

**Raising the Risks of War: Defence Spending  
Trends and Competitive Arms Processes in  
East Asia**

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- No. 45 *Is there a Specifically Canadian Perspective on the World?* By, Robert Cox, March 2005.

## INTRODUCTION<sup>1</sup>

Defence analysts have begun once again to call attention to the level and pattern of defence expenditures by Asian states, echoing concerns raised throughout the first half of the 1990s about competitive arms processes (if not arms races), accumulation of destabilizing weaponry by apparent rivals, and wasteful expenditure of resources on high tech weapons for prestige purposes.<sup>2</sup> The 1997 Asian Economic Crisis (AEC) and subsequent political upheaval and reform processes in many Asian states saw the cancellation of big ticket items and a downturn in defence budgets. However, with certain exceptions, these effects appear to have been short-lived, as prescient analysts had warned.<sup>3</sup> East Asian states continue to spend more on weapons than any other region of the developing world.<sup>4</sup> Renewed “modernization” efforts on the part of economically recovering states account for an upsurge in weapons orders.

Since the terrorist attacks on September 11, 2001 on the United States, Asian governments have been focused ostensibly on “war-on-terrorism” responses (i.e., passing ‘anti-terrorist’ legislation, strengthening police and intelligence co-operation regionally and internationally). These events have served to mobilize support for defence initiatives and have resulted in a dramatic upturn in the regional role taken by the United States, in terms of both its physical presence and its expansion of military cooperation and assistance programs.

In overall terms, however, these post-AEC and “war on terrorism” upsurges pale in comparison to spending on military modernization programs, enhanced training programs, and weapons systems purchase plans underway prior to September 11. Of particular concern is the dramatic accumulation of potentially destabilizing weapon systems - fighter aircraft, surface ships

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<sup>1</sup> This research has been supported by the Centre of International Studies, University of British Columbia through its Security and Defence Forum program. The views expressed are the authors’ and do not represent those of any institution.

<sup>2</sup> See for instance, S. Jayasankaran, “Call for Arms,” *Far Eastern Economic Review*, 16 May 2002.

<sup>3</sup> Frank Umbach, “The Military Balance in the Asia-Pacific: Trends and Implications” *The Asia Pacific in the New Millennium: Political and Security Challenges*, eds. Mely C. Anthony and Mohamed Jawhar Hassan (Kuala Lumpur: ISIS Malaysia: 2001) pp. 331-386.

<sup>4</sup> Stockholm International Peace Research Institute, *SIPRI Yearbook 2004: Armaments, Disarmament and International Security*, (Oxford: Oxford University Press: 2004); Andrea Shalal-Esa, “Global Arms Sales Drop Again, Asia Biggest Market” *Reuters*, 30 August 2004, 1 September 2004 <<http://www.reuters.com/newsArticle.jhtml?type=worldNews&storyID=6106778>>.

(naval surface combatants), submarines, and missiles - by parties to the traditional rivalries of East Asia: China and Taiwan, and South and North Korea. In these situations, the troubling combination of volatile political conditions coupled with the introduction of destabilizing weapons increases the chances of both the accidental and deliberate outbreak of war.

This paper focuses attention on recent developments in Asian defence expenditure and weapons acquisition patterns by posing three questions:

- What are the trends in regional defence expenditures? Has there been a post-AEC recovery pattern for certain states?
- What have been the discernible shifts in Asian state defence priorities and weapons acquisition patterns in response to September 11 and subsequent events in the war on terrorism?
- Are the parties to traditional regional hot-spots acquiring weapons whose characteristics could tend toward destabilization in crisis circumstances?

This study focuses on conventional weapons issues in Northeast and Southeast Asia. It does not include analysis of the defence priorities and conventional weapons acquisition of extra-regional powers (such as the United States, Australia, or India) per se, but does consider the impact that those apparently have on security perceptions and plans of Asian states. The first section provides an overview of regional defence expenditure patterns since 1989, including an assessment of the impact of the AEC and the September 11 terrorist attacks on defence budgets. The second section assesses the defence priorities of Asian states by examining their weapons acquisition patterns. Particular attention is paid to the build-up of destabilizing weapons systems in the region's crisis spots: the Korean Peninsula and the Taiwan Strait. The third section looks at the implications of the September 11 terrorist attacks on defence priorities and weapons acquisition patterns.

## REGIONAL DEFENCE EXPENDITURE PATTERNS

The following three tables provide an overview of regional defence expenditure patterns from 1989-2003.<sup>5</sup> Table 1 presents defence expenditures in constant U.S. dollars. Table 2 presents defence expenditures as a percentage of gross domestic product (GDP). Table 3 shows percentage changes in defence expenditures year on year.

### Assessing the Impact of the Asian Economic Crisis (AEC)

Northeast and Southeast Asian states present quite different patterns, both before and after the AEC. An examination of the figures presented in Table 1 shows an upward trend in defence spending in real terms throughout most of the region since 1989. In the years prior to the AEC, defence spending rose throughout Northeast and Southeast Asia, reflecting a rapid rise in economic prosperity. In several states, predominantly in Southeast Asia, the impact of the AEC on defence budgets is evident. While some states hit hard by the crisis have rebounded impressively, others have not, in either economic or political terms. As a result, a post-AEC effect of renewed defence expenditures is apparent for these impacted states.

#### *Northeast Asia*

In overall terms, Northeast Asian defence budgets were less affected by the economic downturn, and quicker to recover. With the exception of Taiwan, defence expenditures throughout Northeast Asia returned to pre-1997 levels almost immediately. The arms build-up continues to be driven primarily by long-standing rivalries between China and Taiwan, and North and South Korea. Defence spending in both China and Taiwan is largely determined by China's commitment to absorbing what it regards as a "rebellious province" by force if necessary.<sup>6</sup> Taiwan's expenditures are focused on countering such threats.

China, largely insulated from the AEC, continued to escalate its defence spending. After a modest increase in spending in 1997, spending increased by an average of almost 15 percent a year over the next five years. Even according to conservative

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<sup>5</sup> Source data from Stockholm International Peace Research Institute, *SIPRI Yearbook: Armaments, Disarmament and International Security, 2000-2004* (Oxford: Oxford University Press).

<sup>6</sup> Craig S. Smith, "China Reshaping Military to Toughen Its Muscle in the Region" *New York Times* 16 Oct. 2002, A12. Smith writes, "For now, the generals' efforts are focused almost exclusively on assembling a credible threat to Taiwan, over which Beijing is determined to regain sovereignty."

estimates, China's defence budget has more than doubled since 1997 and has almost trebled since 1989.<sup>7</sup>

Table 1: Defence Spending, in constant U.S. dollars (1989-2003)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Asia</b>															
China	[11300]	[12100]	[12700]	[15300]	[14200]	[13500]	[13900]	[15300]	[15500]	[17800]	[20700]	23000	26300	31100	[32800]
India	40140	41311	42259	43278	43753	43958	44398	45293	45510	45394	45479	45793	46259	46727	46895
Japan	(1867)	(1983)	(2053)	(2107)	(2157)	(2215)	..	..	..	1343	1343	1379	1434	1467	(1793)
South Korea	9475	9624	9928	10506	10988	11310	11897	12539	12842	12398	12061	12801	13079	13533	13925
Taiwan	8572	9047	9298	9398	10664	10535	9525	9606	9973	9273	8578	7815	7796	7295	7272
<b>South Asia</b>															
India	8161	8051	7532	7209	8137	8109	8340	8565	9307	9387	10482	10900	11837	12882	12394
Pakistan	2499	2636	2823	2997	2993	2917	2965	2961	2837	2833	2858	2867	3071	3176	[3350]
<b>East Asia</b>															
China	334	[396]	[394]	[377]	[334]	[344]	[329]	360	414	458	[375]	[281]	[291]	275	..
Bhutan	71.8	76.8	64.6	93.6	66.6	145	160	138	138	129	122	118	105	98.9	[97.1]
Indonesia	[1436]	[1587]	[1615]	[1739]	[1670]	[1845]	[1942]	[2110]	1963	1545	1273	1656	1740	1835	..
Malaysia	..	..	..	..	..	..	..	43.4	36.7	24.1	35.6	35.2	38.2	..	..
Thailand	1057	1135	1545	1535	1631	1768	1879	1807	1698	1248	1689	1533	1908	2169	2312
Myanmar	5942	7066	6133	7105	8177	8690	9239	9866	8204	6752	6696	9031	..	..	..
Philippines	759	747	684	691	747	797	877	907	808	794	778	819	767	868	[881]
Singapore	1958	2248	2325	2472	2550	2636	3157	3459	3882	4396	4478	4331	4434	4679	4733
Sri Lanka	1851	1947	2148	2293	2538	2540	2709	2784	2736	2417	2109	1843	1773	1806	1827
Vietnam	1018	988	694	437	343	468	..	..	..	..	..	..	..	..	..
<b>Other Asia</b>															
Australia	5911	5940	6042	6218	6454	6526	6321	6244	6354	6666	6993	6973	7249	7624	7821
Canada	11036	11041	9955	10022	9977	9743	9134	8308	7696	8245	8550	8292	8660	8591	8769
United States	426798	422133	403701	354284	374386	354778	334539	315107	298058	296530	289658	290480	301697	341489	417363

.. = Data not available or not applicable, ( ) = Uncertain figure, [ ] = SIPRI estimate.

Source: SIPRI. Figures are in US \$m., at constant 2000 prices and exchange rates and are for calendar year. Figures in constant dollars are converted using the market exchange rate for all countries.

<sup>7</sup> SIPRI Yearbook 2004: Armaments, Disarmament and International Security, *ibid*; Despite this rapid increase in spending, China's defence expenditures as a percentage of its GDP have stayed relatively static, i.e. around 2 percent of GDP.

Table 2: Defence Spending, % change, (1990-2003)

State	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Avg. 1990- 2003
NE Asia															
China	7.1	5.0	20.5	-7.2	-4.9	3.0	10.1	1.3	14.8	16.3	11.1	14.3	18.3	5.5	7.8
Japan	2.9	2.3	2.4	1.1	0.5	1.0	2.0	0.5	-0.3	0.2	0.7	1.0	1.0	0.4	1.1
Korea, N	6.2	3.5	2.6	2.4	2.7					0.0	2.7	4.0	2.3	22.2	
Korea, S	1.6	3.2	5.8	4.6	2.9	5.2	5.4	2.4	-3.5	-2.7	6.1	2.2	3.5	2.9	2.6
Taiwan	5.5	2.8	1.1	13.5	-1.2	-9.6	0.9	3.8	-7.0	-7.5	-8.9	-0.2	-6.4	-0.3	-1.0
South Asia															
India	-1.3	-6.4	-4.3	12.9	-0.3	2.8	2.7	8.7	0.9	11.7	4.0	8.6	8.8	-3.8	3.5
Pakistan	5.5	7.1	6.2	-0.1	-2.5	1.6	-0.1	-4.2	-0.1	0.9	0.3	7.1	3.4	5.5	1.8
SE Asia															
Brunei	18.6	-0.5	-4.3	-11.4	3.0	-4.4	9.4	15.0	10.6	-18.1	-25.1	3.6	-5.5		-0.7
Cambodia	7.0	-15.9	44.9	-28.8	117.7	10.3	-13.8	0.0	-6.5	-5.4	-3.3	-11.0	-5.8	-1.8	6.4
Indonesia	10.5	1.8	7.7	-4.0	10.5	5.3	8.7	-7.0	-21.3	-17.6	30.1	5.1	5.5		2.5
Laos								-15.4	-34.3	47.7	-1.1	8.5			
Malaysia	7.4	36.1	-0.6	6.3	8.4	6.3	-3.8	-6.0	-26.5	35.3	-9.2	24.5	13.7	6.6	6.5
Myanmar	18.9	-13.2	15.8	15.1	6.3	6.3	6.8	-16.8	-17.7	-0.8	34.9				
Philippines	1.6	-8.4	1.0	8.1	6.7	10.0	3.4	-10.9	-1.7	-2.0	5.3	-6.3	13.2	1.5	1.2
Singapore	14.8	3.4	6.3	3.2	3.4	19.8	9.6	12.2	13.2	1.9	-3.3	2.4	5.5	1.2	6.6
Thailand	5.2	10.3	6.8	10.7	0.1	6.7	2.8	-1.7	-11.7	-12.7	-12.6	-3.8	1.9	1.2	0.1
Vietnam	-2.9	-29.8	-37.0	-21.5	36.4										
Australia	0.5	1.7	2.9	3.8	1.1	-3.1	-1.2	1.8	4.9	4.9	-0.3	4.0	5.2	2.6	1.9
Canada	0.0	-9.8	0.7	-0.4	-2.3	-6.3	-9.0	-7.4	7.1	3.7	-3.0	4.4	-0.8	2.1	-1.7
United States	-1.1	-4.4	-12.2	5.7	-5.2	-5.7	-5.8	-5.4	-0.5	-2.3	0.3	3.9	13.2	22.2	-1.4

Table 3: Military expenditure as a share (%) of gross domestic product (GDP)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
East Asia															
China	[2.8]	[2.7]	[2.5]	[2.7]	[2.1]	[1.9]	[1.8]	[1.8]	[1.7]	[1.9]	[2.0]	[2.0]	[2.2]	[2.5]	
India	0.9	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	
Japan															
Korea, N															
Korea, S	4.1	3.7	3.5	3.4	3.3	3.1	2.9	2.9	2.9	3.1	2.8	2.8	2.8	2.7	
Taiwan	5.1	5.1	4.8	4.6	4.9	4.6	4.0	3.8	3.6	3.3	2.8	2.5	2.6	2.3	
South Asia															
China	2.9	2.7	2.5	2.3	2.4	2.3	2.2	2.1	2.2	2.2	2.3	2.3	2.3	2.3	
Pakistan	6.0	5.8	5.8	6.1	5.7	5.3	5.3	5.1	4.9	4.8	4.6	4.4	4.5	6.0	
Southeast Asia															
China															
Brunei	..	[..]	[6.7]	[6.5]	[6.0]	[6.3]	[5.7]	6.4	7.3	9.4	[7.3]	[6.5]	[7.6]	7.0	
Cambodia	3.0	3.1	3.5	4.7	2.8	6.0	5.6	4.9	4.6	4.2	3.8	3.5	3.0	[2.7]	
Indonesia	[1.8]	[1.8]	[1.7]	[1.7]	[1.6]	[1.6]	[1.6]	[1.6]	1.3	1.1	0.9	1.1	1.1	1.2	
Laos	..	..	..	..	..	..	..	2.9	2.4	1.6	2.2	2.0	2.1	..	
Malaysia	2.6	2.6	3.2	3.0	2.9	2.8	2.8	2.4	2.1	1.6	2.1	1.7	2.2	2.4	
Myanmar	3.0	3.4	3.2	3.4	3.5	3.5	3.7	3.5	2.7	2.3	2.0	2.1	..	...	
Philippines	1.4	1.4	1.3	1.3	1.4	1.4	1.4	1.4	1.2	1.2	1.1	1.1	1.0	1.0	
Singapore	4.7	4.9	4.7	4.7	4.3	4.0	4.4	4.4	4.7	5.5	5.5	4.7	5.1	5.2	
Thailand	2.4	2.3	2.3	2.3	2.4	2.2	2.1	2.1	2.1	2.1	1.8	1.5	1.4	1.4	
Vietnam	7.7	7.9	5.6	3.4	2.3	2.6	..	..	..	..	..	..	..	7.7	
Other Asia															
Australia	2.1	2.1	2.2	2.2	2.2	2.1	2.0	1.9	1.9	1.9	1.9	1.8	1.9	1.9	..
Canada	2.0	2.0	1.9	1.9	1.8	1.7	1.5	1.4	1.2	1.3	1.3	1.2	1.2	1.2	..
United States	5.5	5.3	4.7	4.8	4.5	4.1	3.8	3.5	3.3	3.1	3.0	3.1	3.1	3.4	..

In contrast, Taiwan's defence spending dramatically declined after 1997 following "the completion of major weapons platform acquisitions, including the F-16 and Mirage 2000."<sup>8</sup> Defence spending declined by 27 percent between 1997 and 2002, and 31.8 percent since 1993. During this period, Taiwan's defence budget was under pressure from both political and economic forces. The democratization process underway during the 1990s (prior to the AEC) led to a strengthening of the legislature at the expense of the military establishment. The impact of both the AEC,

<sup>8</sup> Australia, Defence Intelligence Organization, *Defence Economic Trends in the Asia-Pacific 2001* (Canberra: Commonwealth of Australia: 2002) p. 36.



and an even more severe recession in 2001 in which the economy contracted by 2.2 percent, forced further cutbacks.

Growth in Japan's military expenditures during this period was relatively minor. Japan is only now emerging from its "lost decade" during which the annual growth rate averaged less than 1 percent.<sup>9</sup> Due to economic constraints and by a self-imposed limit on defence spending of 1 percent of GDP, Japan's defence budget increased by less than 17 percent since 1989, and by only 3 percent from 1997 to 2002.

South Korea's defence budget is the only one in Northeast that evidences an economic crisis effect pattern. South Korea made major cuts in its procurement budget in 1997, but almost immediately resumed its modernization program as GDP growth recovered. Defence spending increased by over 15 percent between 1999 and 2002, and by 47 percent from 1989 to 2002.

#### *Southeast Asia*

In Southeast Asia, there is an apparent bifurcation between those states whose defence expenditures appear to have been little affected through the late 1990s and those who, for economic and/or domestic political reasons, began a persisting downward trend in their defence expenditure priorities.<sup>10</sup> Thus, as evident in Table 3, while defence spending rose in Singapore, Malaysia and Indonesia in the wake of the AEC, it has remained static or declined in Thailand, Cambodia and the Philippines.

It is Indonesia and Malaysia that join South Korea in evidencing an economic crisis effect pattern, i.e., a drop followed by a pattern of recovery.<sup>11</sup> The rebound was pronounced in Malaysia, where a brief contraction in defence spending in 1997 and 1998 only served to delay its force modernization plans.<sup>12</sup> Indonesia's defence expenditures dropped dramatically in real terms following the AEC (21.3 percent in 1998 and 17.6 percent in

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<sup>9</sup> "Japan's lost decade", *The Economist*, 26 Sept 2002.

<sup>10</sup> Australia, Defence Intelligence Organization, *Defence Economic Trends in the Asia-Pacific 2002* (Canberra: Commonwealth of Australia: 2003) p. 1;

"Clear differences remain between the capacity of regional nations to pursue procurement programs and to maintain operational capabilities.

<sup>11</sup> *Ibid*; Indonesia's defence expenditure contracted 38.8 per cent in 1998-99 and, though recovering, is now still only at 1995 levels.

<sup>12</sup> Alan Boyd, "ASEAN's Military Buildup Threatens Detente with China," *Asia Times*, 8 May 2002, 16 May <<http://www.atimes.com/se-asia/DE08Ae03.html>>; "Malaysia goes on belated shopping spree for arms," *Reuters*, 8 April 2002, 23 May 2002.

<<http://asia.news.yahoo.com/020408/reuters/asia-98941.html>>; and S. Jayasankaran, "Call for Arms," *Far Eastern Economic Review*, 16 May 2002.

1999), and have only now recovered to 1994 levels. Singapore, which was only marginally affected by the crisis, did not slow down its modernization program.<sup>13</sup>

### Defence Spending Trends Post September 11<sup>th</sup>

Overall, spending in East Asia increased by almost 9 percent in the two years after September 11.<sup>14</sup> However, a closer examination of regional defence budgets for 2002 and 2003 shows only nominal growth in spending in most Asian states. Sizable increases in a few key states – China, Malaysia, and Singapore – accounted for this level of overall growth in spending. Early indications suggest an even larger increase in spending in the region in 2004 and beyond, with significant increases planned in South Korea, Taiwan and Thailand.

#### *Northeast Asia*

In Northeast Asia, spending has increased by almost 9 percent in the two years since September 11,<sup>15</sup> and further spending is in the pipeline. However, there is significant variation in defence spending trends within the sub-region, reflecting equally varied national security agendas and priorities.

China has accelerated its modernization program since September 11, increasing its defence budget by an estimated 25 percent between 2001 and 2003. An even higher increase is expected in 2004.<sup>16</sup> Fuelled by over a decade of double-digit

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<sup>13</sup> Umbach, pp. 346-348.

<sup>14</sup> Stockholm International Peace Research Institute, *World and Regional Military Expenditure Estimates 1994 – 2003*, May 2004, 12 June 2004 [http://web.sipri.org/contents/milap/milex/mex\\_wnr\\_table.html](http://web.sipri.org/contents/milap/milex/mex_wnr_table.html).

<sup>15</sup> These calculations exclude North Korea.

<sup>16</sup> Estimates of China's defence budget vary considerable depending on source. Official defence spending is set to rise in 2004 to \$25 billion, an increase of 11.8 percent. Other sources estimate the spending increases are much higher. The *FY04 Pentagon Report to Congress on PRC Military Power* states that China's officially announced budget "most likely substantially underreports total expenditures on defense, to include off-budget funding for foreign weapon system imports." When off-budget financing is included, the Pentagon estimates China's defence budget at somewhere between \$50 and \$70 billion. See "Beijing Doubling Defence Spending: Pentagon, *Straits Times*, 24 April 2004; China More Than Doubling Budgeted Military Spending This Year: Pentagon, *Agence France Presse*, 23 April 2004; U.S. Department of Defense, *FY04 Report to Congress on PRC Military Power*, 28 May 2004 <<http://www.defenselink.mil/pubs/d20040528PRC.pdf>>; "The Military

growth in GDP, China's defence expenditures have increased at an average rate of almost 8 percent per year since 1990, and over 13 percent per year between 1998 and 2003 – by far the highest and most consistent increases in East Asia. As part of China's long held aspirations to become a regional power, the armed forces are being transformed to project power far beyond China's borders. These modernization efforts have been stepped up in recent years to deter Taiwan from declaring independence.

The rapid transformation in China's military capabilities is raising tensions throughout the region. Nowhere is this more apparent than in the Taiwan Strait, where the military balance is swinging in China's favour. In contrast to the growth in China's defence budget, Taiwan's spending on defence has been in steady decline since 1997. However, with Taiwan's economy returning to growth, spending is beginning to recover. In 2003, Taiwan's parliament approved the purchase of four U.S. *Kidd* class destroyers at a cost of \$700 million. The Democratic People's Party (DPP) government is seeking legislative approval for its 10-year \$18 billion arms procurement program.<sup>17</sup> The program, designed to bolster Taiwan's anti-submarine and anti-missile capabilities, is set to commence in 2005.<sup>18</sup> Its final cost will depend on the fate of the submarine component of the U.S. arms package, which is estimated to cost approximately \$10 billion. However, debate in Taiwan's legislature over this price tag, indeed over the acquisition of submarines, has stalled this project.

Japan's defence spending has been relatively static over the past several years. However, recent developments suggest that significant changes to Japan's defence posture may be on the horizon. Increasingly concerned by North Korea's ballistic missile program, and by China's rapid military build-up, Japan is undergoing a sweeping review of its military and defence policy,

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Balance: The Struggle Between Taiwan and China," *Agence France Presse*, 16 March 2004.

<sup>17</sup> John Pomfret, Philip P. Pan, "U.S. Hits Obstacles In Helping Taiwan Guard Against China", *Washington Post*, 30 October 2003, A1; "The procurement process has... been complicated by Taiwan's increasingly assertive legislature, which is locked in a stalemate between Chen's ruling Democratic Progressive Party and the opposition Nationalist and People First parties." Taiwan's legislators "are reluctant to foot the enormous bill and force change upon the island's highly politicized and conservative military."

<sup>18</sup> "China May Attack, Says Taiwan Defence Minister, Seeking Budget Boost," *Agence France Presse*, 9 June 2004

<[http://www.channelnewsasia.com/stories/afp\\_asiapacific/print/89178/1/.html](http://www.channelnewsasia.com/stories/afp_asiapacific/print/89178/1/.html)>; "The military has requested an additional \$18.2 billion special outlay for Taiwan's purchase of eight diesel-electric submarines, Patriot PAC-3 anti-missile systems, and a fleet of anti-submarine aircraft."

as seen in its new National Defense Program Outline, released in December 2004.<sup>19</sup> Japan's Defence Agency has requested a 1.2 percent increase in defence spending in order to pay for the deployment of a ballistic missile shield, and the expansion of a satellite communications and intelligence-gathering system.<sup>20</sup>

South Korea is raising defence spending with an 8 percent increase in its 2004 defence budget,<sup>21</sup> part of a five-year force improvement program that will see \$102 billion in spending on defence, \$28 billion of this on procurement.<sup>22</sup> Early indications suggest spending will grow further to compensate for the proposed reductions to the U.S. garrison in South Korea.<sup>23</sup> Washington's plan to withdraw up to one-third of its forces (12,500 of 37,500 personnel) – part of a global realignment and rationalization of U.S. forces deployed overseas – will accelerate South Korea's drive for 'independent defence', or defence self-sufficiency. South Korean troops will also be required to take more the burden as remaining U.S. forces are redeployed from the Demilitarized Zone areas further south. Defensive capabilities will be bolstered in order to maintain the credibility of South Korea's military deterrent.

Data for North Korea is unreliable, but general assessment is that as the country struggles economically, and as North Korean regime increasingly sees its security guarantee through weapons of mass destruction (WMD) while the traditional military is being cut out. This is reflected in the data patterns in Table 1.

### *Southeast Asia*

Preliminary estimates show an increase in spending of approximately 8 percent between 2001 and 2003 for Southeast

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<sup>19</sup> Kwan Weng Kin, "China's Defence Spending Worries Japan," *Straits Times*, 17 September 2004.

<sup>20</sup> "Japan latest player in high-tech spy game," *Straits Times*, 8 October 2004; The planned increase in spending will be partially offset by cuts in conventional weapons systems.

<sup>21</sup> "S Korea boosts defence budget," *BBC*, 29 August 2003

<http://news.bbc.co.uk/1/hi/business/3190673.stm>.

<sup>22</sup> Jane's Information Group, *Jane's Sentinel Security Assessment: South Korea*, 26 May 2004, 7 July 2004

[http://sentinel.janes.com/docs/sentinel/CNAS\\_country.jsp?Prod\\_Name=CNAS&Sent\\_Country=Korea,%20South&](http://sentinel.janes.com/docs/sentinel/CNAS_country.jsp?Prod_Name=CNAS&Sent_Country=Korea,%20South&).

<sup>23</sup> "Fewer But Deadlier" *The Economist*, 10 June 2004; Azrin Asmani, "Efforts to maintain power balance" *Straits Times*, 6 June 2004  
<<http://straitstimes.asia1.com.sg/news/story/0,4386,254758,00.html>>

Asian states.<sup>24</sup> These indicate a continuation of a bifurcated pattern. States with relatively healthy economies, such as Malaysia and Singapore, are continuing their modernization programs. Malaysia's spending increased 21 percent between 2001 and 2003, and 85 percent since 1998 – the largest increase in Southeast Asia. Due in part to economic pressures, Singapore's spending flattened in 2003. However, modernization efforts are continuing, with acquisitions of advanced fourth-generation fighter aircraft and submarines planned for 2005.<sup>25</sup>

In contrast, defence expenditures in Indonesia, Thailand and the Philippines have not returned to pre-1997 levels. Economic pressures play a significant role, but do not tell the whole story. Defence spending as a percentage of gross domestic product is well below the levels of the early and mid 1990s, pointing to the impact of domestic political changes (democratization) where military spending and external security threats are seen to be less relevant.

That being said, spending appears set to increase in Indonesia and Thailand as they continue to recover. With the recent purchase of four Russian long-range fighter aircraft, Indonesia may be signaling its intention to resume its modernization program. According to recent reports, Indonesia's air force plans to purchase at least another 44 aircraft over the next four years at a cost of \$1.4 billion.<sup>26</sup> Thai Prime Minister Thaksin Shinawatra has pledged to increase the defence budget over the next nine years from its current level of 1.9 billion to over \$5 billion.<sup>27</sup> This is less likely in the Philippines, where a severe fiscal crisis and serious internal security challenges have forced the government to put aside modernization plans.

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<sup>24</sup> Figure based on defence spending estimates from Table 1: Cambodia, Malaysia, Philippines, Singapore, Brunei and Thailand are included; 2003 estimates for Brunei and Indonesia were not available, however, as no significant increase or decrease in spending was planned in these countries, the 2002 figure was used for this calculation; Countries were estimates for 2002 and 2003 were not available, such as Vietnam, Laos, and Myanmar, are excluded.

<sup>25</sup> "Singapore is evaluating the F-15, the Eurofighter and the Rafale," *Radio Singapore International*, 10 July 2004  
<<http://rsi.com.sg/english/perspective/view/20040710130022/1/.html>>; Jane's Information Group, *Jane's Sentinel Security Assessment: Singapore*, 16 December 2003, 7 July 2004  
[http://sentinel.janes.com/docs/sentinel/SEAS\\_country.jsp?Prod\\_Name=SEAS&Sent\\_Country=Singapore&](http://sentinel.janes.com/docs/sentinel/SEAS_country.jsp?Prod_Name=SEAS&Sent_Country=Singapore&).

<sup>26</sup> Sergei Blagov, "A Strong Show of Russian Arms" *Asia Times*, 22 May 2003.

<sup>27</sup> Charles E. Morrison, ed. *Asia Pacific Security Outlook 2004* (Tokyo: Japan Center for International Exchange, 2004) p. 180.

## WEAPONS ACQUISITION PATTERNS

A review of regional security analysts, as found in the annual *Asia-Pacific Security Outlook* for the period 2001-2004, reveals that (notwithstanding the hostilities in East Asia's traditional flashpoints) no state in the region explicitly identified another state as a security threat. Most governments identified internal/non-traditional security challenges (terrorism, piracy, etc.) as their primary security concern.<sup>28</sup> However, an examination of regional procurement priorities tells a different story. Many of the weapon systems being accumulated by the region's armed forces are externally oriented, that is, they have no other role than in interstate warfare. Table 4 provides one perspective on this picture, cataloguing the weapons delivered by major supplier states to Asia from 1996 to 2003.

Examining the flow of weapons into the Asian theatre highlights several very troubling trends. First is the continued and quite extraordinary build up of fighter aircraft. Table 4 indicates the addition of almost 900 supersonic combat aircraft into the region in the 1996-2003 period alone.<sup>29</sup> Second is the build up in major naval combatant vessels, i.e., in the blue-water, power-projection capabilities of Asian navies.<sup>30</sup> Third is the build up in submarine capacities, as set out in Table 5. And, fourth, is the dramatic ramping up of missile capabilities of each of the prior three types of weapons systems. As Table 4 makes apparent (and as an examination of Chinese weapons production would add additional confirmation), the Asian military environment has seen dramatic levels of missile proliferation over the last decade. Note that this Table does not include indigenous weapons production, which in the cases of China, Taiwan, and Japan particularly are

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<sup>28</sup> See *Asia Pacific Security Outlook 2001-2004*. Each addition of the *Asia Pacific Security Outlook* provides overview of security perceptions and concerns for each country in the region, written by analysts from that country. As the time of writing, *Asia-Pacific Security Outlook 2005* was not available. It remains to be seen if expert analysts alter their views, in light of the statements in Japan's 2004 White Paper concerning the PRC.

<sup>29</sup> Excluding Japan.

<sup>30</sup> Eric Heginbotham, "The Fall and Rise of Navies in East Asia: Military Organizations, Domestic Politics, and Grand Strategy," *International Security*, 27:2 (2002) pp. 86-125; Heginbotham notes that the number of major surface warships in East Asian inventories increased from 198 to 300, or 52 percent between 1980 and 2001. Aggregate tonnage increased 69 percent during this period. (East Asia: Australia, China, Indonesia, Japan, North Korea, South Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, and Vietnam).

substantial and would be important. That is, these states produce classes of weapons systems, e.g., fighter aircraft and missiles, that should be added to the lists of externally supplied weapons in Table 4.

Table 4: Number of Weapons Delivered by Major Suppliers to Asia and the Pacific

Weapons Category	U.S.	Russia	China	Major West European	All Other European	All Others
<b>1996-1999</b>						
Tanks and Self-Propelled Guns	476	30	100	0	340	0
Artillery	148	60	50	40	40	840
APCs and Armored Cars	58	70	120	180	70	90
Major Surface Combatants	1	1	1	12	1	2
Minor Surface Combatants	8	5	17	13	6	49
Guided Missile Boats	0	0	4	0	0	0
Submarines	0	3	0	6	0	2
Supersonic Combat Aircraft	284	80	60	80	0	70
Subsonic Combat Aircraft	0	10	0	60	10	0
Other Aircraft	15	0	40	10	20	0
Helicopters	56	90	0	10	20	0
Surface-to-Air Missiles	148	1349	359	1650	100	80
Surface-to-Surface Missiles	0	0	0	0	0	10
Anti-Ship Missiles	201	100	90	60	0	0
<b>2000-2003</b>						
Tanks and Self-Propelled Guns	88	310	40	0	120	20
Artillery	108	10	370	10	90	130
APCs and Armored Cars	310	310	310	20	120	80
Major Surface Combatants	8	5	0	2	1	3
Minor Surface Combatants	0	2	2	4	22	20
Guided Missile Boats	0	0	0	0	0	0
Submarines	0	1	0	0	2	0
Supersonic Combat Aircraft	16	200	60	0	10	30
Subsonic Combat Aircraft	15	0	0	30	0	0
Other Aircraft	8	20	30	0	40	50
Helicopters	81	220	0	20	10	10
Surface-to-Air Missiles	2557	1250	490	0	60	480
Surface-to-Surface Missiles	0	0	0	0	0	0
Anti-Ship Missiles	232	190	0	80	0	0

**Source:** Grimmer, Richard, "Conventional Arms Transfers to Developing Nations, 1996-2003," *Congressional Research Service* (August 26, 2004) p. 68.

**Note:** Asia and Pacific category *excludes* Japan, Australia and New Zealand. All data are for calendar years given. Major West European includes France, United Kingdom, Germany, and Italy totals as an aggregate figure. Data relating to surface-to-surface and anti-ship missiles by foreign suppliers are estimates based on a variety of sources having a wide range of accuracy. As such, individual data entries in these two weapons delivery categories are not necessarily definitive.

## Fighter Aircraft

For the Northeast Asian states, China, Taiwan, South Korea, and Japan, their respective rationales are relatively straightforward, reflecting long-standing security concerns and strategies. The concern, however, as discussed below, is that these concentrations of large numbers of fighter aircraft increases the overall level of regional tension and adds to the destabilization potential of crisis events. In Northeast Asia, China's purchases of Russian fighter aircraft, part of a rapid modernization of the PLA Air Force (PLAAF), have raised fears in Taiwan of a shift in the balance of power.<sup>31</sup>

The situation in Southeast Asia is anomalous: Here one sees Singapore, Malaysia, and Thailand all modernizing their fleets or acquiring new combat, fighter aircraft, while at the same time naming no threatening states and proclaiming that they are under no territorial threats. The rhetoric justifying these purchases is intriguing: For example in the case of Thailand, "The government states that this procurement [F-16 fighter jets] is necessary for national security since neighbouring countries have already acquired advanced fighters."<sup>32</sup> And for Singapore, (although with regard to its missile purchases rather than its extensive fighter acquisitions), these weapons "will face nowhere, but [will be] there to welcome whomever intends harm."<sup>33</sup>

## Maritime Vessels/Surface Warships

Reflecting a preoccupation with maritime boundaries and the security of territorial waters, there continues to be a heavy focus on upgrading existing fleets or acquiring new naval vessels. Thus, one can point to Australia, China, India, Japan, Malaysia, Singapore, South Korea, and Taiwan all developing or expanding their blue-water power projection capabilities. Indonesia, the Philippines and Thailand have plans to follow suit, but are constrained by budget pressures.

In Southeast Asia, the emphasis is on safeguarding vital sea lanes, principally the Straits of Malacca, Sunda, and Lombok, and the South China Sea. To this end, Singapore, Malaysia, Thailand and Indonesia are all acquiring coastal patrol vessels, corvettes, missile boats, and maritime patrol aircraft. In addition to the longstanding problem of piracy, defence planners are guarding

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<sup>31</sup> David Isenberg, "Taiwan's air superiority under the gun," *Asia Times*, 5 September 2002.

<sup>32</sup> *Asia Security Outlook 2001*, p.164.

<sup>33</sup> *Asia Security Outlook 2001*, p.150.



against the possibility of a terrorist attack in the Strait of Malacca.<sup>34</sup> The region is highly dependent on international shipping for its energy and commercial needs.<sup>35</sup> More than 50,000 vessels per year transit the Strait of Malacca, containing an estimated 80 percent of Japan's crude oil imports<sup>36</sup>, and 60 percent of China's.<sup>37</sup> Insecurity in these strategically important waters would invite the military presence of regional powers (e.g. U.S., India, Japan), desired or otherwise.<sup>38</sup>

In both sub-regional contexts, analysts are beginning to raise concerns of the consequences of the dimensional shifts in the size and capacities of naval forces, particularly in light of the fact that the most of the vessels coming on stream will be equipped with sophisticated missile systems.<sup>39</sup>

## Submarines

The acquisition of submarines is particularly illustrative of the disconnect between the avowed security concerns of Asian states and their actual procurement priorities. Unlike surface vessels, which have multiple applications, submarines are not particularly well suited for addressing non-traditional security threats, such as piracy or terrorism.

Table 5 presents an overview of the planned increases in submarine acquisition by regional states. The rivalry in the Taiwan Strait is of special relevance. Both China and Taiwan are acquiring diesel submarines, adding a new dimension to the cross-Straits situation. Japan and South Korea are also expanding their submarine fleets.

Several countries in Southeast Asia are developing (or planning to develop) a capability in submarine operations. Singapore has taken delivery of four Swedish manufactured

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<sup>34</sup> Ioannis Gatsiounis, "Malacca Strait: Target for terror", *Asia Times*, 11 August 2004

[http://www.atimes.com/atimes/Southeast\\_Asia/FH11Ae02.html](http://www.atimes.com/atimes/Southeast_Asia/FH11Ae02.html).

<sup>35</sup> U.S. Energy Information Administration, *World Oil Transit Chokepoints*, April 2004, 14 October 2004

<http://www.eia.doe.gov/emeu/cabs/choke.pdf>.

<sup>36</sup> "Weak Global Maritime Security Alarms UN Body," *Reuters*, 25 May 2004.

<sup>37</sup> Phar Kim Beng, "China mulls oil pipelines in Myanmar, Thailand," *Asia Times*, 23 September 2004

<http://www.atimes.com/atimes/China/FI23Ad09.html>.

<sup>38</sup> Yoichiro Sato, "Malacca Straits security reflects hazy dividing line," *Asia Times*, 14 July 2004

[http://www.atimes.com/atimes/Southeast\\_Asia/FG14Ae01.html](http://www.atimes.com/atimes/Southeast_Asia/FG14Ae01.html).

<sup>39</sup> Heginbotham, *ibid.*

*Sjoormen*-class diesel submarines. Jane's reports that new submarines are expected to be ordered by 2005.<sup>40</sup> Malaysia will take delivery of two *Scorpene* class diesel submarines in 2007 and 2008, part of a weapons modernization program delayed by the AEC.<sup>41</sup> Indonesia and Thailand, more seriously affected by the AEC, were forced to cancel planned acquisitions;<sup>42</sup> but, both apparently plan to acquire submarines when their budget permits.

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<sup>40</sup> Jane's Information Group, *Jane's Sentinel Security Assessment: Singapore*, 16 December 2003, 7 July 2004

<[http://sentinel.janes.com/docs/sentinel/SEAS\\_country.jsp?Prod\\_Name=SEAS&Sent\\_Country=Singapore&](http://sentinel.janes.com/docs/sentinel/SEAS_country.jsp?Prod_Name=SEAS&Sent_Country=Singapore&)>.

<sup>41</sup> David Lague, "We All Live for Another Submarine," *Far Eastern Economic Review*, 15 August 2002; Malaysia has also ordered an ex-French navy *Agosta* submarine for training.

<sup>42</sup> Umbach, p. 349.

Table 5: Submarine Fleets in East Asia: Acquisitions Patterns from 1984 to Present plus Announced Plans for Future Acquisitions

Countries	Submarines Acquired					Future Deliveries
	1980-1984	1985-1989	1989-1994	1994-1999	2000-2003	2004-
China	4	1	-	5	12	22
Indonesia	2	-	-	-	-	2
Japan	6	5	5	4	4	6
Malaysia	-	-	-	-	0	2
Singapore	-	-	-	1	3	-
S. Korea	-	-	2	6	2	3
Taiwan	-	2	-	-	-	8*
Total	12	8	7	16	21	43

\* Pending legislative approval

Source: This table, except for the last column, is taken from Charles A, Maconis and Michael Wallace, *East Asian Naval Weapons Acquisitions in the 1990s: Causes, Consequences, and Responses* (London: Praeger, 2000), 61. The list their data sources as *Jane's Fighting Ships 1984-1999*; *Jane's Defence Weekly 1997-1998*, *Jane's Navy International 1997-1998*, "Run Silent-Run Deep: Submarine Technical and Market Trends for the 21st Century," *Naval Forces*, vol. XVIII, no. 1, 1997, pp.69-90; discussions with naval analysts at AMI International, Bremerton, Washington, 1998-1999. The last two columns, "2000-2003" and "Future Deliveries: 2004-" reflect recent announcements and estimates, and thus should be regarded as very tentative. The sources of information in this column are *Jane's Sentinel Security Assessment*, *Jane's Fighting Ships*, *Asia-Pacific Security Outlook 2004*.

### Missiles: Ballistic Missiles, Cruise Missiles, and Missile Defences

The dramatic build-up of missile inventories by the region's armed forces provides the clearest evidence of competitive arms acquisition. Of special concern is the increase of ballistic missile arsenals in Northeast Asia's two crisis spots.<sup>43</sup>

North Korea is estimated to have 700 short-range ballistic missiles (SRBMs) (*Scud*) capable of hitting South Korean targets,

<sup>43</sup>See U.S. Department of Defense, *FY04 Report to Congress on PRC Military Power*, 28 May 2004; Carol Giacomo, "China Expands Military Buildup – Pentagon," *Reuters*, 28 May 2004; Tim Luard, "Military balance goes against Taiwan," *BBC*, 9 March 2004 <http://news.bbc.co.uk/2/hi/asia-pacific/3545361.stm>.

and at least 100 missiles (*No Dong*) capable of hitting Japan.<sup>44</sup> In 2002 South Korea moved to strengthen both its missile deterrent and its defences by purchasing more than 100 medium range ballistic missiles,<sup>45</sup> and procuring *AEGIS* ship-warfare system for its navy, enabling it to defend against North Korean missiles.<sup>46</sup> The recent Pentagon report on China's military capabilities estimates the number of SRBMs deployed opposite Taiwan at about 500.<sup>47</sup> More recently, Taiwan's President Chen Shui-bian put the figure at over 600, with this number expected to increase by 50 to 70 each year.<sup>48</sup>

Less attention has been paid to the build-up of conventional missiles throughout North and Southeast Asia. Missile inventories are increasing in both size and sophistication. According to Table 4, some 9000 surface-to-air (SAM), surface-to-surface (SSM), and anti-ship missiles (ASM) were imported into Asia (excluding Japan) between 1996-2003. In addition, many of the region's air forces are upgrading the strike capabilities of their fighter aircraft with new air-to-air missiles (AAM) and air-to-ground missiles (AGM). Several states in the region have developed or are developing an indigenous conventional missile production capability.<sup>49</sup> China and North Korea's cruise missile programs are said to be well advanced, and will significantly alter the military balance in the region.

## "DESTABILIZING" WEAPONS SYSTEMS AND ASIAN CRISIS SPOTS

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<sup>44</sup> Andrew Feickert, "Missile Survey: Ballistic and Cruise Missiles of Foreign Countries," *Congressional Research Service*, 5 March 2004, <http://www.fas.org/spp/starwars/crs/RL30427.pdf>.

<sup>45</sup> "South Korea: Seoul Contracts for U.S.-Made Missiles," *NTI Global Security Newswire*, 4 January 2002, [http://www.nti.org/d\\_newswire/issues/thisweek/2002\\_1\\_4\\_misp.html](http://www.nti.org/d_newswire/issues/thisweek/2002_1_4_misp.html).

<sup>46</sup> Stephen Blank, "Asia's overlooked missile crisis" *Asia Times*, 17 June 2003, <<http://www.atimes.com/atimes/China/EF17Ad05.html>>; "South Korea: Lockheed Martin wins Aegis Contract" *NTI Global Security Newswire*, 26 July 2002

[http://www.nti.org/d\\_newswire/issues/thisweek/2002\\_7\\_26\\_misd.html](http://www.nti.org/d_newswire/issues/thisweek/2002_7_26_misd.html).

<sup>47</sup> *FY04 Pentagon Report to Congress on PRC Military Power*, *ibid*; see also Michael D. Swaine and Loren H. Runyon, "Ballistic Missiles and Missile Defense in Asia," *National Bureau of Asian Research* Vol. 13, No. 3 (June 2002) p. 20.

<sup>48</sup> "Taipei warns of 800 missiles targeted at it", *Straits Times*, 1 October 2004, 6 October 2004

<http://straitstimes.asia1.com.sg/storyprintfriendly/0,1887,275518,00.html>.

<sup>49</sup> Feickert, *ibid*.

What is particularly concerning about these acquisitions is the destabilizing potential of these classes of weapons. This draws us to the third question cited above: Do (or to what extent do) the types of weapons being introduced in Asia enhance the prospects of planned or accidental warfare in regional crises, particularly in the Taiwan Strait or on the Korean Peninsula?

Strategic analysts spent much energy in the 1990s attempting to differentiate between offensive and defensive weapons, with the assumption that the latter were detrimental to maintaining stability. However, these debates became increasingly frustrating as the sophistication of weapons systems made them more difficult to label as one or the other, and as supposedly “defensive” weapons systems (such as missile defence systems) came to be viewed by some as inherently detrimental to strategic stability and likely to provoke offensive response patterns.

An alternative approach is to scrutinize weapons according to their potential for introducing destabilizing qualities into a strategic situation. From this perspective, destabilizing weapons would be those with the following qualitative properties<sup>50</sup>:

- weapons acquisitions that are large quantitatively compared to a state’s existing forces or its rivals’
- weapons acquisitions that represent a substantive qualitative improvement in a state’s capacities
- an acceleration of the weapons acquisition process by one of the apparent rivals
- weapons acquisitions that permit few if any countermeasures;
- and/or
- weapons acquisitions that result in decreased warning times.

More specifically the types of weapons systems that embody such qualitative, destabilizing characteristics in whole or in part include:<sup>51</sup>

- Ship-based land attack ballistic and cruise missiles with conventional warheads
- Anti-ship missiles of all types

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<sup>50</sup> Michael Wallace, Brian L. Job, Jean Clermont, Andre Laliberte, “Rethinking Arms Races: Asymmetry and Volatility in the Taiwan Strait Case,” *Asia Perspective*, 25: 1 (2001) p.183.

<sup>51</sup> Adapted from Charles A. Meconis and Michael D. Wallace, *East Asian Naval Acquisitions in the 1990s: Causes, Consequences and Responses* (Westport, Connecticut: Praeger, 2000).

Means of extending the range of strike aircraft (carriers, in-flight refuelling)  
Electronic countermeasures and anti-countermeasures  
Submarines  
Long-range anti-air warfare (AAW) ships and their missiles  
Long-range ships (and their ship-to-surface and ship-to-air missiles)  
Amphibious power-projection capability, including land craft and forces providing close support  
Modern strike aircraft and air-to-surface missiles  
Ballistic missiles that can attack without being vulnerable to detection  
Missile defence systems

There is strong evidence of the acquisition of such destabilizing weapon systems by the parties to East Asia's traditional rivals. Such acquisitions are increasing tensions, and threaten to create dangerous effects throughout the region.

### Korean Peninsula: Missiles, Missile Defense Systems, and WMD

On the Korean Peninsula, the manufacture of WMD by the North, rather than the strength of its conventional forces, is now the primary security concern. North Korea's admission that it has continued to develop nuclear weapons in violation of the Nuclear Non-proliferation Treaty (NPT) and the 1994 Geneva Framework Agreement with the U.S. has triggered a diplomatic crisis and raised fears of a military confrontation in the region.<sup>52</sup>

The ongoing crisis has prompted Japan, South Korea and the U.S. to upgrade their missile defences in the region. Japan has likewise moved to bolster its air defences with advanced U.S. PAC-3 interceptor missiles. In a meeting with U.S. counterparts in May 2003, Prime Minister Koizumi announced Japan would "accelerate mutual cooperation on missile defence programs in response to North Korea's missile threat."<sup>53</sup> This move prompted a warning from China's defence minister that the decision could spark a regional arms race. On October 1, 2004, the U.S. Defence Department announced it had deployed an *AEGIS* destroyer in the

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<sup>52</sup> "U.S. considers Korean military build-up", *BBC*, 4 February 2003; Sharon A. Squassoni, "North Korea's Nuclear Weapons: How Soon an Arsenal?" *Congressional Research Service*, 2 February 2004

<http://www.fas.org/spp/starwars/crs/RS21391.pdf>.

<sup>53</sup> "Japan to deploy missile defense system against NKorean threat: report" *Agence France Presse*, 22 June 2003

Sea of Japan, the first step toward building a sea-based missile defence network.<sup>54</sup>

### Taiwan Strait: Missiles, Missile Defense Systems and 'Counterstrike Capability'

Tensions have also risen in the Taiwan Strait where the deployment of more and more advanced weapons technology is destabilizing relations between China, the U.S., and Taiwan. A competitive arms process appears to be underway in two principal areas: missile and missile defence capabilities, and in submarine and anti-submarine capabilities.

As China does not yet possess the capability to thwart Taiwan's independence through direct military assault, its military planners have focused on developing other forms of coercion "including missile strikes, blockades, and cyber-warfare."<sup>55</sup> China's build-up of SRBMs is causing alarm in Taiwan. In conjunction with its presidential elections on March 20, 2004, Taiwan held a so-called 'defensive referendum' in which voters were asked to support a call on China to renounce the use of force, withdraw the missiles that are currently targeting Taiwan, and to support the procurement of more advanced anti-missile weapons should China refuse. In the event, voters returned the Democratic Progressive Party (DPP) to power, but the results of the referendum were inconclusive: 87 percent of those who voted supported the government, but less than the required 50 percent of the electorate voted.<sup>56</sup> Nevertheless, the DPP has moved ahead with plan to acquire more advanced *Patriot-3* systems from the U.S., "as well as developing further an indigenous missile shield."<sup>57</sup> Judging the referendum as a prelude to, or test-run for a referendum on independence, and alarmed at DPP attempts to rally support for advanced missile defences, China has reportedly adopted a more aggressive policy toward Taiwan. According to an article in the *Asia Times*, "Taiwan Affairs Office spokesman Zhang Mingqing declared that China would 'completely annihilate' any

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<sup>54</sup> "U.S. deploys Aegis destroyer in Sea of Japan for missile defense," *Japan Times*, 3 October 2004.

<sup>55</sup> See Lague, *ibid*; and David Isenberg, "The PLA, the Pentagon, and Politics," *Asia Times*, 18 July 2002

<sup>56</sup> Stephen Blank, "Taiwan referendum = big military challenges," *Asia Times*, 24 March 2004

<http://www.atimes.com/atimes/China/FC24Ad01.html>.

<sup>57</sup> Jane's Information Group, *Jane's Sentinel Security Assessment: Taiwan*, 30 April 2004, 7 July 2004

<[http://sentinel.janes.com/docs/sentinel/CNAS\\_country.jsp?Prod\\_Name=CNAS&Sent\\_Country=Taiwan&](http://sentinel.janes.com/docs/sentinel/CNAS_country.jsp?Prod_Name=CNAS&Sent_Country=Taiwan&)>.

moves toward Taiwanese independence, no matter what the cost.”<sup>58</sup>

Swaine and Runyon warn that the deployment of a ballistic/theatre missile defence (BMD/TMD) shield over Taiwan “could have potentially destabilizing effects across Asia.”<sup>59</sup> The extension of a BMD shield over Taiwan threatens to degrade the value of China’s conventional and nuclear-tipped ballistic missile deterrent. The loss of this deterrent would carry with it a loss of influence over Taiwan’s domestic politics, and an increased risk that Taiwan would vote for formal independence. Alarmed at even the suggestion that such a system could be deployed in Taiwan, China is reportedly further increasing the size and quality of its ballistic missile arsenal, and has initiated the development of MIRV and countermeasure technologies.<sup>60</sup>

With its rapidly expanding resource base, some analysts argue that China’s modernization efforts have begun to swing the balance of power in the Taiwan Strait in its favour. In response, Taiwan is planning to reduce troop numbers by 25 percent over the next eight years in order to finance the procurement of more advanced weaponry.<sup>61</sup> However, according to a *Washington Post* report, “[s]ome Taiwanese military officers and officials now say that Taiwan cannot keep up with China’s military buildup by purchasing defensive systems so it should develop an attack capability to deter China.”<sup>62</sup> This was later articulated in the U.S. Defense Department report on China’s military capabilities:

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<sup>58</sup> Li Jing, “China-Taiwan: Talking the talk, walking the walk,” *Asia Times*, 26 May 2004, <http://www.atimes.com/atimes/China/FE26Ad06.html>.

<sup>59</sup> Swaine and Runyon, p. 5; See also Wallace et al., “Rethinking Arms Races: Asymmetry and Volatility in the Taiwan Strait Case,” *ibid*; Wallace et al. predict that “given the massive military presence of the United States in the Western Pacific, and its ongoing involvement with the Taiwanese security, an accelerating PRC-ROC arms race must inevitably draw in the United States to an even greater extent. This is particularly true given what appears to be a firm American determination to introduce a new and potentially more destabilizing technology into the region in the form of theatre missile defense systems. The PRC has responded with a warning that it will undertake whatever measures are necessary to neutralize the new American technology, in effect threatening to engage the United States in a form of limited, asymmetric arms race.

<sup>60</sup> See Swaine and Runyon, 20-21, 47; and Stephen Blank, “The new East Asian arms race” *Asia Times*, 8 April 2003 <http://www.atimes.com/atimes/China/ED08Ad02.html>.

<sup>61</sup> “Taiwan to slash troop numbers and bring in advanced weapons,” *Agence France Presse*, 8 October 2003.

<sup>62</sup> John Pomfret and Philip P. Pan, *ibid*.



Taipei political and military leaders have recently suggested acquiring weapon systems capable of standoff strikes against the Chinese mainland as a cost-effective means of deterrence... Leaders have publicly cited the need for ballistic and land-attack cruise missiles. Since Taipei cannot match Beijing's ability to field offensive systems, proponents of strikes against the mainland apparently hope that merely presenting credible threats to China's urban population or high-value targets, such as the Three Gorges Dam, will deter Chinese military coercion.<sup>63</sup>

This prospect of an attack on the Chinese mainland, as expected, has prompted an angry response from Beijing.<sup>64</sup> A ballistic missile program or an air-to-air refuelling capacity enabling Taiwan to strike targets major cities in mainland China could act as an inexpensive deterrent. However, a decision by Taiwan to pursue such offensive capabilities risks destabilizing the region. Further evidence of this possibility came on 25 September 2004 when Taiwanese prime minister, Yu Shyi-kun – seeking legislative support for a \$18 billion arms package – said that Taiwan should safeguard its security by maintaining a 'balance of terror' with China.<sup>65</sup> To achieve this he called for the development of an offensive missile, or counter-strike capability:

"You fire 100 missiles at me, I fire 50 at you. You hit Taipei and Kaohsiung. I at least hit Shanghai," he said, mentioning Taiwan's two biggest cities and the mainland's financial capital. "If we have such counter-strike capability today, Taiwan is safe."<sup>66</sup>

These comments came following a series of missile tests on both sides of the strait. In mid-September 2004, China reportedly tested a new land-attack cruise missile (LACM) – the *Dong Hai-10*, or *East China Sea-10* – with a 1,500 kilometre range and is accurate to within 10 metres.<sup>67</sup> Taiwan followed by testing a new indigenously produced surface-to-surface missiles (*Hsiung-feng 2A* and *2E*) that could hit targets in China (ie. range of 150-300

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<sup>63</sup> FY04 Pentagon Report to Congress on PRC Military Power, *ibid.*

<sup>64</sup> "PLA general slams 'independence terrorists,'" *Taipei Times*, 17 June 2004;

<<http://www.taipetimes.com/News/taiwan/archives/2004/06/17/2003175380>>; "Taiwan, China gear up for arms race," *CNN*, 19 June 2004, <http://edition.cnn.com/2004/WORLD/asiapcf/06/18/china.taiwan.us/>.

<sup>65</sup> "Yu heralds a 'balance of terror,'" *Taipei Times*, 26 Sept. 2004,

<http://www.taipetimes.com/News/front/archives/2004/09/26/2003204371>.

<sup>66</sup> Jonathan Watts, "Beijing ups the ante in war of words with Taipei" *Guardian*, 1 Oct. 2004

<http://www.guardian.co.uk/china/story/0,7369,1317196,00.html>.

<sup>67</sup> "China tests new land-attack cruise missile," *Jane's Missiles and Rockets*, 17 September 2004, 2 December 2004.

kilometres).<sup>68</sup> Chinese president Hu Jintao responded to Yu's comment by ordering the People's Liberation Army (PLA) to prepare for war.<sup>69</sup> Taiwan's defence minister subsequently denied that a 'balance of terror' strategy was being considered, though news reports suggest Chen Shui-bian's government has been interested in developing such capabilities since its election in 2000.<sup>70</sup> It is clear that the deployment of ever-larger numbers of missiles, which are both increasingly accurate and difficult to intercept, has significantly raised tensions.<sup>71</sup>

### Asymmetric Warfare: Submarines, Cruise Missiles

A competitive arms process also appears to be emerging with respect to submarines and anti-submarine warfare. As with missiles, major advances in China's naval modernization program are creating concern in the region. The planned procurement of (at least) 12 Russian *Kilo*-class diesel submarines, coupled with advances in its domestic/indigenous submarine program, represent a qualitative leap in capability for the Chinese navy (People's Liberation Army Navy - PLAN), and a serious source of concern for both U.S. and Taiwanese defence planners. Prior to these acquisitions, China's submarine fleet was largely antiquated and confined to coastal waters.

The reason that the development of this capability is a priority for Chinese defence planners is twofold; submarines can assist Beijing both in mounting a blockade of Taiwan's ports, and in deterring U.S. aircraft carrier battle groups from coming swiftly to Taiwan's aid.<sup>72</sup> In his study *The Armed Forces of China*, You Ji states "the show of force by two U.S. aircraft carrier battle groups in March 1996 made the PLA high command feel insecure and convinced it with whom it would eventually have to deal with."<sup>73</sup> Since that confrontation, Chinese defense planners have focused

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<sup>68</sup> "Taiwan test-fires missiles that could reach China" *ISN Security Watch*, 27 Sept. 2004; "Locally developed missile successfully test fired, report says" *eTaiwan News*, 27 Sept. 2004,

<http://www.etaiwannews.com/Taiwan/2004/09/27/1096252611.htm>.

<sup>69</sup> Watts, *ibid*.

<sup>70</sup> "US helps Taiwan build credible deterrence," *Straits Times*, 16 June 2004.

<sup>71</sup> "'No Balance of Terror' in the Works, MND Says," *Taipei Times*, 1 October 2004.

<sup>72</sup> David Isenberg, "All eyes on Sino-Russian sub deal," *Asia Times*, 2 July 2002; See also Promfret, *ibid*.

<sup>73</sup> You Ji, *The Armed Forces of China* (St. Leonard's, NSW; Allen & Unwin, 1999) p. xvii, 206-207; When China fired missiles across the Taiwan Strait in 1996, President Bill Clinton deployed two U.S. aircraft carrier groups to the area, forcing China to stand down.

on developing strategies for combating U.S. carrier group. "A specific requirement indicated (in the strategy paper) *China's National Defence in 2000* is for strategies to combat U.S. carrier groups."<sup>74</sup>

Almost a decade after the 1996 confrontation, "defence analysts are already questioning whether the United States... would risk sending aircraft carrier battle groups to intervene in any clash across the Taiwan Strait if China is successful in deploying an effective fleet of submarines by the end of this decade."<sup>75</sup> Richard Fisher states that "[t]he forces that China is putting into place right now will probably be more than sufficient to deal with a single American aircraft carrier battle group."<sup>76</sup>

The U.S. defence planners have been attempting to address and counter this capability for several years by encouraging allies to invest in anti-submarine capabilities, and by increasing and repositioning U.S. naval power in the region. As previously mentioned, the Bush administration broke a longstanding U.S. policy in April 2001 by agreeing to broker a deal to provide Taiwan with eight diesel submarines. This was part of a multibillion-dollar weapons deal also including four *Kidd*-class destroyers and 12 *P-3C* submarine-hunting maritime surveillance aircraft.<sup>77</sup> U.S. officials are also reportedly encouraging Japan to take a leading role in anti-submarine warfare, and to assist U.S. forces "in the event of potential conflicts with North Korea or with China over Taiwan."<sup>78</sup>

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<sup>74</sup> International Institute for Strategic Studies, *The Military Balance 2001-2002* (Oxford: Oxford University Press, 2001) p. 172; See also David Shambaugh, *Modernizing China's Military: Progress, Problems and Prospects* (Berkeley: University of California Press, 2002) p. 283; According to Shambaugh China's arms imports from Russia "suggest a plan to engage and disrupt U.S. aircraft carrier battle groups in a Taiwan conflict."; See also Ted Galen Carpenter, "Managing the US-China-Russia Triangle," *Asia Times*, 14 November 2002; Carpenter writes "...the bulk of the arms sales has involved weapons that... would be highly relevant in any clash between China and the United States over Taiwan or some other issue."

<sup>75</sup> Lague, *ibid.*

<sup>76</sup> "China's Military Buildup Raises Concerns in US," *Agence France Presse*, 25 April 2004.

<sup>77</sup> David Isenberg, "Taiwan: Armed to the Teeth," *Asia Times*, 18 July 2002; John Promfret, "China to Buy 8 More Russian Submarines," *Washington Post*, 25 June 2002; A15; Due to the fact the U.S. defence industry no longer manufactures diesel submarines, efforts to find a supplier willing to risk its relations with China continue. See also David Isenberg, "Solutions Surface for Taiwan Sub Deal," *Asia Times*, 10 August 2002.

<sup>78</sup> Martin Sieff, "Japan drags feet over anti-sub role," *Washington Times*, 22 September 2004 <<http://washingtontimes.com/upi-breaking/20040921-054728-6871r.htm>>; "Taiwan intends to ask for anti-submarine help from

In this context, the development of a submarine capability can be seen as one major component of an overall focus on asymmetric warfare (i.e. cruise missiles, submarines, and information warfare) for the purposes of deterring U.S. intervention in the Taiwan Strait.<sup>79</sup> The most recent Pentagon report on China's military capabilities states "the focus of China's short- and medium-term conventional modernization efforts has been to prepare for military contingencies in the Taiwan Strait, to include scenarios involving U.S. military intervention."<sup>80</sup> Arthur Lauder concludes that the Chinese military "is the only one being developed anywhere in the world today that is specifically configured to fight the United States of America."<sup>81</sup>

### Spin-off effects: Northeast Asia

Increasingly concerned by and North Korea's ballistic missile program, and by China's rapid military build-up/modernization program, Japan is undergoing a sweeping review of the military and defence policy, culminating in its 2004 National Defense Program Outline. The North Korean threat to Japan is well known and understood. Since North Korea launched a *Taepodong* missile of its territory in 1998, Japan has invested heavily in missile defence technology, purchasing an array of PAC-2 *Patriot* missile batteries and signing on to a joint research program on the development of a theatre missile defence system with the United States.<sup>82</sup>

However, Japan's 2004 white paper on defence "suggests that the country also needs to keep a close eye on China, a possibly

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Japan," *People's Daily*, 21 September 2004

[http://english.people.com.cn/200409/21/eng20040921\\_157782.html](http://english.people.com.cn/200409/21/eng20040921_157782.html).

<sup>79</sup> *FY04 Report to Congress on PRC Military Power*, *ibid*; "The PLA is focused on developing a variety of... capabilities to deter, delay, or disrupt third-party intervention in a cross-Strait military crisis."

<sup>80</sup> *Ibid*.

<sup>81</sup> "China's Military Buildup Raises Concerns in US", *Agence France Presse*, 25 April 2004; According to Roger Robinson and Richard D'Amato, the chairman and vice chairman of the U.S.-China Economic and Security Review Commission "China's military prowess increasingly appears to be shaped 'to fit a Taiwan conflict scenario and to target US air and naval forces that could become involved.'"

<sup>82</sup> P K Ghosh "A missile defense shield for Japan," *Asia Times*, 9 January 2004; <<http://www.atimes.com/atimes/Japan/FA09Dh03.html>>; Norimitsu Onishi, "Japan's Support of Missile Shield Could Tilt Asia Power Balance" *New York Times*, 3 April 2004, A1.

dangerous rival in areas other than trade.”<sup>83</sup> The dramatic improvements in China’s military capabilities are rapidly shifting the balance of power in Northeast Asia (in political, economic, and military terms). The decade-long arms build-up (particularly in missile technology) has prompted enough concern in Japan, according to one *BBC* report, that Prime Minister Junichiro Koizumi cited China’s military potential as one of the reasons the Japanese people should consider changing the country’s pacifist constitution.<sup>84</sup>

In this uncertain security environment, Koizumi has argued that the role of Japan’s Self-Defence Forces (SDF) should be expanded to resemble a conventional military, with powers commensurate with Japan’s economic and political clout, or ‘place in the world.’<sup>85</sup> In late December 2003, the Japanese government agreed to purchase a ballistic missile defence (BMD) system developed by the United States, authorizing \$6.5 billion in spending over five years.<sup>86</sup> In October 2004, the Japan Defence Agency panel charged with drafting new National Defense Program Outline recommended developing the capability to strike enemy missile bases ‘pre-emptively’ by deploying surface-to-surface missiles – a major departure from existing policy.<sup>87</sup> While this sea change in thinking about military matters has not yet manifested itself in (significantly) increased defence expenditures, it is a trend that bears watching. A re-examination of Japan’s self-imposed limits on defence spending now seems inevitable.

## Spin-off effects: Southeast Asia

The arms build-up and increase in tensions in Northeast Asia appears to be creating spin-off effects in Southeast Asia. Analysts have tended to draw two conclusions: First, there are indeed competitive arms acquisition processes underway among

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<sup>83</sup> “From pacifism to populism,” *The Economist*, 10 July 2004.

<sup>84</sup> “China Hikes Spending on Military,” *BBC*, 6 March 2004  
<http://news.bbc.co.uk/2/hi/asia-pacific/3538343.stm>.

<sup>85</sup> “White paper urges new role for SDF,” *Yomiuri Shimbun*, 7 July 2004; See also: “Japan Ready to strike first if threatened: PM,” *Sydney Morning Herald*, 22 May 2003

<http://www.smh.com.au/articles/2003/05/21/1053196642080.html>.

<sup>86</sup> Norimitsu Onishi, “Japan Support of Missile Shield Could Tilt Asia Power Balance,” *New York Times*, 3 April 2004, A1; “Japan to purchase US ‘star wars’ missile defense,” *ISN Security Watch*, 19 December 2003; Japan to introduce missile shield, *BBC*, 19 December 2003  
<<http://news.bbc.co.uk/2/hi/asia-pacific/3333117.stm>>

<sup>87</sup> “Japanese panel calls for ‘first strike’ capability” *Straits Times*, 2 October 2004,  
<http://straitstimes.asia1.com.sg/topstories/story/0,4386,275631,00.html>.

Southeast Asian states, for technological dominance (on Singapore's part) and/or for numerical equivalence. Assigning the term "arms race" to these processes has been considered but rejected by analysts throughout the 1990s, as it would be today. Second, there is the more cynically expressed "toys for the boys" argument, namely that certain Asian militaries carry substantial political clout which translates into acquisition of high-tech weaponry for prestige purposes, rather than for meeting immediate security concerns. Indeed, Boyd observes that most ASEAN members "tend to keep a close eye on their closest borders when they buy weapons and there is a tendency to put image ahead of practicality."<sup>88</sup>

Force modernization programs in Southeast Asian states may be predicated on the emergence of external threats in the long-term, arising as a result of tension among major powers for regional hegemony.<sup>89</sup> In the long-term, defence planners may be preparing for the possibility of a great-power confrontation or alternatively withdrawal by the U.S. in the region. As regional powers like China and India develop modern "blue-water" navies capable of projecting power into the Eastern Indian Ocean, Straits of Malacca, South China Sea, etc., smaller states that can afford to are hedging against future great power competition in the sub-region by pursuing force modernization programs focused on externally-oriented weapons systems. Indeed, Boyd observes that by committing Malaysia to a costly military buildup, Prime Minister Mahathir Mohamed "has signalled that he doesn't think détente will work, at least on the Asia-only terms he would prefer."<sup>90</sup> While submarines tend to be sought after in part for symbolic purposes due to their technological sophistication, Southeast Asian states may also be looking to develop this capability as a relatively inexpensive deterrent.<sup>91</sup>

## IMPLICATIONS OF SEPTEMBER 11, 2001

The terrorist attacks of September 11 and subsequent events in the war on terrorism have had dramatic psychological

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<sup>88</sup> Alan Boyd, "ASEAN's Military Buildup Threatens Détente with China," *Asia Times*, 8 May 2002 <<http://www.atimes.com/se-asia/DE08Ae03.html>>.

<sup>89</sup> *ibid*; Boyd argues that "ASEAN is taking a broader perspective that assumes background tensions between Japan and China will gradually split the region into two shadow alliances."

<sup>90</sup> *Ibid*.

<sup>91</sup> Luke Harding, "Russia leases nuclear bombers to India," *Guardian*, 20 January 2003 <<http://www.guardian.co.uk/india/story/0,12559,878155,00.html>>.

and material impacts upon the security environment of Asia. There has been a remarkable increase in shared concern and cooperation among Asian states, both among themselves and in concert with the United States. U.S. engagement in the region has dramatically increased, as evidenced by a host of new cooperative arrangements with Asian partners.<sup>92</sup> One has seen certain Asian states respond vigorously, under a counter-terrorism agenda, against what they regard as “separatist and secessionist” elements that threaten regime security.<sup>93</sup>

However, despite this apparent shift in emphasis towards internal security concerns over the last three years, an examination of defence expenditures and weapons acquisition patterns to date suggests there has been very little change in Asian state defence priorities in response to September 11 per se, and subsequent events in the war on terrorism. As this paper shows, most of the region’s militaries are focused on procuring weapons systems which have little or no internal security application. In this context, attention must be paid to the apparent disjuncture between what are the articulated concerns of Asian states, which are primarily internally oriented, and their procurement priorities, which are externally oriented.

Despite rhetoric to the contrary, a close look at weapons acquisition patterns yield signs of a more pessimistic appraisal of the future by defence planners and policymakers in the region. Ongoing changes in U.S. force posture in the region demonstrate that defence planners in Washington share this pessimistic

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<sup>92</sup> David Capie, “Between a hegemon and a hard place: the ‘war on terror’ and Southeast Asian-US relations,” *Pacific Review*, 17: 2 (2004) pp. 223-248; Celia W. Dugger, “Wider Military Ties With India Offer U.S. Diplomatic Leverage,” *New York Times*, 10 June 2002, A1; Federation of American Scientists, *Arms Sales Monitor*, No. 48 (August 2002) <<http://www.fas.org/asmp/library/asm/ASM48.html>>. The *Arms Sales Monitor* warns that U.S. arms sales to India are threatening to further destabilize South Asia. On 1 August 2002, the U.S. and ASEAN signed an “anti-terrorism pact” committing the participants to “strengthen and expand existing cooperation on security, intelligence and law enforcement matters” in order to “combat international terrorism.” The *New York Times* reports that “[m]ilitary cooperation between India and the United States has remarkably quickened since Sept. 11, with a burst of navy, air force and army joint exercises, the revival of American military sales to India and a blur of high-level visits by generals and admirals.” Notably, “American and Indian naval ships are jointly patrolling the Strait of Malacca to protect commercial shipping.”

<sup>93</sup> “The Elusive Enemy,” *The Economist*, 3 August 2002, 33-34; *The Economist* reports that Southeast Asia has seen a wave of arrests and deportations as “overzealous” security officials try to “pass off local militants as international terrorists.”

appraisal. Even prior to September 11, defence planners were shifting focus away from Europe towards Asia.<sup>94</sup> Since September 11, the Bush administration has moved to strengthen its military presence in Asia, while drawing down force levels in Europe. While much attention has been paid to the proposed withdrawal of ground forces from South Korea and Japan, forward-deployed air and naval forces in locations such as Guam are being heavily reinforced.<sup>95</sup> As further evidence of concern, the U.S. Navy staged military exercises in the summer of 2004. The exercises, codenamed "Operation Summer Pulse 04" involved an unprecedented seven aircraft carrier battle groups operating "near-simultaneously" throughout the globe. Ostensibly, these exercises were staged to test a new "fleet response plan". However, in the press coverage on these exercises, unnamed U.S. military officials made it clear that they were meant, at least in part, to "show that the United States could muster overwhelming force anywhere, including Taiwan, despite the war in Iraq."<sup>96</sup> Two of these carrier groups were on manoeuvres in the Pacific at the same time that both China and Taiwan were holding military exercises.<sup>97</sup> Moves by Washington to bolster the credibility of its military deterrent in the Western Pacific, even as it is engaged in large-scale military operations in Iraq and Afghanistan, is a clear sign that defence planners are hoping for the best, but preparing for the worst.

## Conclusion

Prior to September 11<sup>th</sup>, the strategic and political stability of the region was being undermined by numerous factors, notably the acquisition of destabilizing weapon systems, increasing political tensions in crisis spots, and the proposed deployment of a regional BMD system. Since the terrorist attacks in 2001, the arms build-up in the region has accelerated. However, an examination of regional defence expenditures and weapons acquisition patterns indicates that rising tensions in Asia's traditional flashpoints, the

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<sup>94</sup> U.S. Department of Defense, *2001 Quadrennial Defense Review Report*, 30 September 2001 <http://www.defenselink.mil/pubs/qdr2001.pdf>.

<sup>95</sup> "US builds up Guam to project power into Asia", *Straits Times*, 8 April 2004; Jim Wolf, "U.S. to boost naval, air presence in Asia-Pacific," *Reuters*, 23 June 2004, Tadashi, Okano, "Analysis: Military presence growing in East Asia," *Asahi Shimbun*, 17 July 2004, "2nd US aircraft carrier for Asia-Pacific?" *Straits Times*, 12 August 2004.

<sup>96</sup> Edward Cody, "China, Taiwan and U.S. Display Military Might" *Washington Post*, 27 July 2004, A18.

<sup>97</sup> "US plans huge show of force in Pacific," *Straits Times*, 30 June 2004.



Taiwan Strait and the Korean Peninsula, are fuelling competitive arms processes with wider regional implications.

In previous years, analysts argued against the notion of traditional arms races in Asia, stressing that overall defence spending as percentage of GDP was not increasing significantly or rapidly between potential antagonists. However, the escalating build-up in certain niche capabilities raises questions about how an arms race process should be defined. A focus on aggregate defence spending masks effects of September 11 (spending on intelligence, homeland defence, etc.), and conceals important shifts in national strategies (e.g. China's focus on asymmetric warfare or Taiwan's development of counterstrike capabilities).

In both Northeast and Southeast Asia, resources are being directed toward externally oriented weapons systems, including submarines, surface ships, fighter aircraft, and missiles of all types. When taken together, the inescapable conclusion is of a competitive arms process, one that is "heavily weighted towards types of weapons that destabilize the military balance,"<sup>98</sup> and one that merits more careful, sober analysis by political decision makers in the region in order to reduce the likelihood of confrontation and conflict.

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<sup>98</sup> Wallace, et al. "Rethinking Arms Races: Asymmetry and Volatility in the Taiwan Strait Case," *ibid.*