The Development of Public-Private Partnership for Thailand's Armaments Development: a Case Study of Weapon Production Center Defence Industry and Energy Centre

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Abstract - This research aimed to study 1) the attributes of public-private partnership for armaments development, 2) problems of public-private partnership for armaments development, and 3) problem solving methods of public-private partnership for armaments development. This qualitative research employed interview with 4 groups of 30 key informants. They were Former and Current High Commander, Private Arms Manufacturer, Defense Industry Technocrat, and Transnational Arms Dealer. The results were: 1) the attributes of public-private partnerships on 4 dimensions; Joint Project Operations, Investment Responsibility, Risk Responsibility, and Benefit, both sides have very little collaboration. The only partnership is management contract in which the private sector holds more risk than the public sector and receive less remunerations than the investment while the public sector gains more benefits. 2) For the problems of public-private partnership for armaments development, the major problems are the policy and the contribution by the government sector, market for production output, related legal and rules and regulations, knowledge on armaments development and production, research and development, and conflicts of interest. 3) On the problem solving of public-private partnership on armaments development, the major problem solving methods are specifying clear policy on research and development, solving conflicts of interest, contributing the private sector earnestly, amending related legal, and rules and regulations. There are not leasing, concession, and joint venture collaboration.

Keywords - Public-Private Partnership, Joint Project Operations, Investment Responsibility, Risk Responsibility, Benefit

I. INTRODUCTION

Developing armaments is the defence industry performance to strengthen the military or army in protection and safeguard the country, which people of all professions have received benefits for themselves thoroughly [1]. In time of the past, the private sector which being the production base did not perform with the government sector earnestly in spite of having the regulations to support the collaborative performance. This make Thai defense industry is still driven to be difficult [2]. Especially, there are several problems on the military performance, such as the government policy and statement are not clear and earnest, lack of knowledgeable and expert personals because they are removed from the term of position, or closed barrier to enter the military confidence, that is difficult to derive collaboration from the private sector [3]. Because of having experienced to serve in the armaments production unit, hence the researcher is particularly interested in how to develop the public-private partnership for Thailand's armaments development in order to generate the specific guideline for public-
private partnership for Thailand's armaments development to progress as it is intended.

II. RESEARCH OBJECTIVES

- To study the attributes of public-private partnership for armaments development.
- To study the problems of public-private partnership for armaments development.
- To study the problem solving methods of public-private partnership for armaments development.

III. RESEARCH RESULTS

Attributes of public-private partnerships on Joint Project Operations, Investment Responsibility, Risk Responsibility and Benefit, the both sides have very little collaboration because the government sector believes the private sector has no technology like the European Countries to access cooperation together. As the private sector believes that the government sector is not interested in armaments development collaboration in spite of having a lot of machinery. The only partnership is management contract in which the private sector holds more risk than the public sector and receive less remunerations than the investment while the public sector gains more benefits.

Major problems are: 1) Related legal, rules, and regulations, especially which relation to national security makes the consideration of various cooperation to be a delay. This does not correspond with the business operations that need quick decision and performance. 2) In term of armaments research and development, the government sector is lack of researchers, and the officers have insufficient knowledge on high technology machines. 3) About market for production output, it is monopoly which demand is less than the production capacity causing the investor lack of confidence, and not worth with the investment. 4) In term of conflicts of interest, the private sector believes the government sector is not transparency on a joint investment that there is lobbying for support which results in an unfair competition of the private trade. 5) In term of knowledge on armaments development and production, the officers especially who are technicians to have insufficient knowledge in using high technology machines and equipments. 6) Regarding policy making and government contribution, the policy is not clear to encourage the private sector earnestly causing public-private partnership is difficult.

Significant problem solving methods are: 1) Government has to make policy clearly do the armaments research and development and is taken seriously. 2) Amending related legal, rules, and regulations which are barriers to investment and development. 3) Solving conflicts of interest by related officers have to do work based on honesty, transparency, and non-profit from the contracts-making. 4) Government sector has to earnestly contribute the private sector, such as allocating the budget to long term for providing armaments continuously, and having the standard of inspection which is acceptable to both sides. Inclusive of finding overseas markets for export causing cost will be decreased continuously and armaments are developed better evenly.

IV. RESULT DISCUSSION

In the issue of public-private partnerships in armaments development, the two sides have little to none cooperation; only partnership was management contract. The opinions collected from all groups of research subjects corresponded with Kunhirun’s research which stated that the private sector did not dare to invest with the government sector despite their interest in defense industry because there was no guarantee on the worthiness. Particularly, rule and regulations are not favorable for exporting the weapon [4]; resembled with Niamtan’s finding which stated that government sector by the Defense Ministry should initially invest in this industry first since the private sector is still lack of the confidence to do so because this requires high capital and there is strict regulation that need to be followed [5].
On Investment Responsibility, there was only a few collaboration; simply just an investment on ammunition manufacturing plant by government solely. The opinions of all informant groups corresponded with Niamtan’s statements that there was very little investment collaboration by the private sector since they perceived that high capital was required and the law was very strict, declining their interests [5].

On Risk Responsibility, generally private sector held higher risk than the government sector; Former and Current High Commander, Private Arms Manufacturer, and Transnational Arms Dealer groups concurred on. This corresponded with Kunhiran’s statements that each armed force uses different types of weapon systems resulting in much less demand than actual manufacturing capability. The aforementioned risk causes hesitation for private sector to invest with government [4].

On Benefit, the public sector gains more benefit while the private sector receives less; not worth the money and time invested. The opinions from Defense Industry Technocrat group conformed, while Former High Commander, Current High Commander, Private Arms Manufacturer, and Transnational Arms Dealer groups believed that whether or not who would gain more benefits depended on their overall objectives. For example, in the case of government sector procuring technology from foreign private sector in order to produce and distribute to defense organizations different types of weapon system which quantity needed for some of those are much less than production capacity [4]. 4) Conflicts of interest which the private sector viewed that the government sector is not transparent in armaments development investment collaboration and is unfair in auctioning. There was also lobbying in project presentations and ethic is still an issue in administration, which lessen the possibility of public-private collaboration. This corresponded with Yooytkunan and colleagues’ research which stated that every organization sees the importance of establishing an internal unit responsible for coordination, partnership building, and anti-corruption to secure its interest [7]. 5) Knowledge on armaments development and producing; corresponded with Kor’s statements that public-private collaboration is how to encourage the private sector to join with government sector to maximize the use of resource and expertise. Also, how government sector would prepare itself in term of knowledge, budget, and management [8]. 6) Policy and the contribution from the government sector; corresponded with Empan’s statements that government still has no clear cut policy on defense industry management. Currently, only broad policy exists without much practical and constant execution causing hesitation for private sectors who are interested [3].

On the issue of solution to problems on public-private partnership in armament development, the result showed that significant related solutions on the four aspects are as following: 1) Establish a clear policy on weapon research and development that the research will aid in understanding the necessity of Royal Thai Army’s policy on self-sufficiency, also inducing new researchers and inventors. Putting a clear policy into practice would encourage new R&D projects to occur; consequently, collaboration among R&D personnel of both public and private sectors and military. Also, Tabprasit stated that a clear and continuously revised policy from government sector had a potential to be put into business practice [10]. 2) Revising related law and regulations which are obstacles to investment and development. This corresponded with Kunhirun’s research which stated that government sector should promote the defense industry development earnestly by appropriately amending law and regulations to facilitate administration on both sides and to enable exportation [4]. 3) Solving conflicts of interest issue; corresponded with Yooytkunan and colleagues’ research which stated that a guideline to anti-corruption is that the government, private, and people sectors must establish partnership by forming an internal unit for coordination purpose. Also establish information exchange channels using information technology to maximize the
benefit of the organization [7]. 4) The government sector must support the private sector earnestly; corresponded with Tabprasit’s research which stated that to promote the confidence of private sector to partner with government sector, not only concrete policy, but also supporting measures should be implemented. Moreover, a union of defense industry entrepreneurs should be formed, and related law and regulations should be revised in order to provide some flexibility to entrepreneurs [10].

If the quantity of production is low, the private sector would receive more benefit while the government sector had to pay the same amount for initial fixed cost regardless of low quantity of production, causing high cost per unit. Conversely, with higher quantity of production, government sector could reach the break-even point faster, dropping the cost per unit, hence they would gain more benefit. This corresponded with Empan’s statements that there is still no clear public-private collaboration sharing common interest. This type of investment requires a great deal of resources while the only market is within armed forces where the demand is much less than production capability; not a worthwhile investment. Furthermore, strict rules and regulations do not allow much flexibility which is not desirable from business standpoint. Therefore, private sectors do not have much confidence investing with government sector due to the fact that it might not be worthwhile [3].

On the issue of problems on public-private partnership in armaments development, the result showed that significant related problems on the four aspects are following: 1) Related law and regulations, especially defense law; corresponded with Klongwicha’s finding which stated that a significant problem that causes limitation in transforming defense industry is that the law and regulations do not provide much flexibility to do so [6]. 2) On armaments research; corresponded with Niamtan’s finding which stated that Research and Development (R&D) was the key to defense industry development, however there had not been put into practical. Therefore, R&D process should be revised to ensure that all research are moving along in the same direction according to the order of the Defense Ministry no. 928/35 on Dec 12, 1992 title: Policy on Defense Industry management. The order stated that the defense industry enterprise must be researched, developed, and expanded to the point where production capability meets the demand of armed forces which there will be no more need of acquisition from external source [5]. 3) Market support for ammunition product; corresponded Empan’s statements that defense industry investment requires a lot of budget where the consumer’s market is only controlled market and the demand is much lower than the production capacity, resulting in a worthless investment [3]. Also, Kunhirun stated that a problem in defense industry development is that each arm force uses

V. SUGGESTIONS

The state has to provide the distinct policy to promote the private sector to do public-private partnership for armaments development continuously which clarifying the producing project, amount of product in order to help the private doing their consideration classifying in all the benefit return deserving, especially the purchasing of production output on the collaborative research and development.

The state has to contribute and encourage the private sector in doing the armaments research and development which the proceeding of the projects have to do continuously by the government sector establishes the fund to grant the armaments research and development as same as the modern foreign countries which contributed their annual budget, also gave some funds to support the private sector even the unsuccessful research caused from the mistake operation of the government.

Having to amend legal, rules, and regulations which are barriers to investment and development collaboration, especially the legal which relate to the national security too much to be obstacle to business collaboration
for the private sector.

Having to solve the problem of conflicts of interest by appointing the committees whom are knowledgeable and comprehensive to the job content programming the projects, additional the government sector has to be transparent in proceeding and having the controlling measures for the government officers who may make any requirements for improper benefit or lobbying made by the private sector.

Having to develop the knowledge (know how) on armaments development by Defence Technology Institute (Public Organization) of Ministry of Defence which would have scientists and soldiers to co-operate together with the private sector continually on the joint venture for freedom to give suggestion, and opening to select the best private sector in armaments development.

At academic level, there should be a research on public-private partnership for armaments development of other organizations which are different context from this research.

REFERENCES

(Arranged in the order of citation in the same fashion as the case of Footnotes.)


