

RESEARCH ON BENEFIT-ORIENTED MECHANISM OF MILITARY-CIVIL INTEGRATION

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Abstract: *In the market economy, using multiple methods such as administrative, economic or legal means to promote integrated military and civilian development is quite essential. However, at present, a relative lack of economic means in the optimization of resource allocation entails further improving benefit-oriented mechanism in the integration development. It is therefore highly significant for units or individuals to inspire their enthusiasm and initiative by means of benefit-oriented mechanism in the integration development. The benefit-oriented mechanism of integrated military and civilian development mainly involves that how to lead investments, technologies and forces in the social domain flowing into national defense construction through economic benefits, and vice versa, how to transform the achievements of national defense into civilian use, so as to maximize the benefits between enriching the country and strengthening the military. It includes specifically investment-financing oriented mechanism, military procurement benefit-oriented mechanism, tax-deductions benefit-oriented system, and loss compensation benefit-oriented mechanism.*

Keywords: *community, intercultural context, communication*

1. INTRODUCTION

Market economy is premised on admitting independently material benefits of different regions, departments and individuals.

And the nation would ensure all the market participants equal legal status and rights to development.

Under the market economy, all the market entities compete for self-interests and thus promote the transfer of economic resource among different regions, departments, military and civil sectors, and enterprises.

It is clear that maximizing the benefits is the main reason for the behavioral change of market players, through formulating regulations and policies in favor of military-civil integration, market participants will be guided to promote military-civil integration in the process of maximizing their self-interests.

Benefit-oriented mechanism for military-civil integration is a policy system which under the condition of socialism market economy, leads the market participants consciously on their way to military-civil integration by the material and spiritual motivation, solve the problem of military-civil separation, and fully promote integrated development of military and civil sectors according to the requirements of scientific outlook on development.

Market economy in China has only a short history, in optimizing configuration of resources the economic means utilized is not enough, and therefore, it will be of important significance to strengthen initiative and enthusiasm of regions, departments and individuals by establishing, improving and more depending on benefit-oriented mechanism to promote military-civil integration.

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The connotation of benefit-oriented mechanism of military-civil integration is quite rich, and at present we should focus on establishing and improving the mechanisms as follows:

2. BENEFIT-ORIENTED MECHANISM OF INVESTMENT AND FINANCING

Whatever is major infrastructure construction, or key science and technology project, input of huge funds is imperative.

And thus capital investment is material foundation to drive the integration of military and civil sectors.

Since China's reform and opening up, it deepens reform of the investment and financing system and initially forms the scenario of diversified sources of investors, various channels of funds, diversification of investment way and project construction.

But for major infrastructure projects especially defense projects, public finance is the main source for financing.

Under the condition of diversification of investors and financiers, through increasing investments in key military-civil compatibility projects, the nation would not only directly support construction of these projects but also attract parts of social funds into projects conforming to the direction of military-civil integration by the demonstration and guiding function of fiscal investment.

Seen from the practice of military-civil integration in developed countries, they all have funds specially designed for key projects of military-civil compatibility which would draw matching funds from local government and enterprises.

For example, DOD's expense in developing military-civil integration in US mainly comes from government, armed forces and enterprises.

As for the expenses of dual-use technology projects in DOD, Government dual-use technology office and the US Army each takes up 25% of all the expenditures, enterprises involved assume 50% of expenditures.

Currently, it is important to improve policies in five aspects in order to yield leading and propelling functions of investment and financing policies on military-civil integration.

First, increase the degree of direct investment.

Key military-civil integration projects which have been enrolled in national special plans and key infrastructure construction projects possessing strong military-civil universality which has been listed in transportation and communication pivotal projects planned by nation, should be incorporated in the state budget and granted with partial or whole financial support by the way of direct investment.

Second, increase the degree of capital input. Nation should inject capital fund into State-owned and state-controlled military-civil integral enterprises, increase their business assets, and help them solve problems of insufficient funds.

Wen Chuan earthquake has caused damage of above 30 trillion Yuan for central enterprises, nation by issuing special state bonds instilled funds into seriously damaged and operationally difficult enterprises and preferentially subsidized high-tech enterprises with high degree of military-civil integration, and made them resume production in a relatively short period of time.

Third, step up the strength of fiscal subsidy.

It is of strategic significance to arrange special funds and offer subsidy less than 50% of the total amount by central government for high military-civil compatible projects, such as aerospace, aviation, nuclear technology, marine technology, new material technology.

Fourth, establish discounted loan system.

According to the requirements of developing military-civil integration, the government should offer discounted loans to small to medium private enterprises which develop dual-use technology, and help them alleviate the pressure of R&D funds. The discounted loans are issued by banks, and fiscal departments grant the interest subsidy. Fifth, send up the strength of financial support.

When it concerns with the key military-civil integrated projects, financial and guarantee institutions should provide financial support with a high priority.

When increasing fiscal support for integrated development, meanwhile we should further deepen investment system reform of defense industry, speed up forming a new type investment system in which government regulation effective; social capital involved; intermediary services standardized; supervision and administration powerful; military and civil sectors benign interactive.

Through improving policies and regulations, we can ensure social capital profit in the military-civil integration project and induct social capital flowing into military-civil areas. Since china's reform and opening-up, we have accumulated large-scale social funds.

By the end of 2011, the balance of Renminbi and foreign currency deposits in financial institutions amounted to 82 trillion Yuan, the total market capitalization of Shanghai and Shenzhen stock market reached 24 trillion Yuan, Private capital totaled 40 trillion Yuan.

Therefore, it has a broad space to guide social capital into military-civil integrated projects by innovating investment and finance system.

3. Benefit-Oriented Mechanism of Military Procurement

Military procurement means that the army regularly purchases weapons and equipment and other military materials for performing military functions.

Military procurement constitutes important part of government purchase, and takes up great proportion of defense expenditure.

Statistics show that during the 11th five-year plan, the total amounts of equipment procurement amounted to 762.4 billion Yuan which occupy 32.7% of defense expenditure.

If adding military projects and general material purchasing, it accounts for over 50% share of defense expense.

It is self-evident the huge scale of military purchase would exert great effect on market entities.

Under the condition of market economy, more orders obtained from the armies, more profits the enterprise will earn.

Hence the country can lead enterprises to take the road of military-civil integration by controlling prices, quantities, categories of military goods.

3.1 Improve military market access system. With the rapid development of civil technology, many countries have realized fully utilizing achievements and resources in civil sectors for the purpose of defense construction is an important means to improve efficiency of economic resources.

In 2003, the road map of defense industrial transformation published in US emphasized that it is imperative for small to medium enterprises entering into defense area, changing the status of market monopoly by several major contractors and forming a new type of military market with numerous big or small suppliers.

In contrast in China, there still exist closed and narrow market, difficult entering into military market for small to medium enterprises.

We should on the one hand revise the military production license category, abolish discriminatory policy impeding the entrance and create fair policy environment for all enterprises, on the other hand, we should reformulate military-use standard, adopt advanced civil standards, and drop the threshold of the military market.

3.2 Improve preferential purchasing system. Giving support to high-tech enterprise by the means of government procurement is a general practical experience by major countries in the world.

We can use these experiences to support military-civil integration enterprises with good prospect.

Under the same condition, the army gives priority to purchase their products and thus enlarge their market share.

In the early stages of business development, some high-tech corporations are confronted with insufficient demand, since people lack of knowledge about their products.

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If the armies can purchase their products in time then they can survive and win the opportunity of further development and this behavior can bring demonstration effect for high-tech enterprise capable of independent innovation.

For example Motorola Corp. developed Iridium star telephone communication system which composed of 77 satellites in 2000.

At first, the operating cost is very high and customers are limited, the corporation faced with bankrupt. The US Army in order to support satellite phone, signed a 252 million dollars contract and helped Motorola out of trouble, at the same time, greatly promote the development of satellite phone.

3.3 Improve the procurement system of competitive selection.

Competitive purchasing can motivate suppliers update their equipment using advanced technology, and also a main way of procurement adopted by US Army. US "competition report of DOD in 2008 fiscal year" shows that in the past decade, the ratio of competitive procurement averaged 61%, the ratio of competitive purchasing contract keep at around 80%. Compared with US Army, the share of competitive equipment purchasing contract in Chinese troops is much smaller, hence it needs to expand the scope of competitive purchasing, and by the way select excellent enterprises as the suppliers.

The most important in the practice is to cut down administrative means, resorts to market power and increase the ration of competitive purchasing contracts.

3.4 Improve the military pricing system.

We know in the military product market, army is the sole buyer, and a few monopoly enterprises are product sellers, so government can intervene in the price making of military goods.

Since the price of military goods directly determines the benefits gained by all the market participants, nation can adjust enterprise entrance and exit of the market by controlling the price. Japan Defense Agency reaches the agreement with main defense enterprises at a price level 30% higher in order to attract and encourage the civil enterprises engaging in military product.

While in China, the price making system now still belongs to the way of planned economy, military production profits are set uniformly by the government, not subject to market competition.

It goes against attracting high-quality private enterprises to enter the military market and against weed out backward production capacity. Deepen military pricing system reform is to form a pricing model of the social average cost plus differential profit.

Generally, military production has characteristics of high-technology, technical exclusiveness and limited scale, military production margins should be higher than civilian production.

Meanwhile, the differential profit margins for different military goods can inspire and guide more civil enterprises to participate in the development and production of military goods, and defense industrial enterprises can develop and use more dual-use high technologies and products.

4. BENEFIT-ORIENTED SYSTEM OF TAX DEDUCTIONS

It is common practice of world's major countries to relatively increase revenue of "conversion from defense to civilian", or "Converse from civilian to defense" enterprises, or enterprises engaged in the development and production of dual-use technology and product through tax relief. After the end of the Cold War, in French, shipping industry was granted with tariff-free on the imported shipbuilding materials and equipment, and the shipyards and the purchasers were exempted from VAT in order to help the shipbuilding industry insufficient of military order develop civil and international market. Korean "defense tax", "defense industry special law" stipulates that giving military industrial enterprises and dual-use enterprises tax incentives, including partial or complete exemption from customs duties, sales tax, VAT, etc. Russian Federation "tariffs Law" states: "General Contractor (contractor) grant tax-free on technology updates equipments and other products imported for defense procurement."

In recent years, China has also implemented a number of tax policies to promote the development of civil-military integration, such as income tax exemption on high-tech enterprise for two years and later income tax levied by half; waiving part of the defense industry enterprises VAT and land use tax; national defense scientific research units exempting from sales tax for the revenue of technology transfer and so on.

However, the existing preferential tax policies are not fully adapted to the requirements of civil-military integration and needs further improvement.

One is carrying out a unified tax policy for enterprises engaged in the development and production of military goods.

On the one hand, government should allow all kinds of civil enterprises, institutions bearing weaponry research and production enjoy tax exemption on VAT and land use as military enterprise does, simplify the tax management process;

On the other hand, the state should take full account of confidentiality and particularities of military enterprises in identifying high-tech enterprises, and make provision corresponding to military enterprises' reality in the scope of certification, intermediary auditing, intellectual property, etc. and make qualified military high-tech enterprises enjoy the same tax incentives as the civil high-tech enterprises.

Second, the government should study and formulate new tax policies to promote the development of military and civilian integration, such as drafting tax policy of high civilian-military compatible, high-end manufacturing, information industry, aerospace industry, marine industry, new energy industry; increase tax incentive supporting industrial upgrading of defense technology industry; implement tax policy promoting civil-military forces of science and technology to carry out joint research on key technologies, two-way conversion and application of advanced technology; introduce tax policy supporting medium to small enterprises to participate in military R&D; further promote the implementation of tax policy of military socialization.

Third, increase international cooperation of defense industry, using international resources to strengthen tax policy support on national defense construction.

For imported equipment in favor of coordinating economic development and national defense building, the state should adopt appropriate relief on VAT or other tax preferences, reducing the pressure on corporate financing.

5. BENEFIT-ORIENTED MECHANISM OF LOSS COMPENSATION

Whatever economic development taking into account the needs of national defense, or defense construction taking into account the economic needs, we need to increase construction costs.

In a market economy, civil construction projects will add cost due to the consideration of defense demand, and vice versa. If additional cost cannot be compensated, it will definitely affect enthusiasm and initiative of the local government, military departments and related enterprises to take the road of civil-military integration.

Therefore, to promote the development of military and civilian integration, we must follow the requirements of market economy, establish and perfect the mechanism of benefits loss compensation.

First, we must establish a loss compensation mechanism of economic structure taking into account the interests of national defense.

Economic layout with defense needs is the responsibility of all levels of government, but the central and local government take tax-distribution system, national defense requirements will increase additional spending of local government, affecting local government's enthusiasm of considering defense needs, such as bringing border cities and scenic spots into the prohibited zone; dispersedly layout concentrated production capacity etc., this will increase construction costs or affect the economic gains. Therefore, central government through transfer payments and other ways should give reasonable compensation for the benefits loss caused by the economic layout taking account of defense demand.

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Second, establish a loss compensation mechanism of major infrastructure with defense needs.

Energy, transport, communications, water conservancy, urban utilities and steel, nonferrous metals, petroleum, petrochemical, equipment manufacturing and other departments are all closely related with national security.

In these sectors, the massive infrastructure construction, such as highways, civil airports and ports, subway, power plants, communications hub implementing defense demand, will increase construction costs and impacts interests of related departments.

Under the condition of diversified investors, the central government should give a reasonable compensation for the additional costs and benefit loss through the central government direct payments or establishing special funds of large-scale infrastructure with defense demand.

Third, establish and improve the benefit loss compensation mechanisms of military mobilization enterprise.

Military mobilization enterprise usually refers to reserving military production capacity in peacetime and converting all or part of production capacity to military goods in times of war, including military enterprises with civilian production tasks, also civilian enterprises with military production tasks.

Military mobilization enterprises usually reserve military production capacity which needs to increase construction and maintenance costs, such as the use of flexible technology to make civilian production line having military production capacity; through sequestration of production line, there are plans to limit production to save part of the high-tech weaponry production capacity; enterprise reserve balance defense demand and so on.

In a market economy, economic benefits loss of the military mobilization enterprises caused by reserving military production capacity production capacity in peacetime, the state should through direct and indirect compensation, material and funds compensation, economic and non-economic compensation and other means, give reasonable compensation and encourage more enterprises to actively take obligations of reserving military production capacity in peacetime.

The fourth is to establish compensation mechanism for benefit loss in non-war military operations.

Military expenditure is special funds for a country to guarantee military construction and war in a given period.

In the new era, the army needs to respond to various security threats and accomplish diverse military tasks, apparently material and financial resources consumed in the non-war military operations are difficult to get full compensation from the military expenditure, need to get full compensation by increasing the budget of the national government expenditure.

In recent years, our army participated in flood, earthquake relief, Somalia escort and other non-war military operations, invested a lot of material and financial resources.

Although compensated, but the relevant policies, regulations and normalized compensation mechanism still need to be improved.

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