

Asia's arms race: China spurs military spending spree

The region's biggest players are shelling out on defense at an alarming rate. Is war on the horizon?

ANDREW SHARP, Nikkei Asia deputy politics and economics editor

TOKYO -- Prime Minister Fumio Kishida gingerly climbed atop a Type 10 battle tank, paused to catch his breath, and haltingly eased himself into his seat.

Japan's commander in chief was taken on some sharp turns at speed across a muddy field at the Ground Self-Defense Force's Camp Asaka, on the northwestern edge of Tokyo. While Kishida may have looked uncomfortable on his brief spin in November, the fast-changing regional security landscape may be even more daunting for him and other policymakers in the country.

Addressing troops earlier on that blustery morning, Kishida warned that "the security environment surrounding Japan is changing at an unprecedented rate." He raised concerns about North Korea's new array of ballistic and other missiles, but saved his most pointed barbs for China.

"As well as strengthening its military might without sufficient transparency, China is continuing to attempt to unilaterally change the status quo," Kishida said. "The most important duty for all members of our armed forces is to strongly defend Japan's land, waters and airspace, and protect the lives and assets of the Japanese people."



Japanese Prime Minister Fumio Kishida takes a ride in a tank during his visit to the Ground Self-Defense Force's Asaka base near Tokyo on Nov. 27, 2021. © Kyodo

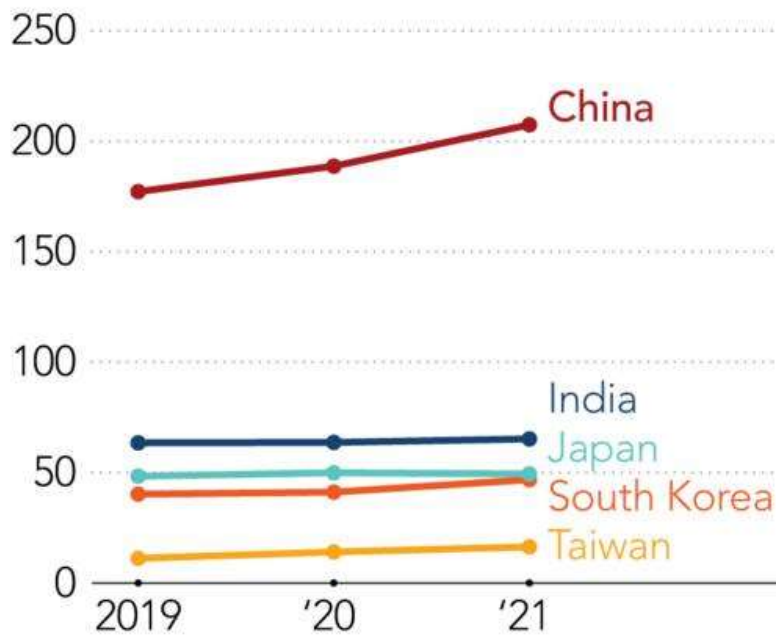
Kishida was laying the groundwork for his ruling party's pledge to double defense spending to 2% of gross domestic product -- a level not seen since the 1950s -- as Japan contends with an ever more powerful neighbor.

China spent \$207.3 billion on its armed forces in 2021, according to the London-based International Institute for Strategic Studies. That is 43% of the regional total. While this is dwarfed by the \$754 billion spent by the U.S., China's outlay rises to \$332 billion on a purchasing power parity basis.

China speeds ahead with military spending

(In billions of current dollars)

Source: International Institute for Strategic Studies



Perhaps in line with Asia's economic rise over the past decade, military expenditure in the region grew 52.7% between 2010 and 2020, according to data from the Stockholm International Peace Research Institute. This compares to a 14.4% climb in Europe and a fall of 10.6% in North America.

And Asian nations still have scope to increase spending further, as they spend significantly less as a share of gross domestic product than other major powers -- China spent just 1.23% of its GDP on its military in 2021, compared to 3.29% in the U.S.

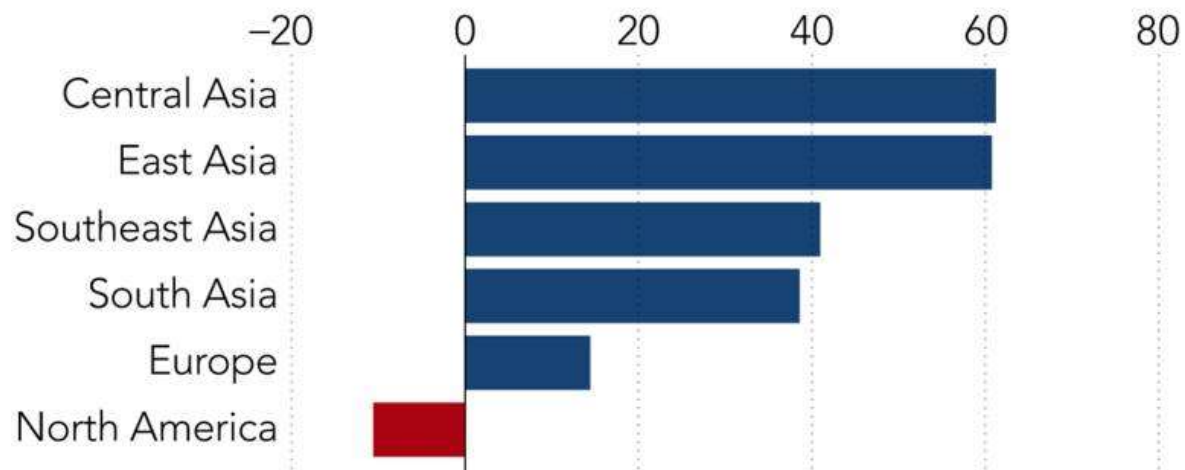
Experts fear that the military buildup may presage actual conflict, or an accident leading to spiraling tensions in a region with many territorial disputes, ancient grudges and a legacy of previous wars.

Arms races do signal a higher likelihood of conflict, historical precedent suggests. The "dreadnought" arms race of the early 20th century between Germany and Britain is believed to have been one of the causes of World War I, while the modern era has many similar examples like India and Pakistan, and Israel and the Arab states.

Chong Ja Ian, associate professor of political science at the National University of Singapore, fears that history could be repeating itself. "The buildup of military forces and cross-cutting

alliances in the years before World War I created a confusing situation that contributed to the accelerated escalation leading to conflict," he told Nikkei Asia.

Asia boosts military spending, while the U.S. hits the brakes *(Percentage change in military spending, 2010-2020)*



*North Korea, Turkmenistan and Uzbekistan not included
Source: Stockholm International Peace Research Institute*

The Cold War -- a nuclear race between the U.S. and the Soviet Union -- also serves as a cautionary tale. While it did not end in actual conflict, the risk was ever-present, and war did nearly erupt on several occasions.

"The Cuban Missile Crisis was so dangerous because nuclear-armed forces on the different sides were on a hair trigger," said Chong referring to the 1962 clash between Washington and Moscow over ballistic missile deployments. "For much of the Cold War, the massing of forces in Europe ready to deploy at a moment's notice was what made those decades so risky before the thawing of relations in the late 1980s."

James Stavridis, a former U.S. Navy admiral who was the 16th supreme allied commander of NATO, agreed that the risk to peace posed by Asia's arms race should not be underestimated. "By almost any measure, Asia is involved in a significant arms race," he told Nikkei.

"We should not discount the enthusiasm of militaries to forward deploy and practice with new systems, which can create confrontational scenarios and lead to miscalculations and thus to war," Stavridis added.

Collin Koh, a research fellow at Singapore's S. Rajaratnam School of International Studies, echoed these concerns. "It is necessary [for powers] to strike first before [their] advantage is erased completely," he told Nikkei. "There could be conflicts that precipitate due to opportunism from a local clash that provides the window to pursue a wider conflict."


China: Foot on the gas

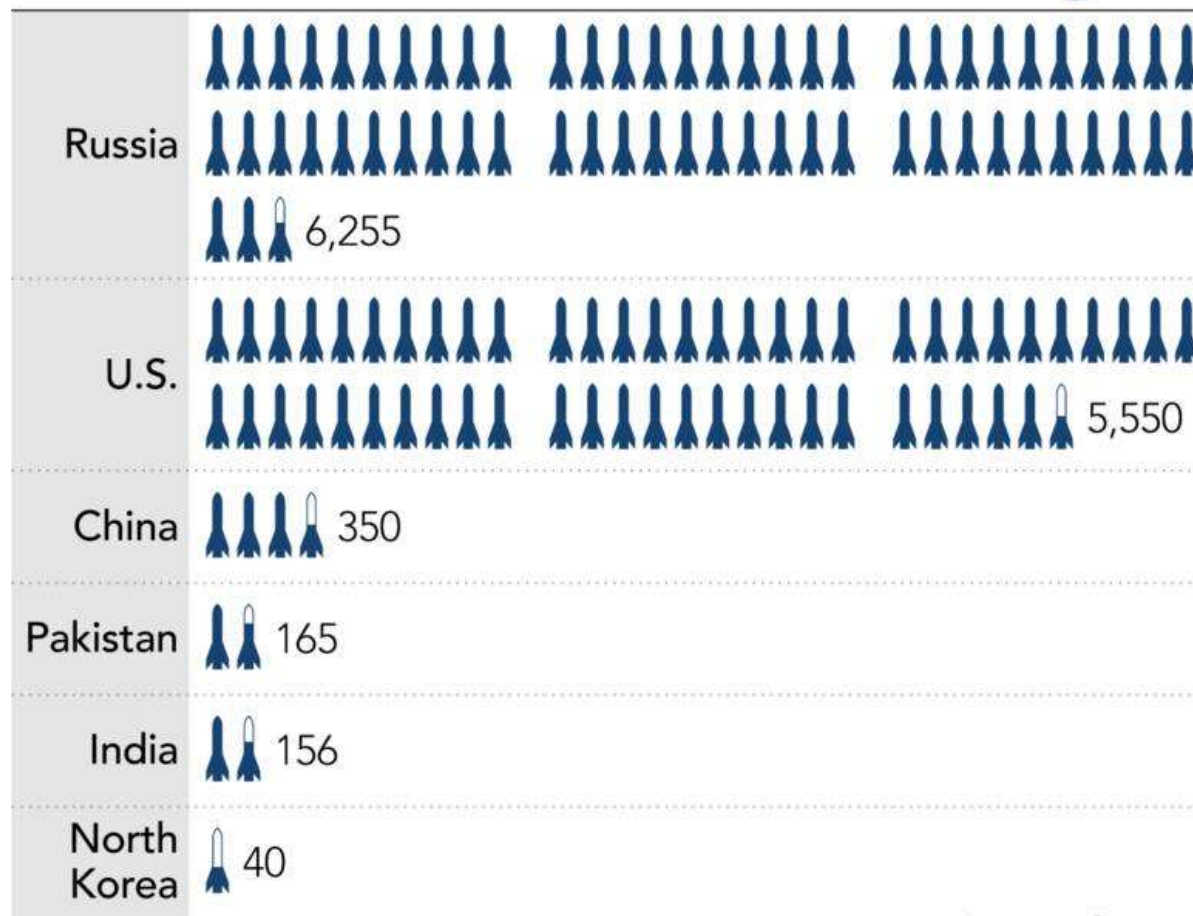
China's military expenditure has risen for 26 straight years, the longest stretch by any country, according to SIPRI. Analysts say that mistakes during the 1996 Taiwan Strait crisis triggered Beijing to modernize its navy.

The People's Liberation Army is the world's largest armed force, with a total of more than 2 million members. The country was estimated to have around 350 nuclear warheads as of 2021, with the U.S. Department of Defense fearing that could increase to 1,000 by 2030.

China has by far the largest collection of nuclear warheads in Asia

(Number of nuclear warheads, as of January 2021)

 = 100



Source: Statista

The pace at which China is building its nuclear and military arsenal has other leaders in the region, including Japan's Kishida, concerned that the world's second-biggest economy is priming for an attack. China maintains it is prepared to take Taiwan by force, provokes Japanese fishing vessels, aggressively builds islands in the South China Sea and is involved in regular skirmishes with Indian troops at their border.

However, Chinese experts insist the rise in defense spending is just in line with the country's rapid expansion since it opened up under former leader Deng Xiaoping -- military expenditure

has not exceeded 2% of GDP since the early 1990s. Indeed, Beijing's total military budget remains around a quarter of Washington's.



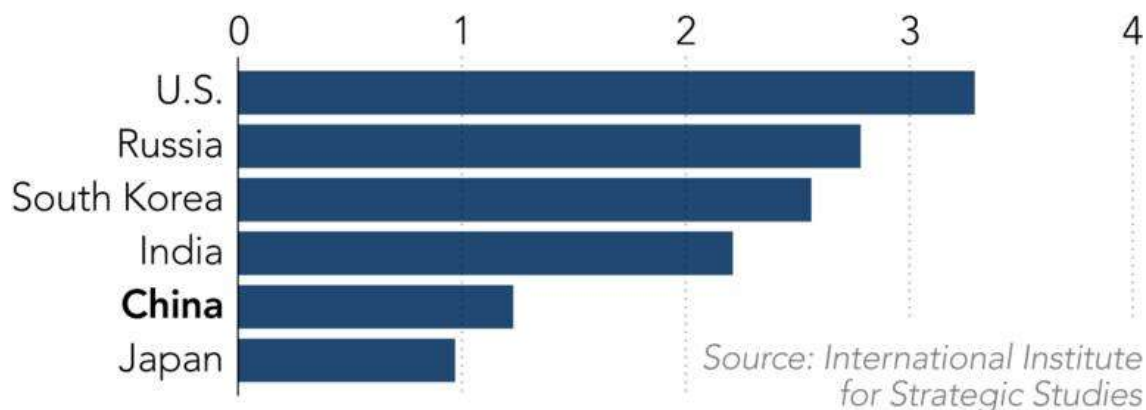
Military vehicles carry DF-17 hypersonic missiles during a 2019 parade in Beijing to mark the 70th anniversary of the People's Republic of China. © Reuters

"I don't think China is more aggressive than the U.S. or Japan in increasing military spending. China is largely just catching up," Hu Bo, director of the South China Sea Strategic Situation Probing Initiative in Beijing, told Nikkei.

"In recent years, with the growth of China's economy, naturally it is making up the difference, including the development of advanced weapons. This is logical. The development of military power had to give way to economic development in the past."

China's military spending only accounts for around 1% of its GDP

(Military spending as a percentage of GDP in 2021)



The Chinese Communist Party is going to keep on expanding its defense budget, said Minxin Pei, a professor of government at Claremont McKenna College in California. "They're going to increase military spending by a huge amount in the coming decade."

Pei told Nikkei that Beijing is most likely to develop its nuclear capabilities, arguing that Washington can credibly threaten China with nuclear weapons, but would not prevail in a conventional conflict. "The U.S. can escalate to nuclear and destroy China completely, but China doesn't have the ability to destroy the U.S."

To this end, Chinese President Xi Jinping has laid out some milestones to putting his country's military on a par with the U.S. China has set 2027 as a target for military "modernization," and aims to transform the PLA into a "world-class" military by 2049 -- by when the CCP aims to achieve "the great rejuvenation of the Chinese nation" and match or surpass America's global influence and power.

Japan: Between a rock and a very hard place

But for China's fellow Asian nations, the threat from the U.S. is far less than that from their superpower neighbor.

Makoto Oniki, Japan's vice defense minister, underscored the danger China poses to his country in a recent interview with Nikkei.

"Nations with great military power are concentrated around Japan, and there is a remarkable trend to further strengthen military power and military activities," Oniki said. "China has extensively and rapidly strengthened its military power centered on its nuclear missile capabilities and maritime aerial warfare capabilities."



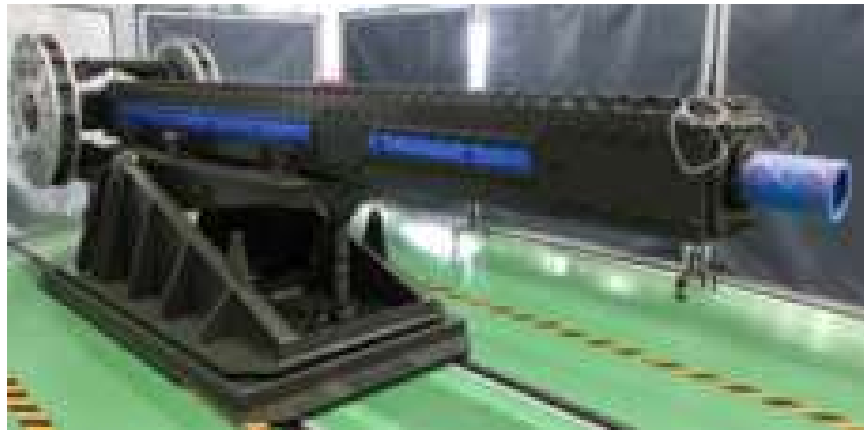
With more than 2 million members, China's People's Liberation Army is the largest armed force in the world. Here, the PLA march during a parade in Beijing on Oct. 1, 2019. © Reuters

Oniki then reeled off a list of Chinese activity near Japan -- Chinese Coast Guard vessels repeatedly entering Japanese territorial waters, submarines navigating underwater in the

contiguous zone around Amami Oshima -- an island near Okinawa -- as well as joint naval and air force exercises with Russia near Japan's coasts.

In the fiscal year starting April, Japan will spend a record sum on defense. Bound by the war-renouncing Article 9 of its constitution, the country has long aimed to keep military expenditure around 1% or less of GDP, but the ruling Liberal Democratic Party has pledged raising the cap to 2% or more.

It is not just China that has Japan's hackles raised. At the GSDF base in November, Kishida also highlighted North Korea's recent tests of more advanced rockets as evidence for Japan's need to increase its military heft.



In response to increased missile testing by North Korea, Japan's government has been considering acquiring a railgun to better respond to hypersonic missiles. (Photo courtesy of The Japanese Ministry of Defense)

Japan plans to develop railguns that use magnetically powered projectiles to counter hypersonic weapons, and is upgrading its Patriot Advanced Capability-3 surface-to-air missiles with extended defensive range. Using a supplementary budget for the current fiscal year, Japan is aiming to expedite its acquisition of hardware such as patrol planes and transport aircraft.

In his interview, Oniki stressed that Japan would not rule out options such as gaining the capability to strike enemy bases.

"North Korea has been able to miniaturize nuclear warheads," Oniki said. "This shows North Korea already possesses the ability to attack Japan with nuclear missiles."

But the strike capability debate is a touchy subject in Japan. Akira Kawasaki, an international steering group member of the 2017 Nobel Peace Prize-winning International Campaign to Abolish Nuclear Weapons (ICAN), hit out at the LDP's pledge.

"By gaining the capacity to strike an enemy base, the concept of 'defensive defense' will be destroyed, which means Article 9's key principle, or backbone, will be totally destroyed," Kawasaki told Nikkei.

The U.S.: All bark and no bite?

China's acceleration in military expenditure has not escaped the attention of the U.S.


Washington has five formal treaty allies in Asia -- Australia, Japan, the Philippines, South Korea and Thailand -- and has around 375,000 U.S. military and civilian personnel assigned to what it

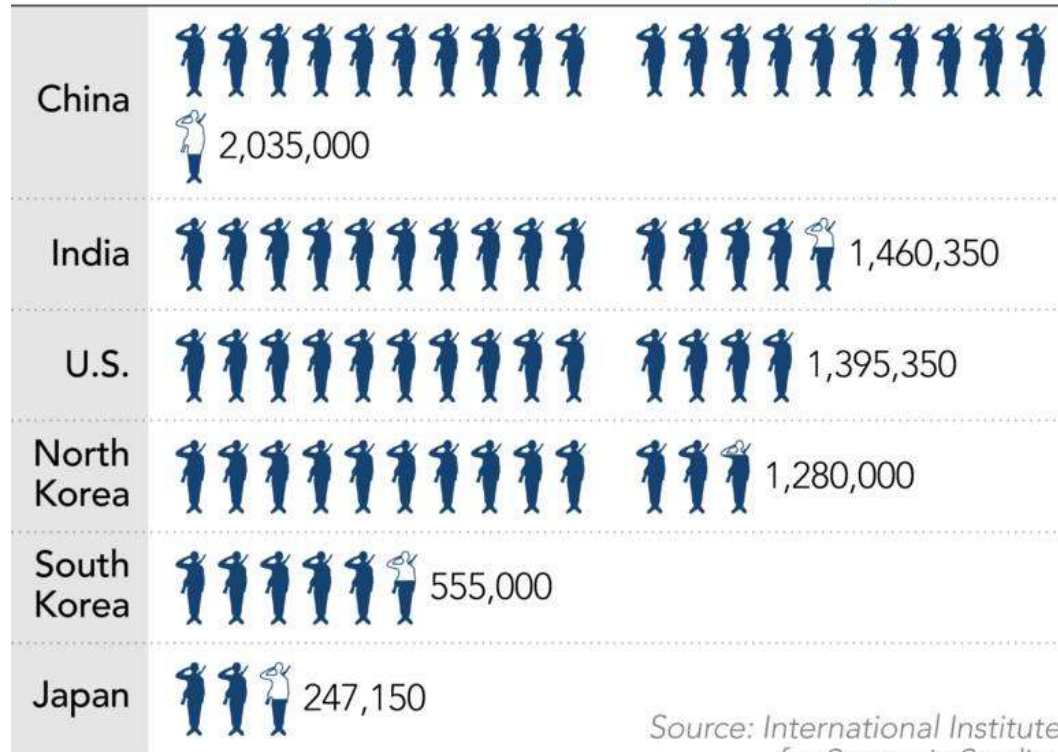
calls the Indo-Pacific region. The U.S. Pacific Fleet has about 200 vessels including five aircraft carrier strike groups, and nearly 1,100 aircraft.

The U.S. Department of Defense spent \$20.9 billion on its presence in Japan and \$13.4 billion in South Korea from 2016 through 2019, according to the U.S. Government Accountability Office.

China's army outnumbered the U.S. almost 2 to 1

(Number of active military personnel by country, as of November 2021)

 = 100,000



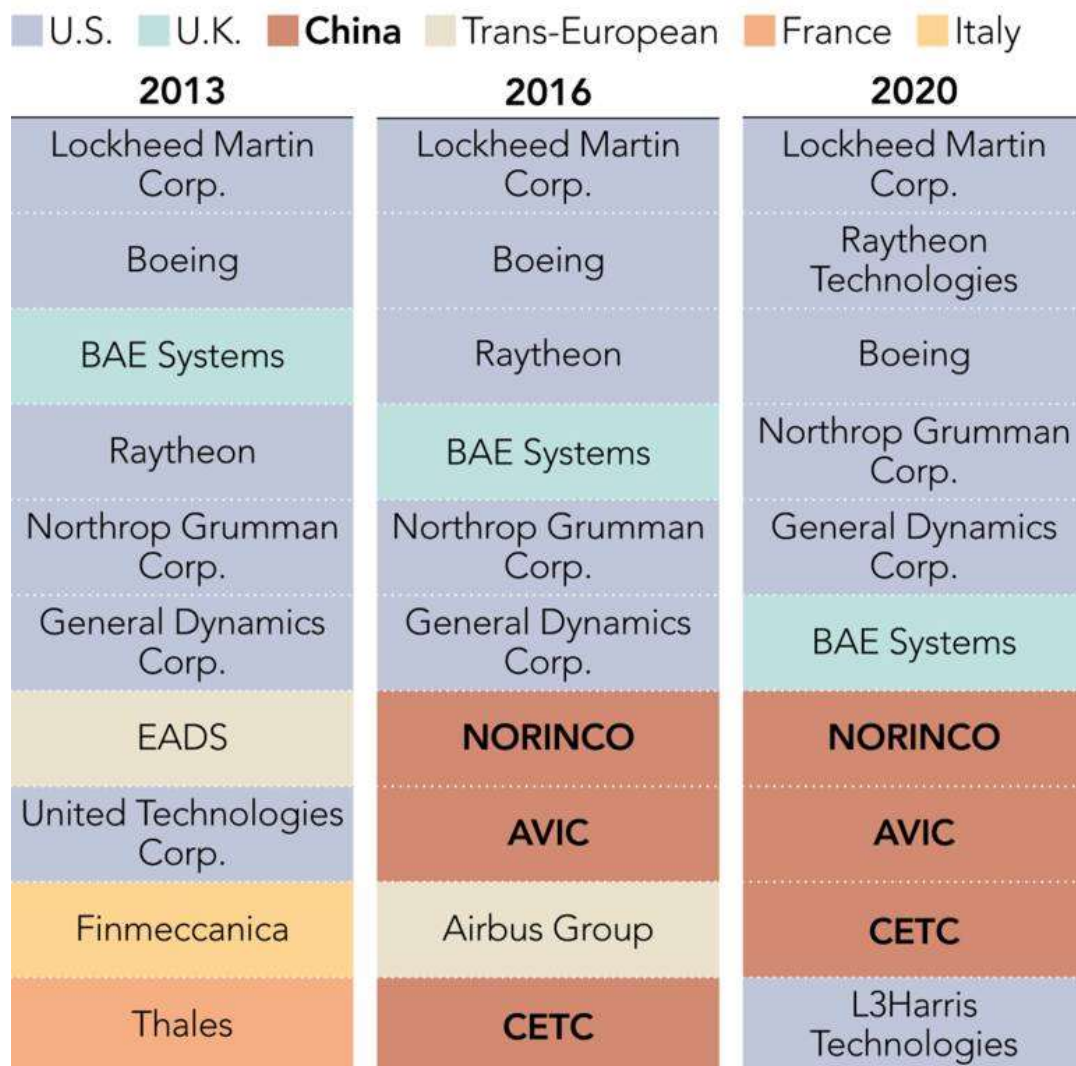
Source: International Institute for Strategic Studies

But Hugh White, emeritus professor of Strategic Studies at the Australian National University, said that the U.S. has not followed through on its rhetoric to significantly counter China's rise as a maritime power.

"America has talked a lot about responding to China, actually going all the way back to the pivot under [former President Barack] Obama a decade or more ago, but we have not yet seen any fundamental reorientation of America's military posture in Asia," said White, who was Australia's deputy secretary for strategy and intelligence from 1995 to 2000.

China's arms producers are moving up the ranks

Global top 10 arms-producing and military services companies



Other Chinese companies may have arms sales high enough to rank among the top 100, but there is insufficient data to include them

Source: Stockholm International Peace Research Institute

"If it's an arms race then so far it's a very unequal one -- and the conclusion I draw is that China's winning this one," White told Nikkei. "If America and Japan want to really seriously put themselves in a position to compete with China effectively, to help to prevent China asserting its primacy as the principal strategic player in the Western Pacific, they're going to need to do a lot more than they've done so far."

South Korea: At a crossroads

North Korea's frequent missile tests are a perennial source of tension in the region -- the isolated nation fired off at least seven sets of launches in January, including what it claims was a hypersonic missile.

"In today's world, where many countries waste time dealing with the United States with submission and blind obedience, there's only our country on this planet that can shake the world by firing a missile with the U.S. mainland in its range," the nation's foreign ministry said in a Feb. 8 statement.

South Korea's outgoing President Moon Jae-in responded to his northern neighbor's threat to resume intercontinental ballistic missile launches with a stern statement to domestic media in early February. "If North Korea's series of missile launches goes as far as scrapping a moratorium on long-range missile tests, the Korean Peninsula may instantly fall back into the state of crisis we faced five years ago," he said.



People in Seoul Railway Station watch a TV broadcast about a North Korean missile launch on Jan. 6. © AP

As Cheon Seong-whun, secretary on security strategy to former President Park Geun-hye, told Nikkei, South Korea's upcoming presidential election will shape the trajectory of the country's military for years to come.

"Currently on the Korean Peninsula, North Korea has a nuclear monopoly. This is an imminent and present danger. The new administration should be open to all possibilities," said Cheon, who advocates the redeployment of U.S. tactical nuclear weapons to South Korea.

The two front-runners for the election, due to be held on March 9, have very different approaches to the North Korea problem. The leading conservative contender Yoon Suk-yeol advocates bringing in U.S. nuclear assets, and would "increase the military budget and focus on gaining additional capabilities," Cheon said.

Lee Jae-myung, the candidate running for Moon's left-leaning Democratic Party, however, would continue with the incumbent's attempts to improve relations with Pyongyang and would not prioritize boosting Seoul's military capabilities, Cheon told Nikkei.

India: Feeling the pressure

Across the continent, Chinese and Indian troops continue to face off at the Line of Actual Control -- a demarcation that separates Indian-controlled territory from land controlled by China.

The two nations have been involved in skirmishes since May 2020, triggering a buildup of forces on both sides of the LAC. On June 15, 2020, patrols violently clashed in the Galwan Valley, resulting in the deaths of 20 Indian troops and four PLA soldiers.

According to the Pentagon's latest annual report to Congress on China's military developments, China built a 100-home civilian village inside disputed territory between its Tibet Autonomous Region and India's Arunachal Pradesh in 2020. Beijing, meanwhile, blames New Delhi for India's increased infrastructure development near the LAC.



Indian and Chinese troops clashed in an incident at the Line of Actual Control in the Galwan Valley near the Himalayas on Feb. 20, 2021. © CCTV/AFP/Jiji

Pankaj Jha, a professor of strategic affairs at O.P. Jindal Global University in the city of Sonapat in India's Haryana state, told Nikkei that the border standoffs have locked India and China into a kind of arms race.

"China has an advantage [in terms of capabilities]," Jha said. "However, I can add a caveat that China has not fought any wars in the last three decades ... We have fought a number of wars and we do have experience. And we have been conducting exercises with a number of countries. China doesn't have that kind of tactical and strategic point of view."

Taiwan: A flashpoint

Another arena of conflict in the region is Taiwan. It appears to be one of President Xi's legacy goals to unify with the island by any means necessary.

In October, Taiwanese Defense Minister Chiu Kuo-cheng told parliament that the situation was "the most serious" it had been in more than 40 years, and there was a risk of a "misfire" across the Taiwan Strait.



Chinese H-6 bomber flies near the Taiwan air defense identification zone on Sept. 18, 2020. Taiwan is a major source of military tensions in Asia. © Taiwan Ministry of National Defense/AP

Almost weekly, a U.S. military brass or lawmaker ratchets up the perceived threat that China poses to Taiwan. While it is hard to put a timeline on any potential military move, Beijing almost daily flies military aircraft into Taiwan's air defense identification zone -- sorties that Taipei describes as "gray zone" tactics, aimed at straining Taiwan's forces.

"The Taiwan Strait is right now the most probable flashpoint area -- the tinderbox," Koh, of the S. Rajaratnam School of International Studies, said. "But it is undeniable that the Chinese military preparations in large part are designed with Taiwan in mind."

Koh warned that an accidental local skirmish cannot be discounted, and that could be a trigger for the Chinese leadership to drive toward a bigger conflict because "they would see it as a vehicle to pursue the ultimate objective and push the envelope even further."

But, Koh added, it might boil down to the domestic political situation in Taiwan.



From left, Chinese President Xi Jinping and Taiwanese President Tsai Ing-wen. Xi is determined to unify with Taiwan under the 'One China' principle. (Source photos by CCTV/Reuters and Taiwan Presidential Office)

"Xi is still toying with the idea of peaceful unification and that seems to underline that China might be waiting for [President Tsai Ing-wen's Beijing-skeptic party] to be out of power," Koh said. "If the [Beijing-friendly] KMT is in power, it will be back to the 1992 consensus and China will be hoping that will end the tensions in the strait," he added, referring to the agreement between the then-KMT government and the Chinese Communist Party that Beijing interprets as Taiwan being a part of "One China."

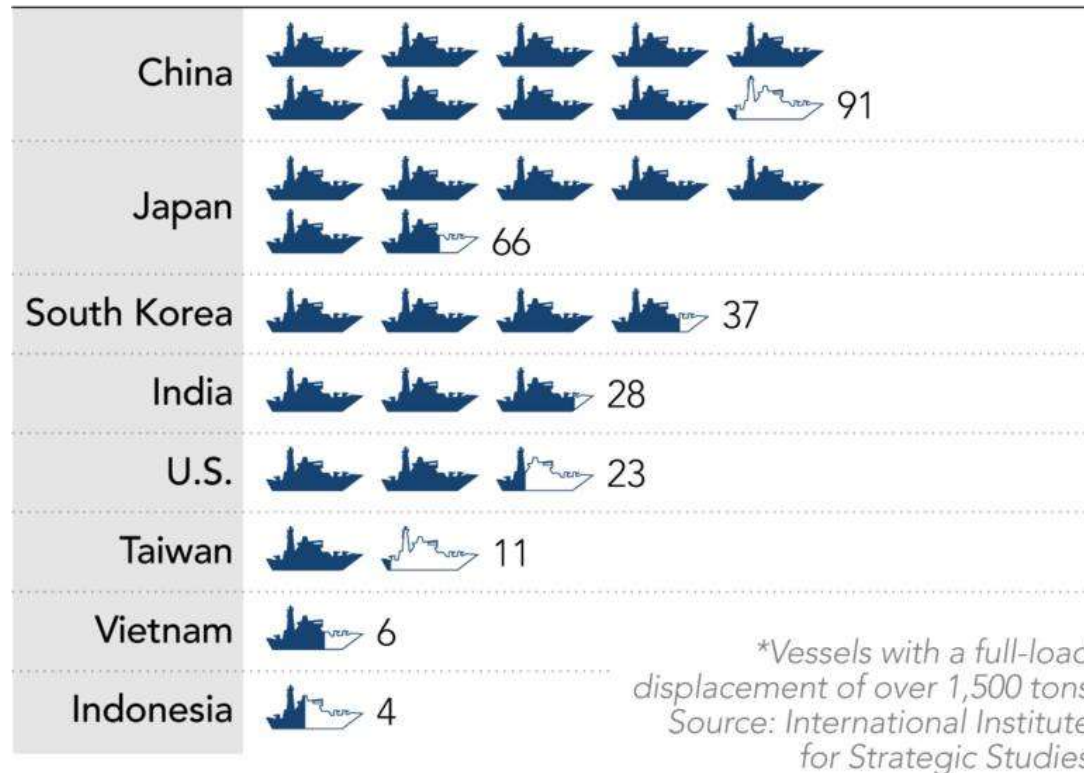
Murky waters in the South China Sea

While saber-rattling in other parts of the region, China is slowly and deliberately claiming territory in South China Sea -- a strategic water through which an estimated one-third of global maritime trade passes. Beijing has claimed historical rights to waters within its so-called nine-dash line, which encompasses nearly all of the sea.

Many countries in Southeast Asia are feeling the brunt of Chinese military pressure around the water. Malaysia's air force in May intercepted 16 Chinese aircraft off the coast of Sarawak State; Indonesia has become increasingly concerned about Chinese activities near the Natuna Islands; Vietnam has been slowly boosting its maritime forces; and the Philippines is upgrading out-of-date hardware.

Troubled waters: Asia leads the world on number of maritime patrol ships

(Number of coast guard and other maritime patrol ships,* as of November 2021)



Among recent equipment deals, Indonesia in February signed a deal to buy six French Rafale fighter jets -- with another 36 to come -- and has won U.S. approval for a potential purchase of F-15s. The Philippines recently finalized a purchase of BrahMos supersonic missiles from India, as it seeks to develop a strategic arsenal.

Australia -- already a member of the informal Quadrilateral Security Dialogue, or Quad, along with India, Japan, and the U.S. -- joined the new AUKUS trilateral security grouping last September with the U.K. and the U.S., allowing it to acquire nuclear-powered attack submarines. This followed a March 2021 announcement that Canberra would establish a "sovereign guided weapons enterprise" that would enable it to develop its own missiles.

But the ANU's White is skeptical as to whether Australia is doing enough to keep up with China, saying that Canberra may have to wait another two or three decades to obtain a full fleet of submarines.



Indonesian military personnel stand guard near one of seven French Navy Rafale jet fighters parked on the tarmac at an air base in their country on May 19, 2019. © AP

"Is Australia transforming its defense posture to respond to a revolutionary transformation of China's defense posture? The answer is: not very effectively," White said. "If it's a race, then one side's driving a Formula One and the rest of us are puttering along in a Suzuki Swift."

Even so, Peter Dutton, Australia's hardline defense minister who has been tipped to become the next prime minister, warned earlier in February that Australia and its allies will "lose the next decade" unless they stand up to Beijing in the South China Sea. "We've lost a considerable period of time where China gave assurances about their activity in the South China Sea," Dutton told the Sydney Morning Herald.

War or peace?

Kawasaki of ICAN says Asia's arms race stems from the power of the military-industrial complex in countries such as Japan. "The military buildup is becoming one of the indispensable drivers to keep this economy alive and sustained," he said.

The anti-nuclear activist is concerned that the buildup could keep feeding on itself, creating new nuclear powers such as South Korea in the region. But he stressed that the Treaty on the Prohibition of Nuclear Weapons, which came into force in January last year and was adopted by a large majority of nations, has the power to cool the arms race.

"If Japan and South Korea join the treaty, then it can become a basis for disarmament dialogue between India, China, Russia and the U.S.," Kawasaki said. "I think this new treaty has the potential to reverse the course [of] the arms race, to create a race for disarmament and a race for society."



Members of ICAN hold a demonstration in Hamburg, Germany, on Jan. 22, the first anniversary of the Treaty on the Prohibition of Nuclear Weapons. © AP

In January, five established nuclear powers -- China, France, Russia, the U.K. and the U.S. -- issued a statement on preventing nuclear war and avoiding arms races.

"We intend to continue seeking bilateral and multilateral diplomatic approaches to avoid military confrontations, strengthen stability and predictability, increase mutual understanding and confidence, and prevent an arms race that would benefit none and endanger all," the statement said.

While falling short of a commitment to nuclear disarmament, the statement was welcomed by arms control advocates. "[The statement] is timely and an encouraging first step in the cooperation & dialogue needed to bring us back on the path to a world free of these weapons once & for all," tweeted Izumi Nakamitsu, UN under-secretary-general and high representative for disarmament affairs.

Koh at the S. Rajaratnam School of International Studies said, however, it is possible to avoid conflict even under an arms race.

Under this scenario, he said, "all the actors in the relationship acquire weapons, and with a certain parity it will mean that there is a certain level of stability. Once mutual deterrence -- on the assumption that everybody knows each other -- is achieved, parity is achieved."

Additional reporting from Grace Li in Tokyo.