

PS 9 (d)

PLENARY SESSION NINE 3 JUNE 2015

CALIBRATING THE DESIGN OF THE ASIA-PACIFIC SECURITY ARCHITECTURE

A New Arms Race in Sight? – a Qualitative Assessment of the Current Geopolitical
Rivalry in East Asia
by

Prof Dr ZHANG Zhexin

Research Fellow
The Shanghai Institutes for International Studies (SIIS), China

SPONSORS











Dr. Zhexin ZHANG, Shanghai Institutes for International Studies (SIIS)

A New Arms Race in Sight? —a qualitative assessment of the current geopolitical rivalry in East Asia

East Asia today seems to be witnessing a new round of arms race. With its rapid military technological upgrade and blue-navy buildup over the past years, China is leading the increase of military spending in the region, and many others are following suit. The U.S.' rebalancing posture has further prompted the trajectory of regional military buildup and political contention. Many observers thus posit the escalating geopolitical rivalry in East Asia and growing possibilities of acute conflicts among disputant countries over territorial sovereignty or maritime rights and interests. Before lamenting this gloomy future, however, we should look beyond general perceptions and ask: Is an arms race truly dawning on East Asia? A qualitative answer is required because it is the key to sober understanding of the current trends of geopolitical rivalry in the region, only on which basis can a sustainable and effective regional strategy be made.

I. Rivals are in the eyes of the beholder: why do people opine differently?

Despite the perceived lack of transparency in some countries' military spending and the different statistical methods applied, observers actually look at the same data and openly-reported facts, yet come to very different conclusions. There are mainly three contending views on whether an arms race is arising in East Asia, namely, the pessimist, the optimist and the uncertain.

The pessimistic view is shared mostly by strategy- or military-related thinktank researchers, who not only refer to the climbing military spending of East Asia as a whole vis-a-vis other regions, but also emphasize the phenomenal investment of regional powers in sea-denial capabilities mainly including anti-ship missiles and submarines. They notice that East Asia's total military expenditure has risen from US\$ 222 billion in 2007 to \$329 billion in 2014, compared with a meager rise from US\$ 386 b. to US\$ 391 b. for Europe and a remarkable drop from US\$ 625 b. to US\$ 596 b. for North America during the same period. Some further point out that nearly all major players in the region—the U.S., China, Japan, South Korea, India, Vietnam and Indonesia, to be more specific—are engaged in an ever more intense competition

¹ Although "East Asia" is a vague geographical term, most scholars would agree that, in geopolitical sense, it covers 19 sovereign countries including China, Japan, North Korea, South Korea, the ten ASEAN members, the US, Russia, India, Australia and New Zealand, i.e., the 18 members of East Asia Summit together with North Korea.

² SIPRI Military Expenditure Database: 1988-2014.

for latest models of, if not outweighing number in, aircraft carriers, submarines and jet fighters.³ While Chinese analysts who acknowledge the emerging arms dynamics tend to attribute the trend to the lasting security dilemma in the region and especially the U.S.' military "pivoting to the Asia-Pacific," most from other countries trace the accelerating regional military buildup to the rapid rise of China's strategic power.⁴ As portrayed in a *Wall Street Journal* essay, "From the Arabian Sea to the Pacific Ocean, countries fearful of China's growing economic and military might—and worried that the U.S. will be less likely to intervene in the region—are hurtling into a new arms race." Therefore, in order to "keep China in check" and prevent a new Cold War, many analysts encourage the U.S. to keep investing in East Asia on military, diplomatic and economic dimensions, and, if necessary, even to work with Russia and other major powers to thwart China's rapid military modernization plans.⁶

Standing on the opposite are mainly Chinese scholars, though a few analysts from other countries are also optimistic about the current trend of regional military buildup. According to them, the increasing military spending of regional powers owes more to their domestic concerns such as anti-terrorism, long-term deficiency in military modernization and inter-interest group political game, than to a fear of external threats. A comparative assessment of the military expenditure of major players over the past decade also negates the widely-held misperception of a "tit-for-tat" arms race among them.⁷ Besides, some observers correctly point out that, given the huge power gap between China and the U.S., China's rapid military buildup does not aim to seek

³Hundreds of papers have been written on the East Asian arms race since 2009. For example, see Christian Bedford, "The View from the West: Asia's Race for Carriers," *Canadian Naval Review*, Spring 2009, Vol. 5, No. 1, pp. 33-5; Mackenzie Eaglen and Jon Rodeback, "Submarine Arms Race in the Pacific: The Chinese Challenge to U.S. Undersea Supremacy," *The Heritage Foundation Backgrounder*, No. 2367, Feb. 2010; Bates Gill, "From Peaceful Rise to Assertiveness? Explaining Changes in China's Foreign and Security Policy under Hu Jintao," SIPRI Conference Paper, April 19, 2013, http://books.sipri.org/files/misc/SIPRI-Hu%20Gill.pdf; Desmond Ball, "Asia's Naval Arms Race: Myth or Reality?," paper for the 25th Asia-Pacific Roundtable, June 1, 2011, http://www.isis.org.my/files/25APR/paper cs 2 desmond ball.pdf.

⁴Most Chinese scholars believe that it is the U.S. rebalancing to Asia that has deteriorated the security dilemma and triggered the upwards of regional military buildup. See, for instance, Tang Yongsheng, Li Li and Fang Ke, "Evolution of the Strategic Situation in the Asia-Pacific and Its Implications to China's National Security," *Contemporary International Relations*, Vol. 8, 2013, pp. 1-5, and Lin Limin, "The 'Deficiency' and 'Supplement' of Security Mechanisms in the Asia-Pacific," *Contemporary World*, 2012 (7), pp. 22-6. For a critical review of China's role in East Asian Military Buildup, see Peter Shearman, ed., *Power Transition and International Order in Asia: Issues and Challenges*, New York, NY: Routledge, 2014, Carlyle A. Thayer, "The Rise of China and Maritime Security in Southeast Asia," IDE-JETRO Policy Analysis, February 2012, and Bruno Hellendorff, "Military Spending and Arms Transfers in Southeast Asia: A Puzzling Modernization," Group for Research and Information on Peace and Security (GRIP) Analysis, June 20, 2013.

⁵Amol Sharma et. al., "Asia's New Arms Race," The Wall Street Journal, Feb. 12, 2011.

⁶Henry D. Sokolski, ed., *The Next Arms Race*, U.S. Army War College SSI e-book, July 2012, pp. 1-23. Also refer to Josh Wineera, "Can Today's Great Powers Avoid a Cold War in a Warm Pacific? From the Fulda Gap to Walu Bay," University of New Zealand Research Paper, May 2012, http://www.massey.ac.nz/massey/fms/Massey%20News/2012/6/docs/Wineera-Pacific.pdf.

⁷GuoRui and Wang Xiaoke, "An Analysis of the Driving Forces of East Asian Military Buildup since the End of the Cold War," *Foreign Affairs Review*, Vol. 3, 2013, pp. 109-125; Geoffrey Till, "What Arms Race? Why Asia Isn't Europe 1913?," *The Diplomat*, Feb. 15, 2013. See also Kurt Amend, Talk on "Cross-Straits Series: the Coming Asian Arms Race," Atlantic Council conference, Washing, D.C., Aug. 22, 2013. http://www.atlanticcouncil.org/en/events/past-events/cross-straits-series-the-coming-asian-arms-race.

regional dominance, but "asymmetric deterrence" against the U.S. instead, thus should not be overestimated. In short, before a truly tit-for-tat arms race has taken place, it is dangerous to hype up the concept not only because it might end in a self-fulfilling prophesy, but also because of the "crying-wolf effect" where people become so accustomed to phony warnings that they will lose a sense of urgency facing real security threats in the future.

Between the optimists and pessimists are those who remain uncertain of where the current trend of regional military buildups is heading. On the one hand, they recognize the accelerating military expenditure—especially in naval buildup and military technological upgrade—of major regional players, and agree that the outbalancing military buildup of China may induce others to bind together or even launch a "preventive war" against it. On the other hand, they maintain that most regional players still refrain from keeping up with the frontrunner, and the region as a whole invests more in the quality rather than the quantity of armament, hence not an arms race yet. Moreover, some argue that the nature of an arms race is not to be decided merely by the increasing military spending, but "it is the combination of defense spending with behavior, with rhetoric, with perceptions of intentions that ultimately determines the destabilizing or stabilizing effect of military modernization." In other words, East Asia can avoid a serious arms race by averting the prevailing contentious mentality and strengthening security cooperation among regional players.

From the above analysis we can see that, although the three major views are based more or less on the same data concerning military expenditures of East Asian countries, and they all notice the relatively faster military buildup of a few key regional players, especially China, yet they differ greatly in three observations: (1) momenta behind the rising military spending, i.e., is it mainly triggered by China's rise, the US rebalancing or diverse domestic concerns? (2) major growth points of military spending, i.e., is the bulk of military investment put in expanding or upgrading the arsenal? (3) modes of the concurrent military buildups, i.e., to what extent are they following a "tit-for-tat" spiral upward? Holding such diverse perspectives, the three views naturally see very different trends of geopolitical rivalry in East Asia and therefore drive at different proposals for peace and stability of the region.

Interestingly, the three diverging observations nearly correspond to the three basic criteria by which to define the genuine occurrence of an arms race: the more or less matchable sizes of competing parties, their deliberate endeavors to outpace each other in specific or overall

⁸Joseph Gerson, "Countering Washington's Pivot and the New Asia-Pacific Arms Race," *Magazine*, Jan. 27, 2013; Kara Hawkins, "China and the Asia Security Balance," *Journal of Australia-China Affairs*, Vol. 3, 2013, pp. 26-32.

⁹Felix K. Chang, "More Is Not Enough: Arms Buildups, Innovation, and Stability in the Asia-Pacific," Foreign Policy Research Institute E-Notes, November 2013; Richard A. Bitzinger, "A New Arms Race? Explaining Recent Southeast Asian Military Acquisitions," *Contemporary Southeast Asia*, Vol. 32, No. 1, 2010, pp. 50-69.

¹⁰Ely Ratner, Talk on "Cross-Straits Series: the Coming Asian Arms Race," Atlantic Council conference, Washing, D.C., Aug. 22, 2013.

capabilities, and the tit-for-tat dynamics of military buildups.¹¹ Thus, we can examine the current regional geopolitical rivalry by focusing on the three dimensions—key players involved, major driving forces behind their military spending and, more importantly, their respective strategic goals—in a much clearer framework.

II. Not all about the Elephant: to what extent is China's rise changing the arms dynamics?

In a sensational best-seller a decade ago, China was depicted as "an elephant in a china shop"—even its subtle movements would arouse great anxieties from others. ¹² Indeed, it is widely believed that it is China's rapid rise and "assertive" behavior to its neighbors that triggered the new rounds of military buildups in the region. By such logic, East Asia is inevitably entering an arms race, for other players will try their best to keep pace with the rising Chinese military power almost by instinct. However, such assumptions do not cohere with either statistical evidence or official lines of all regional players.

Above all, by the matchable-size criterion, only a few players qualify for an arms race, and there is clearly NO arms race going on among them. As indicated by a comparison of the changing military expenditures of major East Asian geopolitical players since the end of the Cold War, only five—the U.S., China, Japan, Russia and India—are potential parties of an arms race in terms of military power and historical ties with the region (see Fig. 1). Other players either have very limited power or lack a regional ambition such that their military buildups serve mainly self-defense and domestic-stability objectives. Of the five potential competitors, the U.S.' and Japan's military expenditures remained the same level between 2005 and 2014, while those of China, Russia and India rose by 119.5%, 97.6% and 38.5%, respectively. Considering the fact that the majority of Russia's military forces are deployed in Europe and Central Asia, and that India's high military spending is mostly targeted at its periphery (despite its growing engagement with East Asia on security issues in recent years), ¹³ we can reasonably say that China's lasting military investment has not triggered similar responses of potential competitors. In other words, the major powers in East Asia have not entered into an arms race. Similarly, of other smaller players, only three countries' (Indonesia, Vietnam and Thailand)military spending underwent a significant increase mainly due to the "complementary upgrade" of its increasingly faded

¹¹Richard A. Bitzinger, "A New Arms Race? Explaining Recent Southeast Asian Military Acquisitions," Contemporary Southeast Asia, Vol. 32, No. 1, 2010, pp. 50-69. A simpler interpretation is given by Dr. David Robertson, a renowned Oxford professor: an arms race is in essence "a central part of balance of power theory: any technological advance by one side threatens the other, which then tries to build better weapons, forcing the first mover to improve its weapons, and so on." See David Robertson, *A Dictionary of Modern Politics*, 2nd Edition, London: Europa Publications Limited, 1993, p. 28.

¹² Erik Izraelewicz, *Quand La Chine Change Le Monde* (translated by Yao Haixing, et. al.), Beijing: CITIC Publishing House, 2005. p. 6.

¹³Yi Ming, "An In-depth Analysis of the Implications of Military Expenditure in the Asia-Pacific to China's Security," *Contemporary Economics*, Vol. 2, 2014, pp. 78-80.

military capacities, thus reputing the widely held misperception of a lesser-scale arms race among ASEAN members. 14

Fig. 1.Military expenditures of selected East Asian powers (1992-2014), in 2011 constant US\$ (billion).

	1992	2001	2005	2009	2011	2013	2014	% of total GDP, 2014	Growth rate 1992-2014
U.S.	489.2	397.3	579.8	701.0	711.3	617.9	577.5	3.5	18%
China	25.3	45.4	71.5	128.7	147.3	174.0	191.0	2.1	655%
Japan	52.5	60.3	61.3	59.7	60.5	59.4	59.0	1.0	12%
S. Korea	16.4	20.6	24.7	30.1	30.9	32.4	33.1	2.6	10%
Russia	62.3	33.7	46.4	64.5	70.2	84.9	91.7	4.5	47%
India	16.8	28.6	36.1	49.0	49.6	49.1	50.0	2.4	198%
Australia	16.0	18.7	21.4	26.7	26.6	25.4	27.2	1.8	70%
N.Z.	2.0	2.0	1.9	2.2	2.1	2.0	2.2	1.2	10%
Vietnam	0.7		1.6	2.6	2.7	3.3	3.6	2.2	414%
Singapore	4.2	7.5	8.6	9.4	8.9	8.9	9.1	3.3	117%
Indonesia	1.9	1.9	3.6	4.3	5.8	9.0	8.1	0.8	326%
Malaysia	2.4	3.0	4.5	4.8	4.8	4.8	4.9	1.5	104%
Thailand	4.7	3.3	3.1	5.8	5.5	5.6	5.7	1.5	21%
Philippines	1.8	2.1	2.3	2.5	2.7	3.1	3.0	1.1	67%
Total	696.2	624.4	866.8	1091.	1128. 9	1079. 8	1066. 1		

Figure compiled by the author. Source: SIPRI Military Expenditure Database: 1988-2014.

Next, the arms dynamics in East Asia is driven by many forces other than a shared concern to balance the rising Chinese power. Many observers have noted that, instead of the pressure from geopolitical competition or external threats, domestic concerns have grown to be the major driving force behind the military buildup of most East Asian countries, including the replacement

¹⁴ Such misperception does not only cover front pages of public media, but often appears in more scholarly works as well. See, for example, "PLA Thinktank: Countries around the South China Sea Speed up Military Purchases Accelerating an Arms Race," Xinhua News, May 30, 2013, and Du Qinghua, "An Economic Analysis of the Arms Race in Southeast Asia after the Cold War," *Productivity Research*, No. 11, 2011, pp. 100-2.

of outdated capabilities, bigger military budget corresponding to the booming economy, domestic security demands as well as bureaucratic and interest-group politics.¹⁵ For example, despite China's double-digit increase in military spending over the past decade, its military modernization level had remained quite low by 2010, with a modernization rate of 56% for submarines, 40% for air defense forces and only 26% for the air and naval surface forces, thus calling for more investment to overhaul its military system.¹⁶ The case of Indonesia, one of the only ASEAN member with a significant increase in military spending over the past years, also reflects increasing prosperity and the impact of domestic politics rather than a reaction to the rise of China (as many believe Australia to be their key external threat).¹⁷ Furthermore, out of the expectation of many for a more intense competition of military buildup after the U.S.' rebalancing strategy was announced in 2011, the arms dynamics in East Asia has not changed much, as indicated by statistics in Fig. 1.

Finally, no country intends to engage itself in an overt armament-oriented geopolitical rivalry in East Asia. On the contrary, they all take every opportunity to downplay the concept. A most revealing proof is the low rate of military expenditure out of the total GDP: of the 14 selected countries in Fig. 1, only Russia (4.5%), the U.S. (3.5%) and Singapore (3.3%) spend more than 3 percent of their GDP on military buildups, while other major powers all keep their military spending at a rather low rate, with Japan (1%) and Indonesia (0.8%) as the lowest. This marks a sharp contrast to the 7 to 10%, sometimes even a double-digit percentage, of the total GDP spent on military buildups by the U.S. and USSR during the Cold War era. On official aspects as well, all countries have adopted a more peace- and cooperation-oriented foreign strategy instead of a unilateral military buildup-focused strategy, and they ardently advocate "common and sustainable security" on all public occasions, such as Chinese President Xi Jinping's proposal of the "new Asian security concept" on the 4th Summit Meeting of the Conference on Interaction and Confidence-building Measures in Asia (CICA) held in Shanghai in May 2014, and the declaration by the 25th ASEAN Summit to "promote the primacy of diplomacy...and adopt peaceful international and regional dispute settlement mechanisms to address differences and disputes in the region and beyond."

In all, we can see that neither China's rising military power nor the U.S. rebalancing has changed the course of East Asian military buildups so far. The "elephant-aroused chaos" about the impact of China's rise on East Asian arms dynamics is to much extent a myth. Although numerous tensions remain unresolved in the region, and the geopolitical competition especially

¹⁵GuoRui and Wang Xiaoke, "An Analysis of the Driving Forces of East Asian Military Buildup since the End of the Cold War," *Foreign Affairs Review*, Vol. 3, 2013, pp. 109-125; Bruno Hellendorff, "Military Spending and Arms Transfers in Southeast Asia: A Puzzling Modernization," Group for Research and Information on Peace and Security (GRIP) Analysis, June 20, 2013.

¹⁶Office of the Secretary of Defense, *Military and Security Development Involving the People's Republic of China 2011*, Annual Report to Congress, p. 43.

¹⁷David C. Kang, "A Looming Arms Race in East Asia?," The National Interest, May 14, 2014.

among China, Japan and the U.S. is on the rise, yet "all countries are seeking ways to manage relations with each other that emphasize institutional, diplomatic and economic solutions rather than purely military solutions." How long the relatively stable arms dynamics will continue, and whether the trends of geopolitical rivalry can proceed in a benign way, largely depend on how East Asian countries work together to prevent the political and economic bifurcation of the region and develop an all-inclusive framework for common peace and development.

III. Escape the Thucydides Trap: can East Asia avoid militarized geopolitical rivalry?

A few years ago, Professor Graham Allison of Harvard University coined the term "the Thucydides Trap"—meaning that a war is inevitable between the established leading power and a rising challenger—to warn of the U.S.-China geopolitical rivalry. As many pessimists believe, despite the good will and efforts of related parties, East Asia will ultimately fall into war among those major geopolitical players because of the "deadly combination of calculation and emotion that, over the years, can turn healthy rivalry into antagonism and worse." However, no modern war can be fought without long-term preparation and military buildups. Other than the abovementioned peace-oriented foreign policy and official rhetoric of all East Asian countries, there are five key mechanisms that prevent the regional geopolitical game from escalating into a militarized one.

The first is a balance of fear of war. Throughout history the overwhelming security concerns of an established power over its presumptuous challenger has been the major cause for an ascending spiral of hostility and tit-for-tat arms races, as Thucydides famously wrote more than 2,400 years ago, "It was the rise of Athens and the fear that this inspired in Sparta that made war inevitable." In other words, it is the overriding unilateral fear of one party of a geopolitical rivalry, rather than one shared by both, that leads to the road of war. Today, however, owing to the extensive stakes all major powers hold in each other's wellbeing, the high costs of war, and the advance of weapons or technologies of mass destruction, there is a mutual understanding in all parties involved that a war has become increasingly unbearable if not totally unimaginable, hence a balance of fear of war.

The second is the ever-deepening complex interdependence. Compared with the rather low level of economic interdependence between Britain and Germany a century ago and between the U.S. and USSR during the Cold War, major powers today such as China and the U.S. depend on each other much more broadly in economic, political and social aspects, let alone their common task to tackle the myriad global security and developmental challenges. In fact, they now share such close ties like knotted gears that none can do well without the proper functioning of all.

¹⁸David C. Kang, "A Looming Arms Race in East Asia?," The National Interest, May 14, 2014.

¹⁹Graham Allison, "An Interview with Graham Allison," *The National Interest*, Oct. 8, 2013.

²⁰David E. Sanger, "Superpower and Upstart: Sometimes It Ends Well," *The New York Times*, Jan. 22, 2011.

The third is the shifting focus of government spending on domestic objectives. Since the end of WWII, the military expenditures of all major powers have constituted an ever-smaller proportion in their total government spending, with, for instance, the U.S.' statistics dropping from around 60% in the 1950s to below 20% in the 2000s, and China's statistics dropping from 20 to 30% in the 1950s to 8.66% in 1998 and further down to 6.49% in 2009. Apart from the public demands for better welfare and health systems, the increasingly democratized domestic political process in almost every country also constrains the government's deliberations in investing more in "guns" over "butter."

The fourth is the relatively easy attainment of asymmetric deterrence. Modern weapons and technologies are extremely expensive: a late-model jet fighter costs US\$20 to 40 million and an aircraft carrier costs billions, let alone the huge budget for daily maintenance and functioning. Although a leading power with a robust economy can relatively easily afford such costs, yet it is even easier for a contender to neutralize its numerical advantage by introducing a new and vastly more effective combat system. As the British historian Geoffrey Till points out, "technological transformation is much steadier, and the importance of maintaining an edge over rivals more debatable, given the rise of asymmetric technological/political/legal alternatives and strategies."

The fifth is the prevalent bilateral, regional and global platforms for security cooperation and crisis management. Take the Sino-U.S. military relationship as an example. Notwithstanding China's perceived investment in anti-access, area denial (A2/AD) capabilities and the U.S.' airsea battle plans, both countries have developed dozens of military exchange institutions and have begun to conduct regular joint military exercises, augmented with new agreements every year such as the MoUs signed by both defense departments on November 12, 2014 on instant notice of major military actions and on codes of conduct for naval and air encounters. Such institutions, together with the developing international legal regime for dispute settlement, greatly inhibit and even outdate the arms-building impulse of major powers.

In conclusion, it can be said that geopolitical rivalry in East Asia has undergone fundamental changes from previous times in history: rather than racing for a more formidable arsenal and stronger military blocs, geopolitical players are competing with each other mainly in diplomatic, economic, cultural and institutional arenas. Instead of seeking to monopolize power and larger spheres of influence, they are learning to share power by peaceful and rule-based approaches. Indeed, East Asia over the past decade has enjoyed the most stable and prosperous

²¹Office of Management and Budget, *Historical Tables: Budget of the U.S. Government* (Fiscal Year 2013); The Information Office of China's State Council, *China's National Defense in 2010*, March 31, 2011.

²²Felix K. Chang, "More Is Not Enough: Arms Buildups, Innovation, and Stability in the Asia-Pacific," Foreign Policy Research Institute E-Notes, November 2013.

²³ Geoffrey Till, "What Arms Race? Why Asia Isn't Europe 1913?," The Diplomat (online), Feb. 15, 2013.

era in history and, with the function of all the mechanisms mentioned above, is very likely to maintain such benign trends of geopolitical rivalry in the years to come.