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Session I: Regional Arms Race and Implications for Conflict Constellations

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Arms Race: A Specter over East Asia?

East Asia has witnessed a new wave of military budget rises as ASEAN countries, China, S. Korea and India attempt to update their military procurement plans. Military expenditure in Asia and Oceania increased by 8.9% in real term in 2009, to reach \$ 276 billion, with increases in all sub-regions.¹ The rifts arisen from the South China Sea, the East China Sea and the Yellow Sea in 2010, presumably magnify the desire of military expense jump and might push for a new surge of weapon acquisition. In addition, “the region has seen considerable growth in arms manufacturing in terms of value, types of systems, sophistication and, particularly, national ambitions for such manufacturing.”² These trends suggest that the region is sliding into an arms race. Actually this is not a new fear. Fears of a revival of an arms race in East Asia emerged shortly after the demise of the Soviet Union. They have returned, sporadically, during the post-September 11 era and with North Korea’s nuclear brinkmanship policy. The surge of military expenditures in the region, by its very nature, reflects the vulnerability of regional security in East Asia. It does not, however, necessarily lead to the conclusion that a new arms race is underway.

No Singular Explanative Framework

A variety of factors explains the new wave of heated military budget increases in East Asia. The motivations vary from country to country. Several countries have raised their military spending to back up sovereign claims. For other countries, however, the increase is **flash-point-driven** and reflects a desire to proactively, rather than passively, deal with growing tensions and potential military conflicts that arise from longstanding insecurity in East Asia.

Some ASEAN countries, like Vietnam, Malaysia, and the Philippines, obviously want to strengthen their naval combat and patrol capabilities in defiance of China’s claims over disputed territory in the South China Sea and in response to any potential military contingency around the Spratly and Paracel Islands. Updating their outmoded military forces, these countries hope to reinforce their long-held claims to these islands. The islands are believed to hold significant oil and natural gas reserves, making them prized territories. They also sit near valuable shipping lanes. Combined with the spiraling claims in the South China Sea and the drilling for seabed resources, the modernization of naval and air forces suggests that the claimants are moving away from political compromise. In addition, the various plans to purchase new weapons might raise the interest of the

¹ SIPRI, SIPRI Yearbook 2010: Armaments, Disarmament and International Security, Oxford: Oxford University Press, 2010, p. 189.

² Institute of International Strategic Studies, The Military Balance 2009, p. 455.

United States and draw international attention to the contentious situation of the Spratly and Paracel Islands. U.S. Senator Jim Webb (D-VA), for instance, held a hearing on July 16, 2009, to examine China's attempt to "expand its territory" in the South China Sea.³

India's new enthusiasm to purchase U.S. weapon systems is arguably to counter China's claims to the border area at dispute between the two countries. New Delhi is also intensely concerned that China might initiate a new border attack, as Beijing did in 1962. Since 2008, India has reinforced its military deployment at the disputed border area by stationing Su-30MKI jet fighters and adding two more infantry brigades. Although China has little interest at the moment in using military force to take back the Chinese-named Southern Tibet territory, New Delhi's perception of a strong China threat is understandable given the historical memory of past border conflicts.

Meanwhile, the mounting expenditures on defense in East Asia partly come from a **hedging strategy-driven** approach to the changed security landscape in the region and growing uncertainty in the future. Most countries in the region that are increasing their military spending are hedging against these expanded security concerns. For instance, China's increased military power might spark these concerns and spur growth in defense expending accordingly.

Australia's 2009 Defense White Paper is a case in point. This White Paper, in describing how much strategic risk Australia is prepared to bear and hence how much military power it should develop, proclaims that China "will be the strongest Asian military power by a considerable margin," and will be "critical to the stability in Northeast Asia and the wider region." The essential theme of future defense planning for Canberra is to "along with the U.S., Japan, India and others, reinforce military capability, develop defense relationship, and "engage China as a responsible stakeholder."⁴ For this purpose, the White Paper recommends that Canberra acquire long-range cruise missiles, double its submarine fleet to 12, and buy 100 F-35 Joint Strike Fighter jets and eight new warships under a plan titled "Force 2030."⁵

Australia's Sino-focused strategy, which met with unease in Beijing, signals that China's rise is causing some awkwardness for the Rudd government as it assesses how China will affect Australia's strategic situation and its defense needs.⁶ The White Paper is a sophisticated response to the potential negative impact of China's rise. It does not only signal Australia's biggest defense budget

³ Gabe Joselow, "US Reaffirms Its Rights to Operate in South China Sea," NewsVOA.com, July 16, 2009. at <http://www.voanews.com/english/2009-07-16-voa4.cfm?renderforprint=1>

⁴ Australian Department of Defense, "Defending Australia in the Asia-Pacific Century: Force 2030," Defense White Paper, March 2009, pp. 32-33, p.95.

⁵ Amy Coopes, "Australia in \$ 700 Billion Boost to Military", New York Times, May 2, 2009.

⁶ Hugh White, Australia's Defense Priorities in the Asian Century, Sydney: Lowy Institute for International Policy, 2009, p.17.

increase since the early 1970s but also indicates that the Rudd government plans a strategic posture of “forward defense” against any possible U.S. retreat in the face of China’s advance.⁷ Ironically, Australia seems to rely on the rise of China to fund its defense against the rise of China.

South Korea’s military increase combines both “flash-point-driven” and “hedging-strategy-driven” factors. The Lee Myung-bak Administration, which took office in early 2008, has been inclined toward closer alliance relations with the United States and has coordinated its overall foreign and defense policies with Washington to proactively address growing tensions. Han Sukhee argues that Seoul, in its strategy toward China, should comply with U.S. policy and hedge Beijing’s growing regional influence on the Korea peninsula in particular and in East Asia in general.⁸

In fact, the Lee administration’s policy adjustment reflects South Korea’s longstanding fear of Beijing’s expanded influence in Pyongyang and exposes a growing awareness of how little China has helped in dismantling North Korea’s nuclear capability and.⁹ Under the reign of Korean conservatives, Seoul has completely abandoned its “sunshine policy” toward the reclusive North. The government is pushing instead for a settlement based on “pressure and isolation tactics” to force regime change or the transformation of the DPRK. From the point of view of Korean conservatives, China’s reluctance to leverage its influence over the North and its continued embrace of the DPRK as its “socialist little brother” reflects a Chinese conspiracy to perpetuate the separation of the North and the South because Beijing needs the communist North as a “strategic buffer.”¹⁰

South Korea is in the same predicament as Australia. It remains unclear how long this Korean version of hedging against China can last, since Seoul is increasingly dependent on the Chinese market for its economic boom. South Korea achieved a 2.3% boost in economic output in the second quarter of 2009, which Korean media attributes largely to China’s growing import volume from Korea.¹¹

China’s military modernization has proven to be the third factor behind military budget increases in the region. The reason for Beijing’s large defense increases over the past two decades is not a secret. China is anxiously pursuing great-power status globally and yet remains insecure about its sovereign dignity, territorial integrity, and extended national interests. Beijing’s sizable territory, the ethnic and

⁷ “Rear Admiral Rudd Back to ‘Forward Defense’?” *The Week*, 8 May 2009, p. 3.

⁸ Han Sukhee, “ROK’s Hedging Against China Policy in Formulation,” *The Korean Analysis of Defense Affairs*, Vol. 18, No. 3 (Fall 2008), pp.

⁹ Anna Fifield, “Beijing’s Rising Influence in Pyongyang Rises Fears in Seoul,” *Financial Times*, February 3, 2006.

¹⁰ Leon V. Sigal, etc., “Deciphering N. Korea,” *Global Asia*, Vol. 4, N. 2 (Summer 2009), pp. 8-40; G. John Ikenberry and Chung-in Moon, *The United States and Northeast Asia: Debates, Issues and New Order*, New York: Rowman & Littlefield Publishers, Inc., 2008.

¹¹ “Korean Economy Got to Rebound,” *Korean Times*, July 17, 2009.

domestic unrest at home, and the complications of its relations with neighboring countries all add to its insecurity.

Many China watchers in the West contend that the weak legitimacy of the Communist Party of China (CPC) has spurred its military buildup. But this is mostly an attribution error. Despite a great number of challenges from home and abroad, the CPC's ruling legitimacy has not suffered from any shock. The Chinese people do not believe that a change of ruling party or the CPC's relinquishing of power will resolve their complaints. Even if domestic unrest flares up, China would likely turn inward rather than outward, even at the cost of effectively muting an assertive foreign policy.¹²

With the advent of China on the world stage, however, the enduring separatist threats from Taiwan, Tibet, and Xinjiang, and Chinese perceptions of "foreign intervention" behind them – as well as increasing dependence on the world market, the need for the safe transportation of oil and raw materials, and the consequent focus on maritime security – are the formidable obsessions behind China's security thinking and the upsurge in new military investments. Of course, China's economic development in fact allows the government to devote a bigger share of swelling national revenue to the defense budget. In general, these policies enjoy majority consent in the country.

China's military aspirations, in other words, derive from its current transition. These motivations have less to do with certain strategic goals or some desire to change or preserve the status quo. Rather, they have more to do with Beijing's sense of national pride, the imperative of the state to counter separatist pressure and address potential contingencies arising from this pressure, and the need to develop a capability to cope with "uncertain war."¹³

China's expanded military capabilities and its flexible strategic goals will continue to plague its international standing for some time. Going deeper into the core of Chinese "insecurity" dilemma, it is not hard to understand Beijing's heavy investment in the military. Domestically, military modernization is a reliable and visible way to deter ethnic and separatist rebel movements and enhance national cohesion; internationally, it reflects a preoccupation of the leadership to counter ideological antagonism.

Essentially, Beijing has only two choices. One would be to toss out its ruling CPC, embark on democratization, and become a full-blown follower of Anglo-American preeminence. The other would be to maintain its current policy and help formalize the "Beijing consensus" by all means, including military muscle. China's historical grievances, its opaque patriotic culture, and the great power

¹² M. Taylor Fravel, *Strong Borders Secure Nation: Cooperation and Conflict in China's Territorial Disputes*, Princeton and Oxford: Princeton University Press, 2008; Susan Shirk, *China: the Fragile Superpower*, Berkeley: University of California Press, 2007.

¹³ John Wilson Lewis and Xue Litai, *Imagined Enemies: China Prepares for Uncertain War*, Stanford: Stanford University Press, 2006.

legacy emanating from its long history push it toward its current strategic choice. Therefore, China's military budget increase falls into a different category. It is neither a hedge strategy nor flashpoint-driven, but could be summed up as **“governance driven.”**¹⁴

Arms Race in Deed: Not Really

Despite the varied motives behind the surge of military spending in East Asia, no one can deny the growing tension and unease that have complicated security transactions in the region. Australia's Defense White paper, for example, makes Beijing quite unhappy, and, as a result, Beijing has overhauled its policy toward Canberra. China's passion to undertake a strategic dialogue with Australia, initiated in 2007, has subsided substantially. The current two-track approach in the handling of controversies between China and Australia involves a political cooling off alongside the maintenance of economic warmth. But whether the deterioration of Beijing-Canberra ties in the strategic realm is temporary or not, it has no bearing on improving regional security cooperation.

As such, the surge of defense expenditure in East Asia does not add up to an arms race. No country in East Asia wants to see a new geopolitical divide and spiraling tensions in the region. The growing defense expenditures powerfully illuminate the deepening of a regional “security dilemma” -- whereby the “defensive” actions taken by one country are perceived as “offensive” by another country, which in turn takes its own “defensive” actions that the first country deems “offensive.” As long as the region doesn't split into rival blocs, however, an arms race will not ensue. What is happening in East Asia is the extension of what Robert Hartfiel and Brian Job call “competitive arms processes.”¹⁵

The history of the Cold War history is telling in this regard. Arm races only occur between great power rivals if the rivalry is doomed to intensify. The perceived tensions in the region do not automatically translate into consistent and lasting increases in military spending. Even declared budget increases are not irreversible. Taiwan's defense budget for Fiscal Year 2010, for instance, will fall 9%.¹⁶ This is a convincing case of how domestic constraints can reverse a government decision to increase the defense budget. Australia's 20-year plan to

¹⁴ Beijing's military parade marking the 60th anniversaries of the foundation of Red China clearly reinforces the notion that China is moving to a stronger military. David Shambaugh argues that “it is a sovereign autocracy beating its chest for its own public, showing off its muscle to the outside world and, yes, selling its wares to whoever will buy them. The politics of inertia predetermined the result.” See Cady Epstein, “Military Parade or Trade Show?” *Forbes*, September 30, 2009.

¹⁵ Robert Hartfiel and Brian L. Job, “Raising the risks of war: Defense spending trends and competitive arms processes in East Asia,” *The Pacific Review*, Vol. 20, No. 1 (March 2007), pp. 1-22.

¹⁶ “Taiwan Cuts Defense Spend for Second Year,” *Jane's Defense Weekly*, August 3, 2009.

increase the defense budget could change with a domestic economic contraction or if a new party comes to power. China's two-digit increase in military budget might vanish one day if the type of regime changes or the high rate of economic growth slows. Without a geopolitical split or a significant great-power rivalry, military budget increases will not likely evolve into "arms races." The security dilemma alone is not a leading variable in determining the curve of military expenditures.

Nor will trends in weapon development and procurement inevitably induce "risk-taking" behaviors. Given the stability of the regional security architecture—the combination of U.S.-centered alliance politics and regional, cooperation-based security networking – any power shift in East Asia will hardly upset the overall status quo. China's military modernization, its determination to "prepare for the worst and hope for the best," hasn't yet led to a regional response in military budget increases. In contrast, countries in the region continue to emphasize political and economic engagement with China, though "balancing China" strategies can be found in almost every corner of the region as part of an overall balance-of-power logic.¹⁷

In the last few years, China has taken big strides toward building up asymmetric war capabilities against Taiwan. Beijing also holds to the formula of a peaceful solution of the Taiwan issue except in the case of the island's *de jure* declaration of independence. Despite its nascent capability of power projection, China shows no sign that it would coerce Taiwan or become militarily assertive over the contentious territorial claims ranging from Senkaku Islands to the Spratly Islands to the India-China border dispute. Beijing's ire on the detained Chinese trawler captain on September 7, 2010 has been much targeting the Kan Administration's provocation other than testing Japan's response. In fact, neither of the sides wants the incident to escalate into military tension. On contrary, China's domestic power struggle on foreign policy aggravates Beijing's response to Japan in the wake of the latest Senkaku friction.¹⁸

Current tension between China and Japan sounds alarming bell for the vulnerability of East Asia security. Many Asian observers agree that East Asia is in transition. But the key questions concern the sources, the pace, and direction of the transition. There is growing speculation that post-Cold War U.S. regional hegemony is eroding, due primarily to Washington's significant international commitments in the Middle East, Afghanistan, and Pakistan as well as the impact of the global financial crisis and the rapid rise of China. At the same time, new challenges, such as a nuclear North Korea, a changing Japan, difficult-to-solve territorial disputes across the region, contentious history issues, and, perhaps most

¹⁷ For an in-depth analysis of regional responses to China's rise militarily and strategically, please see Evan S. Medeiros, etc., *Pacific Currents: The Responses of U.S. Allies and Security Partner in East Asia to China's Rise*, Santa Monica: The Rand Corporation, 2008.

¹⁸ John Pomfret, "Dispute with Japan Highlights China's Foreign Policy Power Struggle," *The Washington Post*, September 24, 2010.

importantly, the “security dilemma” arising from a power shift in the region have emerged as potentially destabilizing factors. What is the regional security perspective, and what will be the emerging trends? The answer varies tremendously according to the respective preferences, strategic goal-setting, and interest calculations of the regional member states.

As John Ikenberry and Michael Mastanduno argue, “the Asia-Pacific is a mosaic of divergent cultures and political regime types, historical estrangements, shifting power balances, and rapid economic change.”¹⁹ But how will this “mosaic” evolve and what will be the sustainable outlook of great power relations in East Asia? David Shambaugh optimistically assumes that the ongoing power shift in East Asia will not likely lead to a dramatic strategic shift in the East Asian order.²⁰ Similarly, as Robert S. Ross and Zhu Feng emphasize, structural and long-term international factors and short-term U.S. and Chinese policy trends allow for tempered optimism that a power transition, albeit competitive and costly, can remain peaceful.²¹ But can such optimism be sustained in the foreseeable future?

A focus on aggregate defense spending can’t mask the effects of increasingly volatile regional security flash points, like nuclear North Korea, fretting territorial disputes and regional power shifts involving China, India, and Japan. Any serious exploration of regional security dynamics, however, must recognize that there are no important hidden shifts in national strategies. So far, power shifts in East Asia have not substantially destabilized the military balance. Nor has the global financial crisis opened up a “window of opportunity” for any power in the region to engage in military adventurism.

Despite speculation about America’s power in the world – whether it is declining or staying the same – U.S. primacy both at the regional and global level remains intact. Given the huge and enduring power disparities in the world, the increasingly symbiotic nature of power relations in economic terms, and the networked relationships among states, no power could take advantage of the current situation to dramatically upset the status quo.

Notwithstanding, Obama Administration has reinforced US-centered balancing system in East Asia. Resorting to “returning to Asia”, the United States has added to its credibility of regional security commitment and taken a bigger part in the regional security settlement. For example, the US has unequivocally supported Tokyo for its Senkaku claim, and stressed American “national interests” in the South China Sea and led the ASEAN to pushing back against China’s SCS allegation. Yet, behind the emphasis on Asia is Obama’s longer-term concern over

¹⁹ John Ikenberry and Mike Mastanduno, eds., *International Relations Theory and the Asia-Pacific*, Princeton: Princeton University Press, 2003, Preface.

²⁰ David Shambaugh, ed., *Power Shift: China and Asia’s New Dynamics*, University of California Press, 2005.

²¹ Robert S. Ross and Zhu Feng, eds., *China’s Ascent, Power, Security and the Future of International Politics*, Ithaca: Cornell University Press, 2008.

how the American economy, still dizzy from the burst credit bubble, will grow in the coming decades, other than rivaling China in public.²² China has factually been less worried with the “about face” of US policy of China. Consequentially, there is no desire in deed that Beijing should tremendously invest in military modernization to stand up to the American threat.

Thus, the U.S.-led balance-of-power system in the region will endure, and the U.S.-centered liberal order will continue. In addition, China will continue to enjoy a re-emergence in this unipolar system while seeking to avoid stepping on American toes. It’s quite unlikely that China’s domestic nationalistic sentiments, despite of growing clamors in the voice of foreign policy, will not dramatically change Beijing’s strategy of “Peaceful Rise”. In the coming days, Beijing’s naval buildup will not be able at all to pose any real “threat” in maritime area. As long as cooperative relations between Beijing and Washington remain constructive and stable, there will be no surge of military acquisition and no spike in defense spending that could cause an arms race in the overall region.

Conclusion

The contending nature of security concerns should not weaken regional security efforts, which are shared, interconnected, and indispensable. The future of regional security need not be gloomy, as long as we can figure out now to properly handle security challenges in a way to re-energize regional financial and economic integration in the wake of the global financial crisis (China, for instance, is agonizing over the repeated demand for greater transparency and vigilant oversight from its neighbors). Meanwhile, there is little evidence that Beijing’s increased military budget encourages instability in the region. Nevertheless, the avoidance of diplomatic clashes and the management of contending security concerns should be a concern for every country in the region.

Regional security cooperation has for decades been organized around U.S.-led bilateral security pacts, anchored in the U.S.-Japan and U.S.-ROK alliances. Such security ties have been extended into Southeast Asia over the past decade. But the region is changing and efforts to build multilateral regional associations are growing. Rising defense budgets, unresolved territorial disputes, growing nuclear proliferation threats, and mounting nationalistic sentiments might derail this regional security course. Reining in such elements requires institutionalizing security concerns in new collective ways. Furthermore, the increased salience of new and non-traditional security issues, such as energy and environmental security, transnational crime, and terrorism, is also creating new constituencies

²² Scott Wilson, “Obama’s UN Visit includes strong outreach to Asia”, The Washington Post, September 28, 2010.

that urge expanded regional security cooperation. The goals of the Six Party Talks must go beyond denuclearization to embrace a diversity of security goals among the regional member states. A multilateral regional security mechanism is the best way to mitigate rising defense budgets.