilian reformist leaders campaigned for the military to return to the barracks immediately and relinquish its political responsibilities. This thesis will argue that the level of the military's socio-political participation has declined in recent years. Therefore, the *TNI* should define new options of its socio-political role in order to fit the harmonious relationship with the Indonesian society in the future.

**DoD KEY TECHNOLOGY AREA:** Other (Socio-Political Role)

**KEYWORDS:** Civil-Military Relations in Indonesia, Socio-Political Role

### **MALAYSIAN ECONOMIC CRISIS: CAUSES, EFFECTS, RECOVERY ACTIONS, AND LESSONS LEARNED**

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Malaysia and several East Asian economies have been caught in the grip of the currency crisis that started in July 1997. At the start of the crisis, Malaysia adopted a tight fiscal and monetary policy in response of the economic environment prevailing at that time. It was obvious that the initial policy package resulted in severe economic contraction and deterioration in the health of the financial system. In response, the Government unveiled the National Economic Recovery Plan (NERP) which recommended a complete reversal of key policies. The NERP called for an easing of fiscal and monetary policy, an increase in government spending, corporate debt restructuring, and establishment of special vehicles to purchase and recapitalize non-performing loans from banking institutions. On September 1, 1998 the Government introduced capital controls and pegged the exchange rate to the U.S. dollar, in order to insulate the domestic interest rate from continuing pressure and volatility in the foreign exchange market. This thesis explores the measures taken by the Malaysian Government to cope with the recent economic crisis and describes the effects and lessons learned. The proper implementation of the selective capital control has given Malaysia a breathing space to pursue its on-going economic related programs.

**DoD KEY TECHNOLOGY AREA:** Other (Economics)

**KEYWORDS:** Malaysian Economic Crisis

### **VIETNAM AND THE SPRATLY ISLANDS DISPUTE SINCE 1992**

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The sovereignty dispute over the Spratly Islands and jurisdiction in the South China Sea remains an important issue in Asia-Pacific security today. The race to establish the validity of claims has increased diplomatic discord and resulted in armed conflict. Hanoi's behavior in the Spratlys has implications for its relations with Vietnam's neighbors and for regional arrangements generally. This thesis examines Vietnam's approach to the Spratlys dispute since 1992. It concludes that: Hanoi's wooing of ASEAN has helped restrain China and the other claimants in the dispute; that Hanoi's rapprochement with Beijing has helped to limit China from seizing areas in the Spratlys occupied by Vietnam; that Hanoi's diplomacy has slowed Chinese expansionism in the Spratlys, while Hanoi's military build-up since 1992 has not; and Hanoi's the dispute in a peaceful manner, Hanoi must collaborate with the ASEAN states, Taiwan, and the larger Asia-Pacific community to prevent

Beijing from dominating the Spratlys and the South China Sea.

**DoD KEY TECHNOLOGY AREA:** Other (Area Studies)

**KEYWORDS:** Vietnam, Spratly Islands, South China Sea, Chinese Hegemony, ASEAN, International Law, UNCLOS, Southeast Asian Regional Security

### **THE BALKANS AT THE TURN OF CENTURY: CHALLENGES FOR GREECE AND EUROPEAN SECURITY INSTITUTIONS**

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The changes that occurred in the Balkans since 1991, following Soviet Union's dissolution and the breakup of Yugoslavia, revived the violent history of the Balkan Peninsula. The Kosovo War in 1998 aggravated the situation and increased fears among countries in the region for more ethnic strife, military operations and a massive exodus of refugees. As a Balkan country, Greece was affected by the evolving situation, which was reflected in its foreign security policy towards its northern neighbors during the 1990s. Greece has to redefine its role in the area and make use of its membership in both the North Atlantic Treaty Organization (NATO) and European Union (EU) to facilitate stability in the Balkans and solve its security dilemmas with its northern neighbors.

Security concerns reflect both the defense and economic aspect international relations. Political and economic stability are the primary goals of the Balkan states. These states cannot solve their problems without external help from Western European countries and European security institutions, like the EU, NATO and Organization for Security and Cooperation in Europe (OSCE). Inevitably the European security institutions' engagement in the Balkans raises questions of enlargement in the Balkans. However, enlargement for both EU and NATO involves more than simply accepting new members.

**DoD KEY TECHNOLOGY AREA:** Other (Regional Studies, Balkans)

**KEYWORDS:** Balkans, Economics and Security, Greece's Security Concerns, EU, NATO, OSCE

### **MANAGEMENT OF ORGANIZATIONAL CHANGE: THE CASE OF HUNGARIAN AUTOMATION AND RADAR DEPARTMENT**

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Nowadays, military decisionmakers are forced to spend more and more resources on planning and managing organizational change. In order to avoid failure, managers have to diagnose the needs of the organization, to analyze the appropriate method for change and to manage the planned change process. This thesis overviews different approaches and theoretical frameworks applicable to system assessment and diagnoses. The thesis applies the McCaskey model, the organizational system framework, to the case of the Hungarian Institute of Military Technology Automation and Radar Department. It diagnoses the department's status, identifies the gap between the actual and desired status, and it analyses the conducted changes in 1996 and the following years. The thesis concludes with recommendations for improving the management of organizational changes in general.

**DoD KEY TECHNOLOGY AREA:** Command, Control, and Communications

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**KEYWORDS:** Assessment, Diagnoses, Management, Organization, Change

### **RWANDESE PATRIOTIC ARMY LOGISTICS UNIT (G4) ASSESSMENT AND RECOMMENDATIONS FOR CHANGE**

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This thesis is an organization assessment of the army G4, (the logistics department of the Rwandese Patriotic Army,) using a systems framework. The purpose of the study was to describe the current state of the organization and to determine whether the G4 is functioning efficiently and if not, then to recommend measures to improve its performance. Assessment results show a responsive organization struggling to cope with a dynamic and uncertain external environment. The organization is riddled with internal misfits and rigidities, all of which inhibit operational efficiency. The thesis suggests possible courses of action to help G4 leaders improve their service. Specific recommendations include: revision of the organization's mandate; specification of G4 mission and direction; redesign to achieve more congruence; treatment of personnel issues; and adoption of clear and inspiring goals with corresponding procedures for evaluation. Improvement efforts require active support and participation of all G4 stakeholders.

**DoD KEY TECHNOLOGY AREA:** Materials, Processes, and Structures

**KEYWORDS:** Systems, G4 Organizational Assessment

### **COMPARISON OF EXPERT JUDGMENT METHODS USED FOR MODERNIZATION DECISION: THE CASE OF MIG-29**

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This research analyzes two approaches to the economic evaluation of an aircraft modernization program. The Analytic Science Corporation (TASC) method is compared with the Logical Decision for Window (LDW) methodology. TASCFORM-AIR model is a method to quantitatively measure military force modernization. Logical Decisions for Windows software and methodology is based on Multiattribute Utility Theory. It also helps to evaluate decisions quantitatively.

The research includes analysis of the reasons, constraints and tendencies in the modern aircraft modernization process. Weapon modernization is usually driven by several objectives, all of them in one way or another are pertinent to resource allocation. Reliable analytical tools are important to make good decision. Cost-effectiveness and cost utility approaches are evaluated.

Comparison of both methodologies is based on the MiG-29 modernization situational model. TASCFORM-AIR Model provides static indicators of military force potential. This can be viewed as measures of effectiveness. The LDW program computes the alternatives' utility by combining its measure levels based on the analyst's preferences. The results produced in both cases are useful in several ways. They are indicators, however indicators rather than "answers" to the decision making problem.

**DoD KEY TECHNOLOGY AREA:** Other (Military Economic Analysis)

**KEYWORDS:** Aircraft Modernization, Expert Judgment Method, Cost-Effectiveness, Cost-Utility, MiG-29



