



MILITARY MODERNISATION AND BUILDUP IN THE ASIA PACIFIC

THE CASE FOR RESTRAINT

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Wayne Mapp

RSiS
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S. RAJARATNAM
SCHOOL OF
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Note

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A MILITARY TIPPING POINT IN THE ASIA PACIFIC

An Arms Race

The Asia Pacific region is witnessing one of the greatest build-up of arms in modern history. Although it is not on the scale of the Cold War, the military build-up is one of the clearest indicators of a lack of confidence of the nations of the Asia Pacific in the future stability of the region. It recognises that there is not a settled security environment in the Asia Pacific.

This lack of confidence not only stems from the risk of potential conflict between the two great nations in the region, China and the United States. Within Asia, old enmities, particularly those involving Japan, are easily aroused. This factor increases the potential of conflict over issues of contemporary contention, particularly in respect of territorial claims.

The sophisticated nature of recent military acquisitions by nations in the Asia Pacific goes beyond modernisation, although this is how many nations have described their increased capabilities. They have simply stated that their improved military capability is no more than a function of them becoming wealthier. But wealth has a transforming effect. This can be seen in the range and reach of the new military capabilities that are being acquired by nations in the region.

The typical case is that nations, which could only afford coastal patrol vessels and basic jet training aircraft 30 years ago, have now acquired advanced combat aircraft such as the F16 and F15, or the Su27 and Su30. They have replaced their coastal patrol craft with guided missile frigates and submarines. Such capabilities have so greatly extended the military reach of these nations that they can now operate well beyond their own borders.

The decision by these nations over the last decade to acquire new and more capable platforms reflects their desire to change their defence profile. There has been a distinct emphasis on new defence investments toward combat aircraft with long-range strike capability and in blue-water naval capability. However, this increases the potential for these nations to come into conflict with each other over issues that are distant from the main territorial area of each state.

The procurement decisions of the last few years also have an impact on the procurement decisions of the next 20 years. Past decisions have already led to a clear pattern of arms escalation in the last decade. It will be difficult for nations to limit the level of their military build-up to current levels. For many of the newly wealthy nations, current levels of their newly acquired capabilities are barely sufficient to realistically sustain distant operations. The most probable future procurement decisions by these nations will be to increase the numbers of platforms to ensure that they can effectively sustain military operations well beyond their national borders.

Already the new naval and advanced surveillance capabilities that are being deployed by the nations of East Asia and Southeast Asia have given these states the ability to sustain a greater presence in their neighbouring seas. Inevitably, this means they will be much more proactive in protecting their national interests in these areas, and in ways that could not be previously sustained. Minor incursions can be more carefully monitored and therefore can no longer be ignored. The result is that the military posture of the Asian nations is undergoing fundamental change.

This means that there are possibilities for military confrontation. Given the nature of today's new military technologies, the threshold for military action may reduce. The participants may consider a conflict in the ocean or in the air, particularly involving unmanned systems, to be less destabilising than a direct attack across land borders, which was perhaps their only option when they had less capable military forces.

Since naval combat takes place in oceans well away from civilian populations, the threshold for such action is lower than for land combat. There is a sense that any conflict can be limited to the direct

military participants. The limited confrontations that have already occurred in the East China Sea and the South China Sea are demonstrations of this effect.

There seems to be a growing view that it is acceptable to use military force to protect vital interests of the nature of the Diaoyu/Senkaku Islands, and that such actions do not fundamentally disrupt international relations. The military force involved might be more than expected of a passing incident but will not be seen to amount to an interstate war. In such circumstances, the participants may believe they can readily contain and control the level of escalation. But military conflict can have unpredictable consequences.

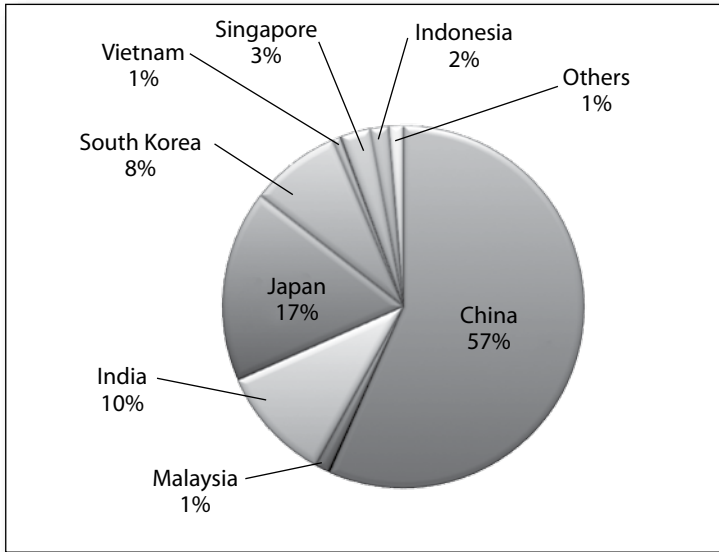
The issues of the East China Sea and the South China Sea have existed for decades. There have been military confrontations between some of the current antagonists. China and Vietnam fought substantial battles in the South China Sea in 1975. However, the tensions of the last decade have taken a different tone and thus are perceived to generate higher risks of escalation.

There is a real sense that the current disputes in the East China Sea are less about specific territorial interests that are the precipitating cause of tensions and more about who can play the dominant military role within the region. The fact that each incident has become so inflammatory indicates that each nation feels it can vigorously prosecute their claims. It also implies that no state has yet attained sufficient military power that they can readily thwart or ignore the interests of the other states of the region.

These are circumstances that will lead to a continuing rapid build-up of military capability across states in the region as they seek to gain advantage.

The LDP government of Japan is likely to increase the capability of the Japanese Self Defence Force substantially, especially its naval and air capabilities. China will inevitably respond with increased defence spending on its own naval and air capabilities. The size of the Chinese economy is such that it is ultimately able to outspend Japan. However, China cannot overcome the collective economic capacity of the United States and its Asia Pacific allies. How China assesses this risk will determine whether it considers a substantial increase in

FIGURE 1.1
Distribution of defence spending of Asian nations, 2011



defence spending beyond present and anticipated levels is necessary.

Nevertheless, China will not be able to increase its defence spending to a point that other nations cannot contest Chinese power. The fact that economic and military power is sufficiently distributed among the Asia Pacific states means that territorial issues can, and will be, keenly contested by the various nations in the region.

The distribution of power is not only a question of the military balance but also an issue of the equality of states. International behaviour is not wholly, or even largely, dependent on the possession of military power. International order is primarily derived from regulated norms of international behaviour. International law provides protection to all states, large or small.

In a world governed by the rule of law, states need not simply bow to a powerful military power. They can also call upon the comity of nations to ensure that their lawful interests are protected. Sustainable security relationships and dialogue flow from this ordered way of conducting interstate relations.

The Rise of China

China is the largest and most influential nation in Asia. In 2013 the Chinese economy, with a GDP of \$8.8 trillion, was approximately 60 per cent of the size of the U.S. economy.¹ In 2020 the Chinese economy will be closer to 80 per cent of the size of the U.S. economy. Many commentators believe that by 2020, the Chinese economy will be the same size as the U.S. economy, when measured by purchasing power parity.² Certainly by 2030 China's economy will be equal in size, if not in sophistication, as that of the United States. This only requires that growth rates in China exceed those of the United States by three per cent per annum.

The scale of the change can be understood by looking 30 years into the past. In the beginning of the 1980s, the U.S. economy was approximately 25 per cent of the global economy. By 2020 that share will have reduced to 15 per cent. In contrast, the Chinese share of the world economy will have grown from two per cent to between 12 per cent and 15 per cent.³ This change in relativity between the two nations is even more marked in the export sector. By 2010, China accounted for 28 per cent of world exports in manufactured goods, whereas the United States, with an economy twice the size of China, accounted for only 12 per cent of global exports.⁴ China is now frequently referred to as the world's largest manufacturer.

The increase in the Chinese economy will dramatically increase the ambitions of China. It will be possible for the Chinese government to divert substantial funds to high-technology projects in defence and other technological endeavours such as ambitious manned spaceflight programmes comparable to the U.S. Apollo moon programme.

1 IMF Report, April 2013.

2 IMF Report, April 2011.

3 There are a large number of projections on the size of China's economy during the period 2020 to 2030. Examples include Kuiji, World Bank China Office Research Working Paper, *China through 2020; A Macroeconomic Scenario*, (2009); Jane Haltmaier, Board of Governors of Federal Reserve, *Challenges for the Future of Chinese Growth*, (2013); Haltmaier estimated that growth in China would steadily decline and be no more than six per cent in 2030, and possibly as low as one per cent.

4 WTO International Trade Statistics, at p 83. (2011).

China is not yet at this stage of development but there are sufficient indications that it is aware of the possibilities that greater prosperity brings, with the various stealth aircraft programmes and its developing space programme, including the construction of a space station and the possibility of manned flight to Mars before the middle of this century.

One of the most significant implications of China's growth is that it is progressively building a military capability that reflects its position as the second most powerful nation in the world. As yet, the Chinese military cannot be regarded as the second most powerful in the world. This position is still occupied by Russia, largely as a result of Cold War expenditure by the Soviet Union. However, within a decade, China will have the second most powerful military force in the world, even though its military expenditure does not appear to exceed two per cent of its GDP.

The significance of China having the world's second most powerful defence force is a role that China can play within its immediate environment. The scale of growth of China's military power over the next decade means that China will be able to achieve military dominance within its immediate littoral region. This has the potential to re-order the power relationships within the region.

If Chinese military power has sufficient dominance in the littoral region, China will believe that it can extract territorial and other concessions from its neighbours. In the event that China is able to exercise this level of military dominance, China will expect that many of the disputes in the South China Sea and the East China Sea be resolved in its favour. The result will be that freedom of navigation in these areas will be under the protection of the Chinese flag. In such a case, the navies of other nations will be reluctant to exercise their freedom of navigation within these areas, except in a benign manner.

One of the key questions facing the region is whether the build-up in Chinese military capability over the next two decades is enough to achieve dominance in the East China Sea and the South China Sea. The alternative is that China's military build-up may be matched by the neighbouring nations acting in common concert.

Even if China is successful in achieving military dominance, it is

quite likely that Chinese military power will not be so preponderant that it will be able to act regardless of the wishes of its neighbours. Japan, South Korea and Vietnam will have sufficient military capability to pose a challenge to Chinese military aspirations. This very fact increases the prospect of conflict.

Nevertheless, China will expect that its size and power entitle it to achieve gains it never considered when it was less powerful. Other nations in the Asia Pacific region will have to weigh the legitimacy of these expectations. Not all of China's expectations can be thwarted.

As China has grown, so too have the expectations of the role that China can play in international affairs, especially those that affect the Asia Pacific region. As a nation that will soon be as economically powerful as the United States, China will expect to have an equal say in world affairs.

More specifically, China will not indefinitely defer to U.S. leadership. The era when the United States could naturally assume global leadership, which has lasted for the 70 years since the end of World War Two, is now coming to a close.

This position will be more keenly contested in the future. Minimally, the United States will have to find constructive ways to share the power that it currently possesses as a pre-eminent superpower. In particular, the United States will have to share power with China, treating it as a co-equal partner, especially within the Asia Pacific region.

The nations of the Asia Pacific will also have to consider whether new security arrangements are needed to incorporate all nations of the region, and to limit the risk of conflict. Such arrangements may also provide the mechanism to reduce the pace of increase of military power within the region.

A New Approach to Security

The achievement of the goal of ordered peace is the specific challenge for the Asia Pacific region, since it lacks a formal all-embracing institutional structure, such as exists with NATO. In any event, a commitment to collective security in the manner envisaged by NATO will be a step too far for most Asia Pacific nations.

Instead, the Asia Pacific region is characterised by a large number of bilateral defence relationships, mostly with the United States. Only a few, including those with Australia, Japan and South Korea, have a commitment to collective defence. Most often they are cooperation and training agreements that serve to build the overall security relationship. The ASEAN nations have also developed multilateral dialogue fora, such as the ARF, the EAS and ADMM + 8.

This approach has provided a major opportunity for the region. An agreed pattern of conduct sets up the conditions for constructive dialogue and the development of the institutional framework to support such dialogue. It is perhaps not surprising that it is the ASEAN countries that have been the most alert to this possibility. As a general proposition, ASEAN has been promoting dialogue fora as a means of building regular discourse between nations of the region.

This same ethos also lies behind the ASEAN approach to the issues of the South China Sea. The ASEAN nations have collectively stressed the importance of a code of conduct applicable to all nations in the region to govern the activities of their state vessels, whether naval or coastguard, operating in these waters, especially around disputed islands and shoals.

The cumulative effect of these security arrangements has been to moderate tensions that might have escalated to open military conflict if unchecked. However, it is apparent that the multilateral initiatives have substantial scope for further development.

For much of the post war era, China has been excluded from the security architecture, either through its own choices or by the actions of other states in the region. Although the Nixon-Kissinger initiatives of the 1970s broke the extreme isolation of China, the security architecture of the region is only slowly including China as a central actor. This stands in contrast to the central role that China has in the economic architecture of the region.

Treating China as an outsider to the Asia Pacific security framework brings with it significant risk. Powerful outsiders have a way of breaking in, either to be included or to disrupt existing relationships. The inclusion of China is essential if there is to be a realistic chance of reducing the scale of the arms build-up over the next two decades.

The benefits do not lie solely in the reduced level of military tension; there are also clear economic benefits in being able to reduce expenditure on arms.

A progressive pathway has to be found that enables China to be more fully included in emerging security arrangements. Ironically, this imperative is likely to be hastened by the problems, especially those relating to maritime security, that currently affect states in the region.

The pathway towards a greater integration of China into the security architecture will involve a considerable change from the status quo. The full integration of China into regional security arrangements will require the United States to consider the necessary steps it has to take to start treating China as an equal partner in securing peace and stability in the Asia Pacific. This will require a close analysis of China's most vital interests and where new security initiatives will yield the greatest dividends. China's inclusion in the East Asia Summit with Russia and the United States, together with the littoral states along the Western Pacific, offers a balanced framework.

The leaders of the region, especially Presidents Obama and Xi Jinping, have the opportunity to take imaginative steps that will be necessary to draw China into a more cooperative set of arrangements for the security of the Asia Pacific. Success in this endeavour will have many benefits. It is the best guarantee for the Asia Pacific to remain stable and thus continue to build its prosperity. It provides the conditions that will enable constraints to be placed on the ever-increasing growth of arms in the region.

THE SECURITY ARCHITECTURE OF THE ASIA PACIFIC

A Paradox

In 1945, the undoubted victor of World War Two in the Asia Pacific was the United States. Not only had the United States utterly defeated Japan, it also occupied Japan over the next six years. These successes have underscored the influence of the United States in both Asia and the Pacific over the last 70 years. However, U.S. power in the region has been far from absolute.

In China, the Communist Party had come out of the Second World War as the strongest faction in the country. Within four years the Communist Party ruled the Chinese nation. The entry of the Soviet Union into the war against Japan ensured that North Korea would be controlled by the Korean Workers Party. A direct result was the Korean War, lasting from 1950 to 1953. The war involved China, the Soviet Union, and the United States and its allies. By the 1950s there were communist insurgencies in South Vietnam and Malaya. In the case of Vietnam, the Communist Party of Vietnam proved to be strong enough over the next 30 years to successively defeat France, the United States and its allies.

These events have been the fundamental determinants of the security architecture in the Asia Pacific. The nations in the region are either security partners of the United States or they belong to a small group of nations headed by China, with only the most rudimentary formal military relationships.

Herein lies the paradox. For the first 30 years following World War Two, there was little interaction between these two groups of nations, and the military alliances reflected this fact. The situation cannot be more different today. All the nations in the region, except

North Korea, are deeply integrated into the economic sphere.

However, the security arrangements of the region were born in a different era. The paradox between the worlds of security and the economy raises a fundamental challenge. Are the current security arrangements sustainable over time, or do they need to be adapted to reflect the changing balance of power in the region?

The Security Framework

The basic security framework, which dates back to the end of World War Two or, in some cases, many decades earlier, reflects the immense power that the United States had at the end of the war. The arrangements forged in the aftermath of World War Two, and at the beginning of the Cold War, are only slowly adapting to the changes of the last 20 years. In fact, the Pacific Pivot runs the risk of reinforcing the status quo of pre-eminent U.S. power at the very time that it will become progressively unsustainable.

This part examines the military balance in the region, and how this balance is likely to change over the next 20 years. This will have profound consequences on the nature of the strategic options that will be available to countries within the region.

The military power of the nations of the Asia Pacific region can be assessed by both its conceptual underpinnings and by the procurement decisions that these nations have made over the last decade. Modern weapon systems take many years to conceptualize and bring into production. For the more sophisticated ships and aircraft, current production orders will not result in any effective military capability for another 10 years. Therefore it is possible, with a high degree of reliability, to determine the military potential of key nations of the Asia Pacific over the next 20 years.

It is likely that most nations in Asia will increase their military capability substantially over the next 20 years. This increase in capability will be concentrated in the naval and air systems with long-range striking power. It is thought that such an increase in capability will result in greater potential for conflict in the region, even though the nations are tightly interwoven in economic relationships.

The change in the military balance of the Asia Pacific region invites the question as to the nature of the options that nations of the region can take to further reduce the potential for conflict. The issue turns on the opportunities to reshape the security architecture of the region so that it reflects the evolving military balance within the Asia Pacific more effectively.

The purpose of a new security framework will be to guarantee the peace and stability of the Asia Pacific that has been so central to the prosperity of the region over the last 30 years. Failure to do so is likely to lead to tensions that can otherwise be avoided. Ultimately, such tensions will not be in the interest of any nation within the region.

Currently most nations within the Asia Pacific are enmeshed in a network of security agreements that have the United States as their cornerstone. The purpose has been to embrace member nations in an elaborate framework of mutually reinforcing security relationships. The intention is for the nations to see the value of enduring long-term security agreements as being essential to the maintenance of their own security, and thus ensuring the stability of the region as a whole.

The exceptions to these arrangements are China and its immediate neighbours, North Korea, Burma, Cambodia, Laos and Vietnam. The reason for their exclusion is simple. The broad architecture of U.S. centric security agreements has its origins in limiting the potential influence of China. This was originally viewed as containing the spread of communism. The efforts by the United States and its allies to stem the advance of communism were crucial factors in how the Korean and Vietnam Wars were conducted. These events are now 61 and 39 years in the past, respectively. Since China embraced the Four Modernisations in 1979, there have been no major military conflicts in the Asia Pacific region.

But the basic dynamic remains. China and the United States do not yet see each other as natural collaborative partners with essentially the same strategic objectives. Although the economies of the two nations are heavily interlinked, they do not share common strategic goals. They are more inclined to see each other as strategic competitors. Therefore they have not sought to develop an interlocking framework of trade and security agreements that will make

conflict as remote a prospect as it now is among the nations of the European Union and NATO.

The military balance in the Asia Pacific region therefore has greater significance than it will among nations whose relationships are fully settled. The relative prosperity of the Asia Pacific region has enabled the substantial modernisation of the armed forces of many of the nations within the region. In considering how the Asia Pacific may evolve over the next 20 years, it is necessary to understand the structure and intent of security arrangements in the region.

These arrangements and understandings govern and influence the military potential of the various nations within the region. Forecasting the military potential of the key nations over the next 20 years will give an insight into the risks that might arise if the growth in military potential and the related posture of alliances occurs without restraint.

The three key alliance agreements are the ANZUS Pact, now primarily between the United States and Australia; the United States and South Korea Mutual Security Agreement; and the Treaty of Mutual Co-operation of Security between Japan and the United States. These agreements all date from the 1950s and are the bedrock of U.S. engagement in the region. They enable the United States to establish permanent military bases in the region beyond its own sovereign territory. It is noteworthy that among partners of the United States, Japan hosts a United States Navy aircraft carrier group permanently.

A significant change in any of these cornerstone relationships will be a profound setback to the presence of the United States in the region. Although the agreements with South Korea and Japan create continuing tensions on the scale of deployment of U.S. forces within these nations, in neither case is there any real prospect of U.S. forces being withdrawn from the host country.

These arrangements not only project U.S. power into Asia but they also provide forward defence for U.S. territories throughout the Pacific, a lesson harking back to the experience of World War Two. Six of the 10 U.S. Navy carrier groups are deployed to the Pacific, with one of these forward deployed to Japan. As U.S. commitments in the Middle East reduce, there will be much interest in how U.S. naval and air forces are deployed in the Pacific.

In more recent times, the United States has also developed a broader range of defence relationships, particularly with the ASEAN nations, and with India. These nations do not have formal alliance agreements with the United States, as exist with Australia, Japan and South Korea. However, they do provide a continuous U.S. defence engagement within the region, with basing agreements, as with Singapore, and with training and exercise arrangements with many nations of the region.

In the contemporary era the United States is not seen to have territorial designs on any of the Asian nations, and thus is perceived to be a safe security partner. However, close relations with the United States does result in a level of anxiety. Most nations do not want their security relationship with the United States to be interpreted as antagonistic to China, which can mean that the U.S. relationship will be seen to actually lead to greater insecurity. Nevertheless, the security engagement of these nations with the United States is of a scale and continuity that cannot be matched by China, not only at present but also for many years to come.

The strategic dilemma faced by China is that while Asia Pacific nations are willing to develop comprehensive economic relations with China, they are substantially more reluctant to do so within the security arena.

The principal reason for this reluctance is that China is seen as a potential threat. The last major war in East Asia was between China and Vietnam in 1979. The various disputes in the East China Sea and the South China Sea illustrate the level of distrust, often steeped in centuries of conflict. While the disputes have not yet involved much more than aggressive patrolling by ships and aircraft, this underscores that there are a number of unresolved territorial disputes in East Asia and South East Asia. These disputes mostly centre on uninhabited islands, but they provide the basis of claims to an extensive Exclusive Economic Zone with significant natural resources, particularly of oil and gas.

The current level of tension between China and Japan over the Diaoyu/Senkaku Islands is an indication that these disputes can escalate rapidly. In this particular case the recent jockeying for position also

recalls the enmity between these two great powers of East Asia. Their history in the first half of the twentieth century has been so fraught that seemingly small miscalculations between the naval forces of China and Japan around these disputed islands can easily trigger a more serious deterioration of affairs between these two nations.

The territorial claims by China in the South China Sea under the “Nine Dashed Line” doctrine extends right to the territorial seas of the Philippines and Vietnam, and covers the contested islands of the Spratleys, the Paracels and Maccelsfield Bank. Brunei and Malaysia are also affected, though not directly.

The claims by China in the East China Sea—and perhaps the South China Sea—are said to represent a “core interest” to be protected by military means.⁵ There are frequent military confrontations, although they have not yet escalated to lethal force. However, the continuing forceful assertion of Chinese claims has the effect of increasing the anxiety of China’s neighbours. They have not seen a sufficient willingness by China to negotiate a settlement of the various South China Seas claims that will recognise the interests of the Philippines, Vietnam and the other ASEAN nations. The consequence is that China is not considered to be a reliable security partner that will respect the interests of neighbouring states.

The insistence of China in asserting a maximal claim over the South China Sea has the effect of ensuring that the ASEAN states will seek to balance Chinese power with a strong security relationship with the United States.

For the time being, the assertion of the Chinese territorial claims in the East China and the South China Seas will appear to be counterproductive to China’s express interest of limiting U.S. influence within the first island chain. The forceful assertion of the claims has ensured that the ASEAN states increase their military expenditure on advanced weapons systems. More significantly, it has meant that the ASEAN nations are also increasing the level of their military and security engagement with the United States.

5 Attributed to Lt Gen Qi Jianguo, Japan Daily Press, 20 August 2013. Similar statements are regularly made by senior Chinese officials.

However, these same states are also mindful of the paradox, as it affects them. They are seeking new ways to build new fora for dialogue on security issues that affect the region. The intention is to insure the stability that is crucial to their prosperity.

The Economic Spur to Military Power

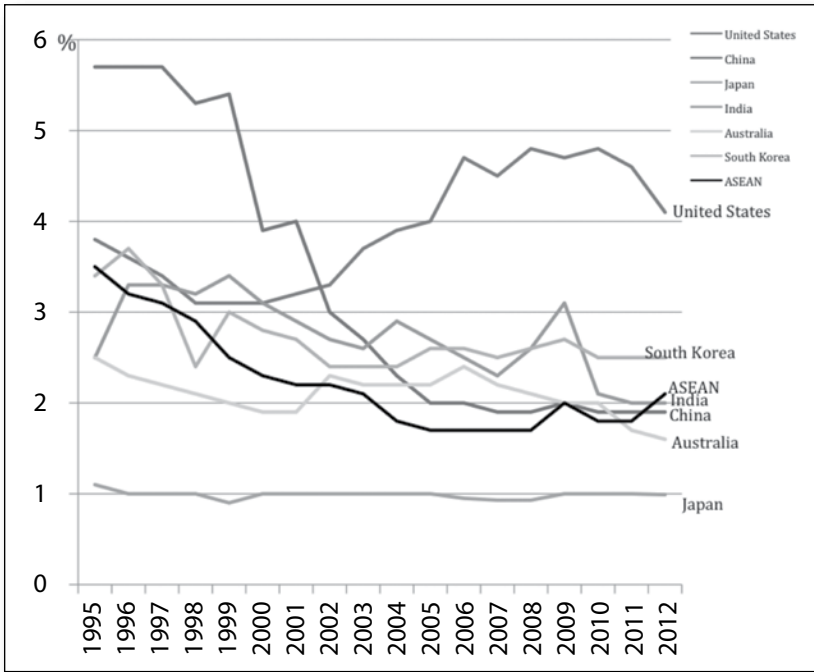
One of the essential questions in evaluating the military balance of the region is the extent to which the recent growth of military capability in the region is a function of underlying tension within the Asia Pacific, or is simply a reflection of economic growth, that the nations of the region have acquired advanced new weapons simply because they are affordable.

There are essentially three variables. The first is the total growth in expenditure, which obviously varies from country to country. The second is the level of these expenditures as a percentage of GDP. Examining the trends over the last 20 years gives an indication of how nations perceive the threats they potentially face. The third is where defence expenditure has been allocated. There are clearly procurement decisions that can change the defence profile of a nation. This third issue is covered in detail in the chapters dealing with the military balance of the nations of the region.

Over the last two decades virtually all nations have substantially increased their defence expenditure. This trend has been most marked over the last decade. During this period, the aggregate defence expenditures in Asia have increased by 49 per cent, with much of this increase occurring in China.

There are two reasons. The first is the rapid growth rates experienced in the region. This has extended for over 30 years and has transformed the economies of the region. The second is the war on terrorism, and the associated military operations in the Middle East. This latter reason has been particularly compelling for the United States, which more than doubled its defence expenditure from 2002 to 2010. Many other nations in the region have been directly involved in Afghanistan and other operations in the Middle East, including the Gulf, but this has not been the principal driver for their increased defence expenditure.

FIGURE 2.1
Defence expenditure as a percentage of GDP
of key Asia Pacific nations



Sources: SIPRI and International Institute for Strategic Studies

Instead, it is the increased wealth of the Asia Pacific nations that has enabled them to acquire new capabilities. These acquisitions have required increased defence budgets. An example is Australia, which over the last decade has acquired AWAC's aircraft, air-to-air refuelling aircraft, attack helicopters, six new submarines, four air warfare destroyers and two helicopter carriers. Virtually all these acquisitions are new capabilities in the Australian defence force. Similar decisions have been made by many nations in the region.

These new high-cost capabilities have been affordable because most nations in the region have experienced high growth rates for most of the last two decades. These high growth rates, which have meant the absolute increase in defence expenditure, have masked

the fact that most countries in the region have actually reduced the percentage of their budget devoted to defence.

This trend is most evident in the ASEAN nations. Over the last 15 years, most nations have almost halved the percentage of GDP allocated to defence. The reasons can be quite varied. Singapore has reduced its percentage from six per cent to 3.6 per cent, largely because it has completed a decade-long cycle of procurement of major new capabilities.⁶ However, most other nations in the region have more substantively reduced their expenditure.

The trend has also been evident with some of the larger countries in the region, including South Korea, India and Australia, though the trend is less pronounced in Australia. The ambitious defence re-equipment plans of these nations have limited the level of reduction.

In contrast, over the last 10 years, China's defence expenditure has been reasonably stable, at two per cent of its GDP. International assessments of China's defence expenditure are arguably not reliable prior to 2000, since there was a dearth of official statistics upon which to base such assessments. It is highly unlikely that China reduced its defence expenditure from nearly six per cent of its GDP to two per cent in just two years.⁷ The figure for the decade of the 1990s, assessed at between five and six per cent, which was necessarily an estimate in the absence of official information, is almost certain to be a significant overstatement of the actual percentage of the budget that China spent on defence.

The one nation in the Asia Pacific region that has shown a significant increase in expenditure as a percentage of GDP over the last 10 years is the United States. From a low of 3.6 per cent of its GDP in 2000, its defence expenditure increased to 4.6 per cent of its

6 Singapore has acquired F15's, AWAC's aircraft, 6 frigates, 2 submarines, a new naval base and new self propelled artillery and Leopard 2A main battle tanks.

7 The IISS Annual Report on the Military balance reported expenditure at five to six per cent for the decade of the 1990's, abruptly reducing to two per cent beginning in 2001. The likely reason for the change would have been the difficulty in accurately measuring China's expenditure in the absence of official statistics.

GDP by 2009. The principal reason has been the cost of the wars in Afghanistan and Iraq. However, the cost of new technologies has also been a factor, including the development of the F22 and F35 combat aircraft programmes, a new aircraft carrier design, the widespread deployment of precision munitions, and the cost of highly sophisticated command and control systems.

The percentage started to decline in the last two years. It is likely that the increase in U.S. debt and its consequential budget cuts brought about by sequestration will drive the percentage level back to below four per cent of its GDP, as was typical of the 1990s.

The defence capability upgrades planned by most nations in the region will reach the end of the current cycle by the mid 2020s. All the new assets that have been ordered over the last few years will have been delivered by then. Before then, most nations will be in a position to review future plans applicable through to 2040. These decisions will profoundly influence the amount of money that each nation is prepared to allocate to defence.

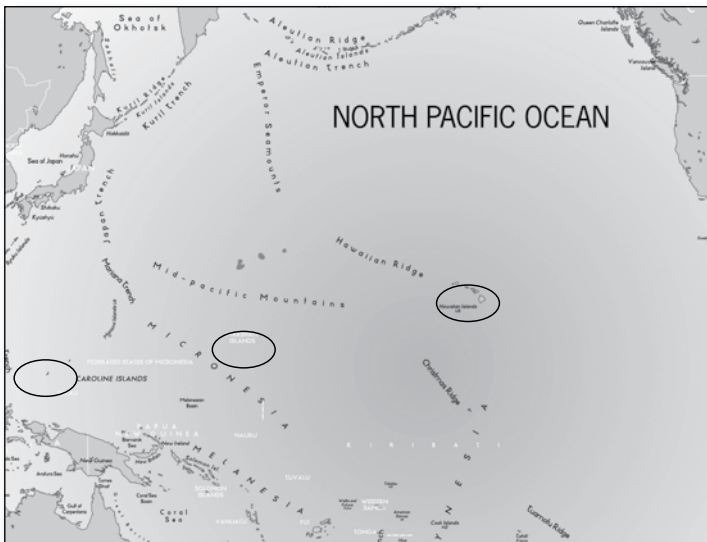
THE GREAT POWERS

STRENGTH BEYOND REACH?

The U.S. Perspective

The United States unquestionably has the most powerful military forces in the Asia Pacific. The importance of this position is exemplified by the fact that the United States is a Pacific nation as much as it is an Atlantic nation. As a result, the United States has a different understanding of Asia than Europe does. Even though Europe shares the same continental landmass as Asia, it is not connected to East Asia and Southeast Asia in the same way as the United States is. This is reinforced by the fact that the United States has sovereign territory stretching across the Pacific, from the fiftieth state of Hawaii,

FIGURE 3.1
U.S. sovereign territory in the Pacific



to American Samoa in the South Pacific, and, most importantly, through to Guam and the Northern Marianas, just 1,800 miles from the eastern shores of the Asian landmass.

It is now apparent that the most important economic relationships that the United States has are within the Asia Pacific region. A deeper security engagement within the region is therefore inevitable, especially given the growth of China and its increased influence in the region.

But the United States is being challenged. Every year the U.S. Secretary of Defense makes a report to the U.S. Congress on China's level of military capability. Over the years, these reports have varied in their quality and depth.

The 2013 Annual Report to Congress, entitled *Military and Security Developments Involving the People's Republic of China*, was notable for its depth of analysis, reflecting the increasing interest in China's military capability as it slowly but progressively closes the gap with the United States.

The report noted that:⁸

Current trends in China's weapons production will enable the PLA to conduct a range of military operations in Asia well beyond Taiwan, in the South China Sea, western Pacific and Indian Ocean.

The United States has clearly assessed that the Chinese military is developing the necessary capabilities that will enable China to play a major role in its immediate region. Unlike previous years, the 2013 Report tabulated with some precision the current military inventory of the PLA. However, the 2013 Report did not attempt to project these capabilities forward, except in a general sense.

It is noteworthy that until recently there has been a dearth of publicly available materials that attempt to assess in detail the future capability of the China's defence forces. Commentators have preferred to analyse the current state of China's defence capability, and then make general observations about the prospects of its future growth in the level of capability.

8 Annual Report to Congress, 29 (2013).

The notable exception is the Carnegie Endowment's *China's Military and the U.S. Japan Alliance in 2030*,⁹ which does project capabilities forward based on the growth of current assets, though it is not overly predictive of the likely capability build-up. The focus of the Carnegie Endowment's report is not just the military balance but also the broader political and strategic situation that is likely to develop between China, Japan and the United States.

This relative absence of detailed analysis on the projected capability of China in 2030 is surprising, given that in 2030 China's economy is widely expected to be equal to that of the United States. Undoubtedly, the Pentagon will have made its own internal assessment of the capabilities of the PLA over the next 10 or so years, but these assessments have not been made public. Nevertheless, it is possible to make a realistic assessment of China's future capability on the basis of publicly available information, particularly when it is coupled with reasonable deductions of the current and future productive capacity of China's defence industry.

It is likely that over the next 20 years there will still be very substantial disparities between the Chinese and U.S. military forces, although by 2030 the disparity will be significantly smaller than it is now. The continuing disparity will be largely governed by the level of defence expenditure of the two countries.

China has chosen to limit its defence expenditure to capabilities that are intended to have a decisive effect in its immediate region of East Asia and Southeast Asia. This is being achieved with a defence expenditure limited to two per cent of its GDP. In contrast, the United States maintains a global military capacity, which it can nevertheless concentrate on a specific theatre of operations if the need arises. With such global responsibilities, U.S. defence expenditure over the last decade has typically exceeded four per cent of its GDP, though in the 1990s defence expenditure was closer to three per cent of its GDP.

China will not be able to exercise such a choice if it maintains

9 Swaine and others, *China's Military and the U.S. Japan Alliance in 2030*, May 2013.

its current level of expenditure as a percentage of its GDP. It is not making large enough investments in expeditionary capabilities that enable it to operate on a major scale in the global arena.

The disparity between the two nations also arises as a function of the depth of military experience of the two countries. The military balance is not just a question of counting individual ships and aircraft. Its effectiveness depends on how these capabilities are networked, and the level of integrated intelligence, surveillance and command systems. These have to be robust enough to operate in combat environments. Combat also identifies gaps in capabilities, doctrine and training. The combat experience that the United States has acquired over the last half century, and the consequent investment that has been made in these capabilities, means that the United States has a military force that is decades ahead of its potential adversaries.

In 2004, Ivan Eland argued that U.S. military technology was at least two decades ahead of China.¹⁰ As an example, the bulk of the PLA Air Force consisted of Mig 21 combat aircraft and the analogous Chinese variants in 2004. These technologies were already nearly 40 years old. In contrast, the U.S. Air force largely consisted of new generation F15 and F16 aircraft that had come into service in the 10 to 15 years preceding 2004. The U.S. Air Force already had the B2 stealth bomber in service, and was about to induct the F22 stealth fighter into service.

In the intervening 10 years China has made substantial new investments in new aircraft and ships that are progressively closing the capability gap. It now has 600 modern combat aircraft in service. These aircraft are based on technologies that have been developed over the last 25 years, instead of the 40-year-gap, as was the case in 2004. In recent years, China has also shown a capacity to introduce new systems and technologies at a faster pace than is typically anticipated.

Nevertheless, the United States has not stood still during the last

10 Eland, *Chinese Military Modernisation: a Threat to the United States*, Policy Analysis, 2004.

decade. The level of strategic and tactical command and control that it can bring to military operations is without parallel in any other defence force. The U.S. Air Force has large numbers of sophisticated combat and surveillance drone aircraft, and it already has advanced fifth-generation aircraft in service. At this stage there have only been limited advances in Chinese military technologies that will fundamentally alter Eland's assessment. Although China has demonstrated two stealth fighters in the last two years, and has modernised its navy, the United States has made great efforts to maintain its qualitative edge over the last decade.

The technology gap therefore remains significantly large. Flying an aircraft with a stealth profile is very different to having an operational networked stealth fighter like the F22. The United States required 15 years of continuous development from the first flight of the stealth fighter competition in 1991 before operational squadrons of F22's were deployed in 2006. The current challenges facing the F35, with its advanced software, shows how difficult it is to move from the first flight of a new aircraft to actually having operational capability. The X35 demonstrator aircraft first flew in 2000 but the developed combat-ready aircraft will not be in operational service before 2016.

However, the disparity between China and the United States in advanced technology is likely to significantly reduce over the next two decades. China's current round of military modernisation will come to full fruition over the next few years. In addition, China's economy and technical capability is becoming increasingly more sophisticated. It is probable that new generations of military technology, such as the J20 and J31 stealth fighters, will achieve operational capability within the next decade.

A Rising China

A proper assessment of China's military capability requires much more than a consideration of the capability of specific weapons systems. It also requires an understanding of the country's history. In China's instance the events of 35 years since the Sino-Vietnamese war is the crucial turning point. The 1979 Sino-Vietnamese War

was short, lasting only 28 days, but it resulted in the loss of 30,000 Chinese lives, out of an invading force of 400,000. A smaller but experienced Vietnamese Army, with modern equipment left behind by American forces, was able to inflict such losses that the Chinese Army withdrew without achieving its publicly declared war aims. The outcome brought home to China's leadership the urgent need to modernise China's armed forces.

The concept of China's "Four Modernisations" had its origins during the leadership of Zhou Enlai in 1973. They have become the defining feature of the modern era of China. Deng Xiaoping formally articulated the "Four Modernisations" in December 1978. In particular, the "Four Modernisations" involved opening up China to foreign trade, and embracing Western business practices. The Sino-Vietnamese war gave them greater urgency, and one of the modernisations required a major upgrade of China's military capability.

The pertinent question is the extent to which China will seek to close the technology gap it had with the United States over the next two decades, as the Chinese economy grows to rival that of the United States. This is essentially an economic question. As it is now foreseeable that the two economies will reach parity by 2030, there is inevitably a substantial debate about the implications for the projected level of China's military capability in the coming decades.

Although there are continuing complaints about the lack of transparency in China's military intentions, there is enough open-source information to enable a well-informed estimate of China's military potential to be made.¹¹ For at least the next 20 years, the overall gap between the United States' and China's military capability will be substantial. The key reason why the military gap will continue is that China is simply not making the level of investment that will enable it to become a military peer of the United States in this time frame. By keeping defence expenditure at two per cent of its GDP,

11 As noted in the previous chapter, official publications and the material produced by CSIS and IISS provide a substantial amount of information about China's military capability. There is enough understanding of the productive capability of China's defence industry to make an assessment of likely levels of production of key capabilities over the next 15 years.

China is allocating only half the level of effort that the United States makes towards defence.

As a consequence of China's decision to limit its defence expenditure to two per cent of its GDP, China is not in a position to develop the range of military capabilities that will enable it to undertake global expeditionary missions, particularly where these may be contested. It is also noteworthy that many Chinese commentators consider that it will take some time for the PLA to develop the doctrine and training that modern combined operations require.¹²

China's defence ambitions are more limited. China does not seek to match the global capabilities of the United States. Instead, China intends to achieve strategic dominance within its own region. This is particularly true in respect of the regions adjacent to China's coastline and over its immediate neighbouring states. The military investments that China has made—and will continue to make over the next few years—are likely to be sufficient to substantially achieve this goal.

It can already be determined from publicly available information that by 2030 China will be able to field a modern military force that is second only to that of the United States. This will make China the pre-eminent military power in East Asia.

However, China's neighbours will seek to balance Chinese military power. Nations that are allied to the United States, or who have a long independent tradition, will be particularly determined to maintain their own freedom of action. There is a real risk that an arms race in Asia will be the likely outcome. This prospect will not thwart China from seeking military dominance in its own sphere of influence.

China's key area of strategic interest is the first island chain (see Figure 3.2) and it will focus on building military capability that is relevant to achieving dominance in this region.

To achieve strategic dominance within this region does not require defence forces with a global reach. A more limited range

12 This is a consistent theme of Chinese commentators within the strategic community in Beijing, based on interviews conducted in Beijing in August 2013.

FIGURE 3.2
Map of the First and Second Island Chain



Source: <http://www.globalsecurity.org/military/world/china/plan-doctrine-off-shore.htm>

of military capabilities will suffice, since geography favours China. China's military, at least so far as the East China Sea, the South China Sea, and Taiwan, Japan and South Korea are concerned, can be largely based on its home territory.

Nevertheless, the further reaches of the first island chain are 1,000 miles from the Chinese mainland, so purely coastal forces are insufficient. To achieve dominance over this range requires a blue-water navy. It is this navy that China is progressively building, including a small fleet of aircraft carriers.

Aircraft that are capable of reaching the outer reaches of the first island chain require a potential combat radius of 1,200 miles. Even with air-to-air refuelling, this stretches the capability of many modern combat aircraft. In order to be effective, combat aircraft in the category of the Su30 are typically restricted to operating within 500 miles of a fully equipped air base.

Effective reach by aviation assets to 1,000 miles and beyond requires either long-range strike aircraft, naval airpower or missiles, or an appropriate combination of all three capabilities. The Russian Su34 strike aircraft can fulfil part of this role. A modern long-range bomber similar to a B2 bomber can undertake this role more comprehensively. If properly designed, such capabilities can operate out to the second island chain (see Figure 3.2), including the United States base in Guam. It should be expected that China would develop these capabilities over the next two decades.

Over time, China will be able to deploy substantial forces as far as the second island chain, which is effectively the outer maritime region of Asia. This ambition will require a significant investment in naval aviation and long-range aircraft, beyond what seems to be currently in contemplation. However, once the Chinese economy is the same size as that of the United States, it will be able to make significant investments in these capabilities, even if it is not on the same scale as that of the United States. It should also be noted that such capabilities will not achieve military dominance in the area of the second island chain, since this is the very area where the United States has its frontline.

The key implication of China extending its capabilities to the second island chain is that this area includes the island of Guam. The principal U.S. military base in the western Pacific is located in Guam. Since Guam is also a sovereign territory of the United States, there can be no doubt of the depth of U.S. commitment to protecting its position in this area.

Although China may extend its influence out to the second island chain, in reality, U.S. power will loom large in this area. The United States will have the very substantial advantage that its operations around Guam can be supported from the bases in Guam, or from the neighbouring islands of Saipan and Tinian, whereas China will be operating thousands of miles from its own facilities. The preponderance of U.S. air and naval power around Guam will be an enormous deterrent to Chinese capabilities being able to effectively operate out to the second island chain for the foreseeable future.

The range of capabilities that China is currently developing is

likely to be able to achieve local dominance out to the first island chain within the next 20 years. This is likely to be the case even if the United States increases its military presence in Guam and the Northern Marianas significantly. However, in the event that the United States takes this path, China can respond by increasing its investment in the capabilities relevant to achieving dominance out to the first island chain, beyond what is currently contemplated. Nevertheless, the way in which China uses its power in this region will be seen by other nations as the real test of whether China will be a responsible leader in the region.

In any event, Chinese dominance will not go uncontested. Other regional nations will have sufficient capability to ensure that China has to act within reasonable constraints. In particular, Japan and South Korea are likely to have military capabilities that are more advanced than those of China, even if they are on a smaller scale than China. In addition, China's neighbours are not acting alone. The United States will also be able to project its forces into the region, and many of these forces will already be based in the region, being located in Guam and Okinawa. Typically, these forces will be substantially more sophisticated than those of their Chinese counterparts over the next twenty years.

As China increases its capabilities, its neighbours will look for ways to offset and reduce Chinese dominance. This will increase the incentive for these nations to make their alliance relationships with the United States more effective, both politically and militarily. Integrated defence systems using the most advanced U.S. capabilities will enhance the military aspects of these defence alliances.

The analysis in the next chapter of the most important nations in East Asia and the Pacific shows the extent to which the growth in China's military capability will be offset by other nations in the region. In part, this is being spurred on by President Obama's Pacific pivot.

The Pacific Pivot

President Barack Obama announced the broad framework of his administration's foreign and security policy in May 2010 with the

publication of the National Security Strategy. This publication reflected a more global view than the foreign policy of the previous administration. The orientation towards the Pacific was more fully articulated by Secretary of State Hilary Clinton, particularly in her *Foreign Policy* article, “America’s Pacific Century”, in October 2011.¹³ The shift was characterised by the Secretary of State as a “pivot”, though the more recent usage is “rebalance”. This latter usage is intended to convey that the United States remains globally connected, and is not putting all its diplomatic and security effort only into the Asia Pacific.

The Pacific pivot is the contemporary expression of the renewed U.S. interest in the Asia Pacific region. While the Pacific pivot has a security dimension, it fundamentally recognises that the Asia Pacific region will be the dominant force in global affairs in the decades ahead.

The commitment that the United States has to the Asia Pacific region is evident from the frequency of presidential visits to the region. In November 2012, within days of his re-election, President Obama made the first official visit of his second term to the East Asia Summit, and then to Burma. It was a powerful signal as to where the President’s future priorities lay.

As part of the Pacific pivot, the United States has made a very substantial political commitment to the revitalisation of its existing Asia Pacific alliance relationships with Australia, Japan, South Korea, the Philippines and Thailand. The United States has also identified “emerging partners”, including India, Indonesia, Singapore, Malaysia, Vietnam, Brunei, Cambodia, New Zealand and Mongolia, with specific initiatives reflecting the situation of each country.¹⁴

It is clear that the Pacific pivot is as much influenced by the growth of China as any other reason. Only China has the potential to be the equal of the United States in the Asia Pacific. Since the

13 *Foreign Policy*, October 2011.

14 Secretary of Defense Panetta, Address to Shangri-La Dialogue, June 2012. This point has been emphasised in a number of addresses by successive U.S. Secretaries of Defense.

awareness of this prospect precedes the reality by some decades, the behaviour of nations starts to change some considerable time before its actuality.

The United States, both at the formal and informal levels, is putting an increasingly large amount of effort into its relationship with China. In 2009, the two nations agreed to an annual Security and Economic Dialogue, and in 2011 held the first of these. Over the last two years the United States has notably stepped up the level of engagement with China, with much more interaction at senior levels. The contact ranges from Leaders Summits, through regular meetings by the Secretaries of State and Defense with China's Ministers of Foreign Affairs and Defence, and numerous meetings by high-level professional officials. President Obama and President Xi Jinping have the opportunity to meet substantively at least four times a year, at APEC, the EAS, and G8, and during bilateral visits. The visit by President Xi Jinping to the United States in June 2013 was notable for its cordiality and for the level of respect accorded by President Obama towards him.

The United States increasingly recognises that it has to treat China as an equal.

Secretary of State John Kerry, speaking in Tokyo in May 2013 about the relationship with China, observed:¹⁵

[W]e are committed to building a comprehensive and a cooperative partnership that allows us to work together in mutual respect.

For the present, the military dialogue is more limited. U.S. military officials foresee a “positive trajectory” in which China “emerges as a constructive partner”.¹⁶ However, the language used by senior

15 Secretary of State Kerry compared the American Dream with President Xi Jinping's China Dream and elaborated on the application of the American Dream to the Pacific.

16 Admiral Willard, Press Briefing on the U.S. Commitments to the Security of the Asia Pacific Region, Nov 2011; from Jonathan Odum, What Does a “Pivot” or “Rebalance” Look Like? Elements of the U.S. Strategic Turn Towards Security in the Asia Pacific Region and Its Waters, 14, *Asia Pacific Law & Policy Journal*, 1, Fn. 6 (2012).

military officers frequently conveys a sense that China is expected to engage on U.S. terms, rather than as equal partners mutually determining how they will each play a role in the region. It will take some time before military officers incorporate the language that is being used by political officials who are driving the new relationship with China.

In any event, it may suit the United States that China does not receive a completely integrated message from U.S. officials. During the visit of China's Minister of Defence, General Chang, to the United States, the Pentagon announced that it intended to develop an airbase in Saipan, along with the development by the U.S. Marines of an airbase in Tinian.¹⁷

The intent will be to keep China's military off balance and to show U.S. determination to maintain military superiority. However, the risk is that China may respond by increasing resources for the military to offset the uncertainty produced by such a U.S. strategy.

In the military field, the perspective of senior officers that the United States should do everything it can to retain its dominant military position is not surprising. Military officers are in the business of ensuring the effectiveness of their national defence against all potential adversaries. This is best achieved by military superiority, which should be maintained to the greatest extent possible. It will be decades before China is able to match U.S. military capability. Defence officials will strive to extend the time that the United States has military superiority over all potential adversaries.

A New Approach to the Balance of Power

Much of the military and diplomatic effort is based on the premise that China will seek military dominance at least out to the first island chain. The United States will therefore seek to offset Chinese military power through the initiatives that stem from the Pacific pivot. The

17 *Washington Post*, August 2013. There was almost certainly an element of "payback" for when China had unveiled a stealth aircraft during a visit of Secretary of Defense Gates to China in 2011.

implication is that there will be a significant military build-up in the East-Asia region and in the adjacent seas.

The United States has a network of military relationships in the region that China has barely begun to match. It is to be expected that the United States will seek to gain strategic advantage from this fact. The initial action of the United States, once it was clear that China could ultimately rival the United States, was to strengthen its existing defence partnerships.

It is only recently that the United States has seen the need to build a more substantive and broader defence relationship with China. This provides the opportunity to assess the best course ahead.

While it is inevitable that the United States will strive to maintain its military superiority over China, it need not be on the scale beyond what is currently proposed. In order for this more benign outcome to occur there will need to be greater understanding of each of the major nation's strategic objectives. The United States will continue to maintain a substantial military presence in Guam. China will need a sense of security in its littoral region. Both nations have an interest in freedom of navigation, since their wealth is based on the free flow of trade. But in reality, the freedom of navigation is not under threat in East Asia. It does not require the scale of proposed air and naval capability to guarantee it.

It should be possible to limit the scale of military build-up through active dialogue. This is unlikely to result in formal treaties to limit defence spending, given the experience of the naval treaties of the period between World War One and World War Two. However, there are ways to change the nature of defence expenditure. As Secretary of Defence Robert Gates noted, it is not necessarily in the best interests of the United States to have quite the preponderance of naval power that it currently has.¹⁸

The cost of maintaining this qualitative and quantitative edge will be beyond the economic capacity of the United States. As an example, the U.S. Navy carrier groups use an extraordinarily large proportion of the country's defence budget. Their vulnerability and their expense has been well noted by Captain Hendrix, who has

18 Speech to the Naval War College, 17 April 2009.

proposed the cheaper *USS America* carrier types as an alternative approach to naval aviation.¹⁹ Any change will take quite some time to achieve. The first three Ford class carriers are under construction. Three of the Nimitz carriers are less than 15 years old. All these ships will be in service through to 2040 and beyond. As a Pacific power, the United States will always maintain a powerful and wide-ranging Navy in the Pacific. The issue for the future will be the extent of this capability.

China will continue to devote a significant proportion of its defence budget in its attempts to counter U.S. naval power. However, a more benign security environment will reduce the incentive for China to cover all possible contingencies. There is an opportunity to reduce the level of risk that is generated from the build-up of military power in the region.

Clearly, such an approach will require considerable trust between China and the United States. Neither nation must be seen to take advantage of the reduced defence posture of the other.

This is the key security challenge that faces the Asia Pacific region over the next 20 years.

19 Captain Hendrix, *At What Cost a Carrier*, Centre for a New American Security, March 2013.

THE ASIAN MILITARY COUNTER BALANCE

Introduction

The Asian region covers an immense swath of the world, from the western shores of the Indian Ocean to the Kuril Islands off Siberia. It can be divided into three strategic areas: North East Asia, South-east Asia and the Indian subcontinent. Each of these areas has land borders with China, which encompasses much of the vast hinterland of Asia.

Over the course of centuries, and in more recent times, China has been in conflict with nations from each of these areas. However, it would be wrong to consider that the vast size of China means that China has been an expansionist power. For much of the period from 1840 to 1945, China was the victim of external aggression and territorial incursions. This history has left an indelible mark on contemporary Chinese strategic objectives.

Since 1949 China has embarked on two wars against neighbouring countries. The Sino-India war of 1962 sought to redraw boundaries in disputed border areas in China's favour. The Sino-Vietnam war of 1979 was ostensibly to "teach Vietnam a lesson" and to protect Chinese minorities. There have also been a number of minor incidents, often involving disputed territories in the East China Sea and the South China Sea.

However, over the last 30 years, there has been relative peace in Asia, which has enabled the exceptional growth in Asian prosperity. Defence expenditures have been relatively modest as a percentage of GDP, particularly when compared to the era prior to 1980. But as nations grow wealthier, they also acquire new capabilities to extend their military reach. Of itself, this can be destabilising, since it may

indicate that a nation is embarking on an expansionist policy that would have previously been militarily untenable. This can result in other nations increasing their defence expenditure in order to avoid becoming vulnerable to a potential expansionist risk.

North Asia: Japan and the Koreas

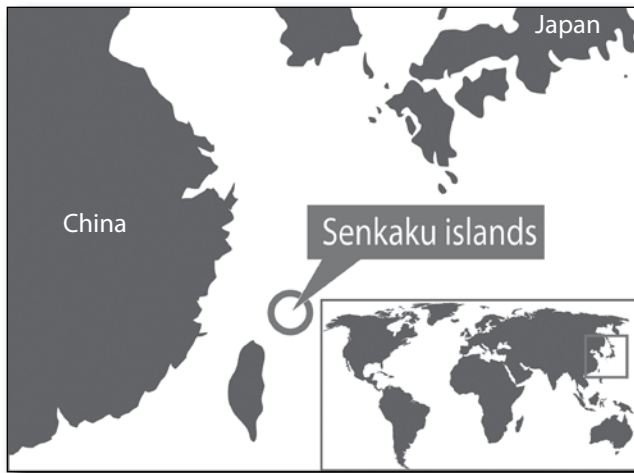
Japan has one of the most powerful military forces in the world. Not only does Japan have to protect its principal islands, it also has the seventh largest Exclusive Economic Zone (EEZ) in the world. Although the Japanese Constitution places limits on the use of defence forces, it does not prevent Japan from having a defence force with advanced capabilities in order to protect its sovereignty. Coupled with its United States alliance, the Japanese defence force is a formidable factor in North East Asian security.

Japan has ensured that its Maritime Self Defence Force (MSDF) and Air Self Defence Force (ASDF) are equipped with the most modern ships and aircraft available. In particular, the Japanese MSDF has nearly 50 sophisticated guided missile destroyers and general-purpose frigates, which are comparable to those in the U.S. Navy. This means they are the most advanced ships of any navy of the Asian nations. The most modern guided missile destroyers also have anti-ballistic missile capability. In August 2013, the MSDF launched a large helicopter carrier, characterised by Japan as a destroyer. This ship clearly has the potential to project power in a way not previously available to the MSDF.

The ASDF has more than 300 fourth-generation combat aircraft, with the majority being the extremely capable F15J combat aircraft. Japan has also agreed to purchase the F35 multirole aircraft. These aircraft are networked into an advanced command and control system, which includes AWACs aircraft. Japan has also built up an extensive anti-aircraft missile system, which includes limited anti-ballistic missile capability based on the PAC III missile.

The high-level integration of defence forces between Japan and the United States is already evident with the agreements between the two nations on missile defence, with the land-based PAC III

FIGURE 4.1
Map of East China Sea showing the disputed Diaoyu/Senkaku Islands



Source: Agence France-Presse

system and the sea-based Standard III missile. While these systems are ostensibly to protect Japan from North Korea, they can also deal with a range of Chinese missile systems. China has been a continuous critic of these agreements on missile defence, which they perceive are aimed at China as much as they are at North Korea.

Japanese capability is almost exclusively directed to home defence. However, home defence includes a significant proportion of the East Asia Sea. The East China Sea includes a number of islands over which the sovereignty is disputed by China and Japan (see Figure 4.1). The most notable are the Diaoyu/Senkaku Islands located near Taiwan. It is believed that substantial oil and gas reserves exist under the seas adjacent to these islands.

The current ratio of Japanese naval and air forces to those in China means that Japan is able to effectively protect its sovereignty in the event that it is fundamentally threatened. However, this does not mean that Japan is in a position to determine the outcome of its dispute with China over the contested islands of Diaoyu/Senkaku. Although the United States has indicated that the alliance guarantees U.S. support in the event that Japan is attacked, it will take an extreme

act of aggression before the alliance is triggered. It is unlikely that minor naval combat around the disputed islands will be sufficient to bring U.S. forces directly into the fray.

The last year (2013) has seen a significant increase in tension between China and Japan. Ostensibly, the dispute is about the islands adjacent to Taiwan. However, it has brought old enmities and rivalries to the surface. Military conflict between the two nations, at least between their naval forces, is no longer inconceivable.

The election of Prime Minister Abe has brought defence into a sharper focus, with a more nationalistic complexion to the assertion of Japanese interests against China. The consequence of these tensions over the disputed islands, coupled with the nationalism of the Liberal Democratic Party, means that Japan will increase its defence spending. This is likely to be a sustained programme that will increase defence expenditure significantly beyond the existing limit of one per cent of its GDP.

The July 2013 Interim Defence Review indicated that Japan will acquire military capabilities intended to provide a forward defence option, including the ability to strike enemy forces, particularly missile forces in their home bases, amphibious forces, new naval vessels and greater surveillance capability. The Defence Review emphasised the large increase in interception scrambles of ADSF aircraft against Chinese aircraft approaching Japan's airspace.²⁰

At least as significant as the increased defence expenditure are the moves by Prime Minister Abe to extend the reach of Japan's bilateral and multilateral defence engagement. He has proposed a "diamond" of Australia, Japan, India and the United States to provide maritime security for the seas adjacent to Asia, from India through to Japan.²¹

It is unlikely that China, which has the largest contiguous sea-

20 Defense of Japan (Annual White Paper), 46, 215 (2013); Japan's Ministry of Defense.

21 Prime Minister Abe, *Asia's Democratic Security Diamond*. Published on 27 December 2012, the day after his election as Prime Minister. See also IISS, *Strategic Comments*, June 2013.

coast in the East Asian region, will see this as an unalloyed benefit for its own maritime security. China will either expect to be part of such an arrangement or, if excluded, will ensure that it has sufficient naval presence off its littoral region to make it clear that China will take an active and overt role in securing its own maritime security. In the latter case, the effect will be a substantial naval build-up in the East China Sea.

World War Two continues to cast a pall over Sino-Japanese relations. Many Chinese feel that Japan has not truly understood the devastation that it wrought upon China during the first half of the twentieth century, and especially from 1937 to 1945. Unlike Britain, Russia or the United States, China did not emerge from World War Two with a real sense that it had vanquished its enemy. The defeat of Japan had been essentially achieved by the United States. This lack of national satisfaction means that it does not take much to reignite the deep sense of injustice that remains in China, both at official and unofficial levels.

There is a real risk that the combination of unresolved territorial claims and an increasingly confident military in both countries will result in minor incidents escalating in an unpredictable way. Astute statesmanship and diplomacy will be required to avoid any significant deterioration of the Sino-Japanese relationship.

South Korea has one of the most modern and capable military forces in the region, the prime purpose of which is to repel North Korean aggression. The behaviour of the North Korean regime since 1950 has ensured the permanent stationing of U.S. forces in South Korea. The formal alliance status of South Korea with the United States also effectively reinforces the role of South Korea in blocking China's ambitions in the wider North Asia region.

China has the additional disadvantage of being lumbered with a difficult and petulant ally in North Korea. Rather than strengthening China's position, North Korea's posturing weakens it. The effect of North Korea's nuclear ambitions and its regular military provocations is that the Korean Peninsula remains heavily militarised. Continuing tensions caused by North Korea have ensured that U.S. forces, with their advanced combat and surveillance capabilities, are virtually

on the Chinese border. A peaceful Korean Peninsula will almost certainly see the departure of the bulk of U.S. forces.

The result of the U.S. presence is that China is not in a position to test the resolve of the South Korean defence forces or seriously project Chinese influence onto the littoral region immediately adjacent to South Korea. This will all too quickly engage the United States. However, one of the outcomes of a heavily militarised Korean Peninsula is that there are also no significant security issues between China and South Korea. There is no opportunity to seriously test issues around any islands that may have a disputed history. To do so could easily destabilise the Korean peninsula.

The stability of the peninsula is also dependent on South Korea maintaining a powerful and effective military force. The South Korean military is primarily designed to protect the nation against North Korean aggression. The level of the threat, and the wealth of South Korea, has meant that it has been able to build extremely effective air and naval forces. Its air force has 240 F16 and F15K combat aircraft. These latter aircraft are the most modern variant of the F15E. Its navy has nine Type 214 submarines and 12 destroyers, including three AGEIS class destroyers. By 2020, South Korea intends to have a fully capable blue-water navy with modest expeditionary capability.

South Korea has built an advanced and capable defence force on the basis of defence expenditure accounting for 2.6 per cent of its GDP. This is a relatively modest level of expenditure, considering the degree of threat from North Korea. This level of expenditure is a direct reflection of the importance of the U.S. alliance to South Korean security. There is no doubt that the combined might of the alliance can deal with all military threats from North Korea. However, the level of expenditure also reveals that South Korea has limited military ambitions beyond the immediate concerns of its own defence.

North Korea is the most belligerent and unpredictable nation in Asia. It has a large conscript military force of 1.2 million personnel. It is also building up a nuclear arsenal, and the missile capability to deliver these weapons not only to South Korea but also to other

nations in Asia, and potentially against the United States. North Korea frequently launches unprovoked attacks on South Korea. It makes regular military threats, often of an outlandish nature.

North Korea's nuclear ambitions means that it has adapted the SCUD family of missiles into much more capable weapons. The most sophisticated rocket in the North Korean arsenal is the Taepodong 2, with a range of 6,700 km. This rocket is capable of being converted into an intercontinental nuclear missile capable of reaching western United States.

North Korea is unlikely to give up its nuclear arsenal, since it knows that it can use the arsenal as leverage to extract maximum political and economic concessions. The explicit use of a nuclear arsenal in this manner is highly destabilising. Most often, nuclear states rely on the possession of nuclear weapons to serve as an ultimate deterrent. They seldom use it to actively extract political concessions. The fact that North Korea does so adds a serious factor of uncertainty to the power balance in North Asia.

The ASEAN Nations: Securing the Margins

The ASEAN nations collectively have a population of 600 million people, and have some of the fastest economic growth rates in the Asia Pacific. The nations range from the very wealthy, as in the case of Singapore, to those among the poorest in the Asia Pacific, such as the Philippines and Burma. This means there is a wide disparity in the military potential of the different ASEAN nations. However, as the economic potential of the poorer nations grows, they will be able to afford more advanced military systems.

The aggregate size of the ASEAN nations means that they have the potential to act as a powerful counterweight to Chinese ambitions. However, this approach may not necessarily serve their collective interests. They have been more concerned with providing a balance between China and the United States, even though some of them have close military relations with the United States.

The tensions of the last three decades over the disputed islands in the South China Sea ensures that a number of the ASEAN nations

FIGURE 4.2
Map of South China Sea with “Nine Dashed Line”
and disputed islands



Source: *The Economist*, 19 May 2012

will actively seek close military relations with the United States. The ASEAN nations most affected by this are the Philippines and Vietnam, which claim various islands in the South China Sea that are within China’s territorial claims as articulated through the “Nine Dashed Line”. As with the disputed islands in the East China Sea, it is considered that the seabed around these islands contains oil and gas deposits.

The differential economic potential of the ASEAN nations and their varying strategic perspectives means that each individual nation has an interesting mix of military ambitions and capabilities. Some of them are concerned with little more than their own internal security and do not have any significant capabilities able to operate much beyond their own territory. Others have made substantial investments in modern military systems.

There are a variety of reasons for these differences. For nations such as Burma, Indonesia, the Philippines and Thailand, internal stability is still the predominant concern. For these nations, advanced maritime and aviation capabilities are not their priority. To the extent

that they are archipelagic nations, naval patrol, rather than naval combat, is the focus of their naval expenditure.

Other nations, such as Vietnam, Malaysia and Singapore, which have faced external military threats, have invested more heavily in a range of more modern capabilities. They have also been more active in providing a strategic level of military and political leadership for the ASEAN nations in the security domain. These nations consider that their military capability can make a crucial contribution in the event of conflict. The level and quality of capability can act as a credible deterrent to military adventurism.

Vietnam, with its difficult history with China, has been making substantial investments in modernising its defence force. More significantly, it has been establishing a defence relationship with the United States. Vietnam's overall capability means that it can maintain an effective naval and air presence in its littoral regions. Vietnam now has a range of military capabilities able to operate effectively through the full range of the South China Sea. The Vietnamese Navy has acquired six Kilo class submarines and four Gepard frigates from Russia. It also has 15 modern corvettes.

For air defence, recent procurement decisions mean that Vietnam will have 60 Su30 and Su27 aircraft by 2018. Vietnam has the economic capacity to substantially expand these forces relatively quickly. It will not be surprising if Vietnam has twice this number of aircraft by 2020. In the event that the situation in the South China Sea further deteriorates, Vietnam is likely to make substantially greater investments in advanced air and naval capabilities.

Malaysia and Singapore provide an interesting contrast. Both nations have modernised their military capabilities, but in quite different ways.

Singapore, which has typically spent five per cent of its GDP on defence, has opted for a "hedgehog" approach.²² It has built its defence force in a very systematic manner. The intent is to make the

22 Over the last 15 years the level of expenditure has typically been five per cent of GDP, but in the three years, 2010 to 2012, the level has dropped to 3.6 per cent of GDP.

cost of invasion so high that it deters a would-be aggressor. In more recent times, with a greater emphasis on air and naval power, it is considered that a potential invasion force can be defeated before a landing is achieved. However, a significant proportion of the expenditure, especially that which is related to universal military service, is directed towards nation building, rather than developing actual military capability. This is particularly true of the army, in which most of the conscript forces undertake their compulsory military training.

In areas related to power projection, Singapore has developed modern and sophisticated naval and air capabilities, maintained at a state to enable them to be readily deployed. These forces are well trained, and participate in a wide range of exercises with FPDA partners, either bilaterally or under the auspices of the FPDA. Singapore also has an increasing level of cooperation with United States forces.

The Singaporean Navy now has six modern frigates based on the French La Fayette design, six amphibious ships and four submarines. The Singapore Navy has been deployed on antipiracy duties off the Somali coast.

Singapore's combat aviation capability is notably advanced, with significant fleets of F16 and F15 combat aircraft. Singapore has also indicated that it will purchase up to 75 F35B VSTOL aircraft. Its air force maintains a high level of training and is widely regarded as one of the most capable and technically advanced in Asia. The acquisition of the F35B will reinforce this position.

Singapore has also ensured it has invested in effective command and control systems, including AWAC's aircraft, so that it can use the full capabilities of its advanced air and naval forces. Unlike most other ASEAN nations, Singapore is able to operate its defence force, especially the naval and air components, in a fully integrated manner.

In contrast, Malaysia, with five times the population of Singapore, has taken a more quixotic approach to the modernisation of its defence forces. Its air force has an unusual mixture of Russian and U.S. combat aircraft. In the 1990s Malaysia acquired a small number of Mig 29 combat aircraft and, in 2006, it announced the purchase

of 18 Su30 aircraft. Malaysia also has a squadron of F18 aircraft. In each case the numbers are barely viable, given that single squadrons of specific aircraft type have limited ability to sustain operations in a hostile environment. It would have made more sense for Malaysia to have three squadrons of the same aircraft type.

The Malaysian Navy likewise has an assortment of naval combat vessels and submarines that do not look particularly well integrated or sustainable. There are four classes of frigates and corvettes, each with two vessels.

Malaysia undoubtedly has the capability to rectify the issues that arise from small numbers of dissimilar ships and aircraft if it chooses to do so. If Malaysia does so, it will have a more effective defence force.

The notable feature of Malaysia and Singapore is they are defence partners in the FPDA, alongside Australia, New Zealand and Britain. The FPDA conducts regular training. It also ensures that Malaysia and Singapore have a broader defence outlook than the other ASEAN nations. Thus both nations have deployed forces to Afghanistan, and stationed them with their FPDA partners Australia and New Zealand.

The Philippines is in the unusual position of vigorously asserting its territorial claims in the South China Sea but having a defence force, which is primarily aimed at local security issues. Although the Philippines has a population of 100 million, it has virtually no advanced military systems. Defence spending is a relatively low 0.87 per cent of its GDP. Its navy, which may be thought to be at the forefront in protecting Philippine sovereign claims in the South China Seas, does not possess any modern ships. It has recently acquired three US Coast Guard High Endurance Cutters, which have similar capabilities to frigates. However, these ships were launched in the late 1960s and modernised in the late 1980s. A navy built around ships that are nearly 50 years old does not constitute a modern military force. A similar story can be told about its air force.

Of greater significance is its recent military cooperation agreement with the United States, the Manila Declaration. However, if the agreement emboldens the Philippines to act more vigorously in the

South China Sea than otherwise might be the case, then, rather than increasing stability, the agreement will have reduced it.

A noteworthy development has been the decision by Japan to supply the Philippines with 12 coastguard vessels, the first time Japan has supplied such a capability, particularly to a nation that has sensitive territorial issues with China.

The largest state among the ASEAN members is Indonesia, with 250 million people. Indonesia also has one of the highest economic growth rates in the Asia Pacific region. Historically, Indonesia has had substantial concerns about the unity of the state, and most of its defence expenditure has been directed to this purpose.

In more recent years, as these concerns have receded and as Indonesia has become more prosperous, it has been able to acquire naval and air capabilities to defend the state from external threats. By 2020 Indonesia will have 34 F16's and up to 180 Su27 and Su30 combat aircraft. Its navy will have three Type 209 submarines and a new generation of Dutch designed Sigma frigates. It is likely to be some years before Indonesia is able to fully network these capabilities with modern command and control systems. Nevertheless, the more coherent planning that lies behind these procurement decisions indicates a desire to have an integrated defence force able to protect the Indonesian archipelago from external aggression.

Indonesia's military potential is very substantial. Within the next two decades, the size of the Indonesian economy means that Indonesia can readily build the fifth largest defence force in the Asia Pacific, ranking behind the United States, China, India and Japan. Indonesia will do so if it perceives the security situation of the region demands such a level of expansion.

As the ASEAN nations develop capabilities that are able to operate at an integrated level, they will present a formidable barrier to any unwelcome military presence in the region. This will occur whether the ASEAN nations act individually or collectively. The increased military power of the ASEAN nations also means they will be an effective bulwark for the more distant peripheries of Asia, and in particular for Australia and New Zealand.

The Bulwarks: India and Russia

The Asian region is also home to two other great powers: India and Russia. Both of them are on the periphery of East Asia but they each have vital interests in the region. India, in particular, seeks to balance the influence of China. India intends to advance its interests and it does not expect to be beholden to China in doing so.

For 60 years since independence in 1947, India has followed a path of nonalignment. This meant that India was, by and large, never directly engaged in the great ideological contests that beset the world during the Cold War era. In addition, India was absorbed in securing its own sovereignty in circumstances quite different to other great nations. It has been involved in four large wars within its own borders, three with Pakistan and one with China. It has also been a major contributor to United Nations peacekeeping forces. The combination of these circumstances has historically shaped the Indian defence forces.

The last decade has seen significant change, both in the rate of defence modernisation and how India views its role in the balance of power in Asia. The end of the Cold War meant that India had to modify its political positioning. In particular, India has built a broader relationship with the United States. In part, the cultivation of the U.S. relationship is due to the rise of China, which has been a virtual ally of Pakistan and a key supporter of Bangladesh and Burma. The U.S. relationship is also indicative of the more active role that India is taking in Asia, especially with the ASEAN nations.

India's defence spending is the seventh largest in the world, reflecting its accelerating economic growth in recent years. Over the last decade India has been one of the largest purchasers of defence equipment in the international defence market. It is expected that by 2020 India will have the fourth largest defence budget in the world.

This increase in defence spending is also a measure of the new international role that India sees for itself. In many respects, India is the western flank of the Asia Pacific, particularly if seen from a maritime perspective. An engaged India is required to take a broader approach to the nature of its defence spending. In particular, India

has been progressively building up its naval capability, including the acquisition of modern aircraft carriers and ballistic missile submarines.

The Indian Navy has developed a true expeditionary capability and doctrine. By 2027 the Indian Navy is expected to have 150 ships and 500 aircraft, with few vessels older than 20 years. This will be a marked contrast to earlier iterations of the Indian Navy. Within a decade the Indian Navy will be led by three aircraft carriers, two of which will have been built in India. They will be equipped with Mig 29K combat aircraft. The naval plan also provides for 32 modern destroyers and frigates, mostly of Russian design.

India is one of the few nations in the region with nuclear submarines. The Indian Navy has two nuclear attack submarines purchased from Russia, and also has 12 Scorpene submarines. By 2030 India can have as many as six SSBN's, all of which will have been locally built, including the nuclear power plant. India has also invested heavily in maritime surveillance and antisubmarine aircraft, being the first international customer for the Poseidon P8 aircraft. India will be acquiring 12 such aircraft.

India became a nuclear power in 1974 and has built a full nuclear triad of delivery systems using its indigenous industrial competence. It is noteworthy that the range of its submarine-launched ballistic missile was initially 700 km, which would indicate only one possible target nation: its traditional opponent Pakistan. However, India is on a pathway to developing submarine-launched missiles with much longer ranges, which is intended to give India the ability to reach targets throughout Asia.

Within 15 years, the Indian defence force will have the most powerful naval force in the Indian Ocean. This is to be expected from the world's second most populous nation, with the intent of being dominant in its own immediate neighbourhood. By 2030 the Indian defence forces will also be capable of exerting a decisive influence in the balance of power in the wider Asian continent. It can be expected that India will develop the necessary foreign policy to ensure that it will have a decisive role in the Asia Pacific region.

Russia, by geography, is primarily an Asian nation. The great

majority of Russia lies east of the Ural Mountains, which are regarded as the boundary between Europe and Asia. The largest political region of Russia is the most eastern part of the country, the Far Eastern Federal Region, which borders the Pacific. It has an area of 6.2 million square kilometres. However, the region only has 6.2 million people, one for every square kilometre, making it one of the lowest population densities in the world. The absence of people in the Far Eastern Federal Region is reflected in Russian strategic policy. Contemporary Russia has little engagement in the various Asia Pacific geopolitical contests, and this is reflected in the deployment of its military forces.

The size of the Russian forces that are deployed into the Far Eastern Federal Region is only the equivalent of those of a modest nation in the Asian region. The naval component in Vladivostok consists of only six frigates and destroyers, although there is still a substantial fleet of 19 submarines.

The aviation assets of the region are similarly limited, consisting of a small number of squadrons of combat aircraft. However, the bases to which they are deployed can house many more aircraft. In addition, the air force regularly practises deploying squadrons at short notice from western Russia to eastern Russia. This has included deployments of the Su34, the long-range strike bomber. Currently this aircraft has no direct counterpart in the U.S. inventory. The closest analogue was the F111, which went out of service nearly a decade ago without a direct replacement.

A nation state is readily able to redeploy its military forces throughout that state, provided the infrastructure is in place. The Russian state still has much of the basing infrastructure that was developed in the Soviet era. Russia remains a powerful military state, retaining much of the military technological edge that was developed during the Cold War. In recent years Russia has embarked on a programme of military modernisation, with the delivery of new ships and aircraft, showing significant increases over the last five years.

Nevertheless, the small size of the permanent military commitment to the Far Eastern Federal Region is indicative of Russia's lack

of engagement in the region. For the foreseeable future, it is unlikely that Russia will significantly change its posture of being a Eurocentric nation, with only peripheral interests in East Asia.

The Periphery: Australia and New Zealand

Australia and New Zealand are located on the southern periphery of Asia. They have a Pacific orientation as much as an Asian perspective. Australia also borders the Indian Ocean and is progressively developing a comprehensive defence relationship with India. In large measure, the Pacific orientation occurs because their principal ally is located across the Pacific. It is also because both nations have formal and informal defence responsibilities for the small island nations of the South Pacific. However, the most likely strategic threat comes from Asia. Certainly, that is the lesson of World War Two. This risk also guarantees that Australia and New Zealand seek to maintain credible defence relationships within the region.

Since the end of World War Two, both countries have been actively engaged in Asia, particularly with their Commonwealth and FPDA partners, Malaysia and Singapore. Both nations made significant contributions during the Malayan Emergency of the 1950s, and to protect Malaysia during the Indonesian Confrontation in the 1960s. The defence engagement with Singapore and Malaysia continues with the FPDA, which New Zealand especially sees as a vital interest. It is one of only two formal defence agreements to which New Zealand is party, the other being the Canberra Pact with Australia, though it is arguable that ANZUS is still applicable between Australia and New Zealand.

The FPDA relationship enables Australia and New Zealand to conduct significant naval and air exercises in Asia, and to build a substantial understanding of the military challenges of securing the sea lanes around Malaysia and Singapore, through which pass much of the world's commercial shipping. The relationship also ensured that Australia and New Zealand were the partner nations for the deployments of Singaporean and Malaysian forces to Afghanistan.

The conflicts in Korea and Vietnam saw significant contribu-

tions by both Australia and New Zealand. For both countries, the U.S. relationship was the key factor for the deployments. The history of these deployments ensures that both countries remain deeply engaged with South Korea, and have retained an interest in Vietnam.

More recently, events in East Timor, now Timor-Leste, have resulted in Australia and New Zealand leading the international effort to bring stability to the new nation. The two nations provided over two-thirds of the international troops and held the principal military leadership roles. The location of Timor-Leste, 400 miles to the north-west of Darwin, is instructive. It represents the outer edge of the strategic area where Australia and New Zealand expect to lead military operations, as the principal nations of the South Pacific.

The defence of Australia is essentially built on the reality of the risk that can potentially flow from Asia. It means that Australia maintains sufficient defence forces to hold off a large-scale attack from a hostile nation. But, ultimately, Australia relies on its ANZUS alliance with the United States to defeat any such aggression. The importance of the U.S. alliance for the protection of Australian sovereignty means that no Australian Prime Minister will put the alliance at risk.

Australia has worked hard to ensure it has a credible defence force. It currently spends two per cent of its GDP on defence, which has been enough to build one of the most comprehensive defence forces anywhere in the world, for a country with 23 million people. The total numbers of personnel are not large at 60,000 but Australia's advanced combat capabilities rank among the best in the Asia Pacific region.

The combined capability of Australia's navy and air force gives Australia a reasonable prospect of deterring, or even intercepting, an invasion force that comes from the north. However, the level of expenditure is not so large as to convey an impression that Australia considers such an event as likely. Rather, it is seen as a possible contingency that is prudent to plan for.

The strategic defence procurement decisions set out in the 2009 and the 2013 Defence Reviews have their origins in the Dobb Report of 1987. As a result of these procurement decisions, Australia will substantially boost the key elements of its naval and air combat and

surveillance capability over the next decade. This is seen as essential in order to deter threats from the north.

Australia will be re-joining the ranks of nations with naval aviation within the next three years with its acquisition of two Spanish-designed amphibious LHD ships.

To further reinforce the defence of the northern air-sea gap, Australia will acquire four air warfare defence destroyers with the potential for limited anti-ballistic missile defence. In addition, there will also be eight general-purpose frigates from 2030 onwards to replace its existing ANZAC frigates. The existing patrol craft fleet will be replaced with up to 20 more capable long-range patrol vessels.

A notable upgrade in Australia's naval capability was the decision in the 2009 Defence Review, confirmed in the 2013 Defence Review, to build 12 advanced conventional submarines, intended to give Australia the capability to intercept a ship-borne invading force. They are also intended to be equipped with long-range land attack missiles, such as the Tomahawk cruise missile. These submarines will be the largest and most advanced conventional submarines in the world. Some commentators consider that nuclear-powered submarines will be more useful, enabling a smaller but more efficient fleet.²³

Australia has also ensured that its RAAF will be among the more technically capable air forces in the Asia Pacific. Over the last decade, Australia has acquired new strike aircraft and sophisticated command and control systems, which will ensure that the RAAF maintains its position as one of the most advanced air forces in the region.

23 Andrew Davies, Australian Strategic Policy Institute, Feb 2013. There has also been a substantial debate aired in *The Financial Review* and *The Australian* during the latter half of 2012 and early 2013 on the most appropriate submarine type. Paul Dibb expressed his preference for large conventional submarines. However, members of the Liberal Party, and former Labor Defence Minister Joel Fitzgibbon, have indicated that nuclear powered submarines should be considered. In that case fewer platforms would be required, which may reduce the overall costs. Modern nuclear submarines do not require refueling during their life, thus removing many of the maintenance concerns.

Australia has maintained long-range strike aircraft for over 40 years. From 1970 to 2010, Australia was the sole operator of the F111 strike bomber, alongside the United States. The replacement fleet of 24 F18EF strike aircraft, coupled with new air-to-air refuelling aircraft and AWACs aircraft, will maintain this capability for at least the next two decades.

Australia also plans to acquire at least 60 F35 combat aircraft over the next decade. Australia's commitment to this programme is evidenced by the fact that it was one of the initial partner nations in the JSF project. These extremely advanced aircraft will give Australia a combat edge that a potential adversary is unlikely to have, particularly when integrated in a comprehensive command and control system.

In common with most Asia Pacific nations, Australia is also building a credible defence relationship with China. The 2013 Defence White Paper provides the clearest signal yet that Australia is seeking a new defence relationship with China. Thus far, the relationship is based on defence diplomacy, with naval combat ships making goodwill visits to China. Unlike with other nations, these goodwill visits have involved more than the formalities of naval diplomacy. They have also involved live-fire naval exercises.²⁴ Although this may come as a surprise to many, it does indicate that a more substantial level of military training can be readily achieved with China, even for nations that have particularly close ties with the United States.

In contrast to Australia, the small size of New Zealand, with a population of only 4.5 million, means that New Zealand's defence capability is modest. On a per capita basis, the New Zealand Defence Force (NZDF) has a similar number of people in uniform as the Australian Defence Force. However, with defence spending of only 1.1 per cent of its GDP, in comparison to Australia's two per cent, New Zealand does not have, even on a pro rata basis, the advanced military capabilities of Australia.

There are a number of reasons why New Zealand limits its defence expenditure. In a small defence force, it is difficult to have

24 This was revealed by the Minister of Defence, Stephen Smith, in his address at the Shangri-La Dialogue in May 2011.

sufficient critical mass to be militarily useful. This is particularly true of advanced and complex military capabilities such as combat aircraft. Instead of concentrating expenditure in small numbers of sophisticated capabilities, which only have real utility in a major war, New Zealand has chosen to invest in capabilities that are likely to be regularly used, both in the South Pacific and beyond. New Zealand also takes advantage of the fact that it is the most remote nation in the world. It does not face the level of threat that other countries face, and thus chooses not to have a large defence budget. As a general proposition, New Zealand's distance from its key markets adds costs to its economy. However, for national defence, this same distance provides security.

The 2010 Defence Review affirmed that the primary focus of the New Zealand Defence Force is to ensure the stability and security of the South Pacific, in partnership with Australia. There is an expectation that ANZAC forces will be able to take care of any foreseeable contingency within the South Pacific without having to rely on external assistance.

New Zealand's interests are not only confined to the South Pacific. The most capable elements of the NZDF are the Special Forces (NZSAS), the two ANZAC frigates and the six P3 Orion maritime patrol aircraft. They are all expected to be able to be deployed beyond the South Pacific and make a worthwhile contribution to a coalition effort. One of the key measures for the NZDF is its ability to make a meaningful contribution to Asia Pacific security, albeit on a modest scale. The investment in maritime patrol and surveillance, particularly with the recently upgraded P3 Orions, is on a scale that is unusual for a country the size of New Zealand. Along with the ANZAC frigates, they ensure that New Zealand can be actively engaged with its partners in the Asia Pacific, including FPDA members and South Korea.

New Zealand's defence relationships are primarily concentrated on its traditional allies and partners in the Pacific and Asia. However, as with Australia, New Zealand has also been progressively building a defence relationship with China. The ANZAC frigates have visited China on a number of occasions. As these visits move beyond

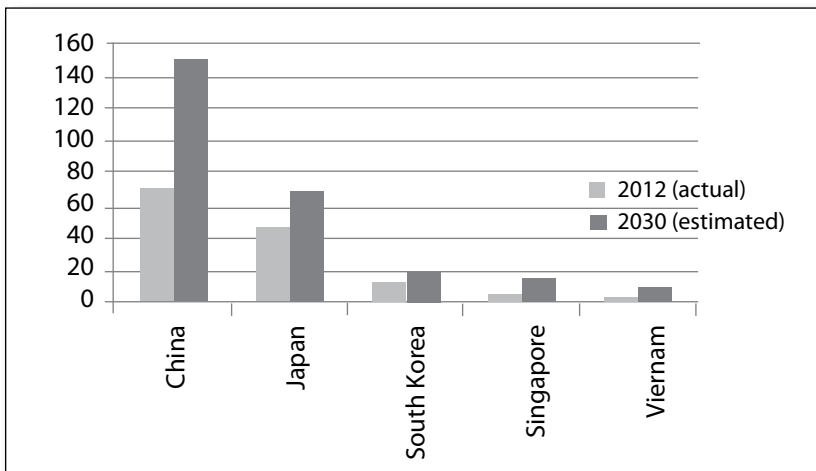
goodwill visits to include actual military activities, they will be able to ensure that New Zealand can build a more constructive military partnership with China.

The way in which New Zealand develops its military relationship with China will be a key test of how New Zealand understands the new role that China is seeking in the Asia Pacific. The 2015 Defence Review is expected to directly address this issue. It is anticipated that the 2015 Defence Review will mirror similar views on the development of a strategic relationship with China, as those expressed in the 2013 Australian Defence Review. The Defence Review will also need to articulate the actual steps that such a relationship will entail.

Offsetting China

Much of the growth in the military power of the nations adjacent to China can be explained by their need to ensure that China does not become so disproportionately powerful that they will have no choice but to acquiesce to Chinese demands. The more powerful nations in the region have been able to build capable military forces that can at

FIGURE 4.3
The balance of naval power in Asia



Note: Graph shows number of frigates and destroyers.

least be seen as capable of fending off any immediate threat. Other nations, particularly the ASEAN states, will have to act in concert to achieve this goal.

As with most defence expenditure, the prime purpose is deterrence. The nations of Asia do not anticipate that military conflict with China is likely; rather, the purpose is to constrain behaviour. Deterrence requires a credible balance of military forces. However, it is likely that the gap between China and the rest of Asia is likely to grow, as is illustrated by the growth in naval capability.

Increased capabilities carry their own risk. Conflict over territorial claims in the East China Sea have become more likely as China and Japan have the capability to aggressively patrol the region to an extent that was not possible in the past.

The build-up of the military forces of the littoral nations also ensures that the United States can remain actively engaged in the region. Without this effort, the United States cannot be in a position to provide effective assistance, particularly to South Korea or Japan. It is not possible for the alliances to remain effective if the Asian partners do not seek to match, at least to some extent, Chinese capabilities.

If the allies of the United States choose not to improve their own military capabilities, they can be perceived as signalling to China that they are willing to accept Chinese demands. The United States will then be left in the position of also accepting such an outcome. Thus, so long as Asian nations wish the United States to be actively engaged in the military security of the region, they need to maintain credible military forces. In practice, this means that as Chinese military capability grows, so must the capability of the adjacent Asian nations.

The only constraint that is effective in reducing the level of the escalation of arms is the process of dialogue, which is developing in the region. But at this relatively early stage in the development of the emerging security dialogue, there has not been any impact on the rate of acquisition of advanced military systems. It can be expected, as constructive security dialogue develops between the principal nations of the region, that there should be a reduction in tension.

It will be this reduction in tension that offers the best chance to obviate the need for the level of military acquisitions that are currently being contemplated by nations of the Asia Pacific over the next two decades. This will not affect acquisitions currently in train but an improved security situation may positively affect the decisions of 2020 and beyond.

INCLUDING CHINA

China's Key Interests

The rise of China will require the states of the Asia Pacific to have a better understanding of the central interests of each state within the region. In particular, there needs to be a recognition that the rise of China will result in China playing a greater role in security of the region. Undoubtedly, this means both understanding and accommodating at least some of China's key interests.

An essential consideration in this equation is the viability of existing security arrangements. This question largely turns on the adaptability of existing relationships. It is unlikely that future adjustments will involve a fundamental disruption of existing security arrangements. The agreement of nations to security alliances is too grounded in the values that are common to the parties to be overly susceptible to changes in the balance of power brought about by nations that do not share these values.

It is only in the most extreme situations that nations will ally themselves to other nations where there are fundamentally different values at play. Britain and the United States only allied themselves with the Soviet Union for the time it took to defeat Nazi Germany. Once victory had been achieved, the contest of values that had previously existed between them re-emerged, and became the source of the Cold War.

However, many security relationships are sufficiently malleable so that their application can evolve to meet changing circumstances. This raises the prospect of including China in the wide variety of exercises and normal military discourse that currently takes place in the region. Or will China be kept apart, as is largely the case at present?

The main area where competing interests will rub against each other is the littoral regions of China, where China will have attained clear military superiority, even if this does not equate to dominance. A new set of security relationships that are intended to have an impact on the behaviour of states in the littoral regions of China and East Asia will ensure a more certain and less competitive pattern of behaviour throughout the whole Asia Pacific region. A concerted attempt to deny any change in current security arrangements can result in antagonisms that will damage the prospects of the whole of the Asia Pacific.

The inclusion of China in the security arrangements of the region will depend on how China acts, as it progressively builds up its military forces. China's conduct will affect the pattern of relationships, both within the region and in the wider Asia Pacific for decades. This will entail two intertwined tests.

The first is the extent that other states recognise China has legitimate expectations to be realised as a result of its increased power. The second is whether China, in exercising its increased power, acts in a way that is broadly acceptable to other nations. China will only achieve its expectations if it is seen to be acting reasonably in achieving its strategic aims.

The evaluation of these two tests requires a realistic consideration of the legitimate interests and expectations of China, and also what is acceptable behaviour by a state that is more powerful than other individual states, though not necessarily more powerful than the aggregate of other states.

In 2030, it is probable that China will have a GDP comparable to that of the United States, and at least twice as large as that of Japan. China's military will be the dominant force in its immediate region, which for the period until 2030 can be defined as the maritime area inside the first island chain. Other nations in the region will seek to offset the extent of China's military power but they will be unable to fully match it. Therefore, what are the interests that China might expect to be recognised as a result of this status?

China primarily considers itself the principal regional power in East Asia, albeit with global interests. As the principal regional

power, its status cannot be supplanted by any other country, including Russia, Japan, India or the United States.²⁵ This position gives China confidence that it can assert its dominance within the region, and that its key security concerns can be largely resolved in its favour.

It does not mean that China expects it can simply override the interests of other states in the region, but that its interests will have pre-eminence. This has been demonstrated by the effectiveness of Chinese diplomacy at the 2012 ASEAN meeting at Phnom Penh, when ASEAN members Vietnam and the Philippines were unable to get an agreement that the communiqué should make reference to South China Sea issues.²⁶

There are essentially three key security interests that China has within its immediate region that it expects other nations to recognise:

- First, a greater regard of China's position over Taiwan;
- Second, a recognition of China's interests within the East China Sea and South China Sea that is not currently present;
- Third, ensuring that China is not subject to a containment policy, which in any event will heighten tensions throughout the Asia Pacific.

The first of these is primarily an issue for China and the United States, and is essentially beyond the purview of this paper. However, the other two engage many more nations within the region. They are therefore amenable to initiatives from a variety of sources within the region.

China also has broader interests in the wider Asia Pacific. In seeking to advance these broader interests, China will not be relegated to a marginal role. Throughout the whole region, China will be a principal actor. It will expect to be treated as such by all the nations within the region. An indication of the widespread influence of China is the fact that New Zealand is increasingly taking account of China's interests when considering policy options within New Zealand's own key area of strategic interest in the South Pacific.

25 Zhu Liqun, *China's Foreign Policy Debates*, 52, Sept 2010, Institute for Security Studies.

26 Sea Dispute Upends Asian Summit, 23 July 2012, *Wall Street Journal* (Asia Edition).

Stabilising the Littorals

The stabilisation of the littorals will turn on how well each state accommodates the interests of the other states in the area. This will be a key test for China. Other nations, particularly Japan and South Korea, also border the East China Sea. They are unlikely to abandon their interests in the East China Sea simply to mollify China.

The likelihood is that the area will become more heavily militarised over the next 20 years. This will largely be the result of the increase in Chinese military capability, though it is also probable that this will lead to an increase in Japanese defence capability. The potential for low-level conflict will expand.

There are increasing signs of this prospect in respect of the dispute over the Diaoyu/Senkaku Islands off the Taiwan coast. The islands are claimed by both nations. The islands have been under the control of the Japanese government since 1895, though their sovereign ownership has been contested over the centuries. In September 2012 the Japanese government acquired the title to the islands from their private owners. This action has intensified the current dispute.

Since 2012, both nations have been stepping up their activity around the islands. These actions have ranged from sending coast-guard patrol boats to the vicinity of the islands, declarations of air defence zones, and aggressive patrolling by military aircraft through to the deployment of naval combat vessels to the area. The level of tension has not abated over the last two years, and it is fuelling nationalist sentiment in both countries. In these circumstances, minor incidents over patrol activity can readily escalate to more serious military confrontations.

Even though this risk must be well understood by both nations, neither of them is taking any obvious steps to reduce the risk. The conclusion is that for the moment, the assertion of the sovereign claims over the islands is viewed by each nation as being worth the risk of escalation. In any event, they both clearly believe that the escalation of the dispute is containable. History does not necessarily support such a view.

The ongoing disputes in the South China Sea may not be the

same character as those in the East China Sea. In these cases, the disparity in the sizes of the states involved and the remoteness of the disputed territories has meant that the issues have not been pursued as vigorously as those in the East China Sea. This can easily change, especially if oil and gas prospects in the area are to be pursued.

There is an urgent need for the nations with competing claims in the East China Sea and the South China Sea to find a way to resolve the claims. Recent statements by China rule out military conflict as a means of resolving the disputes in the South China Sea. However, this does not rule out the use of military assets to provide demonstrations of sovereignty. When the disputant parties are willing to allow their military forces to come into close contact in contested areas, there is always the risk of confrontation.

The issues of the East China Sea and the South China Sea not only affect the littoral states bounding the two seas but also the shipping of many states that pass through these waters. The world's economy is dependent on the free passage of ships through these two seas.

Every state therefore has an interest in ensuring freedom of navigation. Freedom of navigation is not just about protecting commerce. It is also about the ability of nations to support allies and other friendly states, and having full access over all parts of the high seas. However, the legal freedoms of the high seas can be exercised in a way that exacerbates tensions rather than reducing them.

Having boundary riders constantly patrol a perimeter fence is not likely to build good relations with a neighbour, especially if the opportunity is taken to have a good look across the fence to see what is happening in the neighbour's property.

The issue of U.S. surveillance and intelligence operations is likely to feature more prominently over the next few years. At present the United States conducts regular intelligence and surveillance flights immediately adjacent to the Chinese border. They do so in full accordance with international law. Unlike submarine patrols or space-based surveillance, intelligence flights are highly visible. The

frequency and nature of such flights has a tangible impact on the tone of the overall relationship. There is an increasing view that it is prudent to constrain the level and frequency of such flights.

Lieberthal and Wang Jisi, in their influential paper, have stressed the importance of taking steps to reduce tension, noting that it is:²⁷

Worth considering whether there are steps that might address U.S. security concerns in a way that reduces Washington's perceived need to conduct reconnaissance and intelligence activities just beyond China's territorial water and air space.

The fact that Lieberthal and Wang have tentatively stated this proposition is an indication of the strong institutional pressures in the U.S. military and intelligence establishment for their continuation.

However, U.S. policymakers should consider the impact if China were to conduct such surveillance off San Diego in California. China does not currently have this capability, but as it becomes wealthier, it may consider developing such capability, perhaps based on long endurance UAVs. China will then be making a point about the equality of nations.

The military and intelligence establishments are not always in the best position to take a strategic view of evolving international relationships. It frequently requires the intervention of the national leadership to take the broad perspective of the nation's best long-term interests. A decision that intelligence gathering should be confined to satellites, submarines and other intelligence assets that have a distinctively less aggressive posture is unlikely to be made primarily on technical grounds.

The resolution of this issue is ultimately a question that turns on the path that the United States wants to take in how it understands China's need to be able to make progress on its key interests.

27 Lieberthal and Wang Jisi, *Addressing U.S.–China Strategic Distrust*, Brookings, 2012.

China's Fear of Containment

The third key security issue for China is the concern that it will be subject to a policy of containment. This issue is as much about perceptions as it is about actions. Actions that are seen by the United States as a perfectly appropriate part of the security dimension of the Pacific pivot might be interpreted by China as a policy of containment.

The risk of containment will be measured by China on the basis of its interpretation of the nature of U.S. forces deployed in the region. China will also assess how the various alliance and partnership defence agreements that the United States has in the region continue to evolve and develop. China will expect that these relationships expand and change as part of the Pacific pivot. It will therefore seek to understand the true nature of the impetus that lies behind the evolution of these agreements.

China may consider that it is being subject to a U.S.-led policy of containment if there is a substantial build-up of military systems beyond what is currently contemplated in Guam, as well as in allied bases in Japan and South Korea that can be construed as being primarily offensive in character. This can include the deployment of long-range bombers, tactical aircraft, and a significant increase in ships and submarines at these bases. A major build-up of defensive missile systems may also be seen in this light. An increase in the actual basing facilities may also be viewed as part of a policy of containment.

China's assessment will not be limited to a mere counting of ships and aircraft. It will also carefully examine the development of U.S. military doctrine to see whether it is primarily designed to take offensive action against a peer competitor. While it is the practice of all professional military organisations to plan for every contingency, it is the level of commitment given to each option that is the true indicator of strategic intent. There are options, including the Air Sea Battle concept as mooted by the Centre for Strategic and Budgetary Assessment (CSBA), that result in a much more offensive posture of U.S. forces in the Asia Pacific. If the United States makes a major commitment to the Air Sea Battle concept, China will see such a development as part of a policy of containment.

The shift in focus by the United States to the Asia Pacific will inevitably involve a reallocation of military forces to the Asia Pacific region, particularly of naval and air forces. This is an explicit part of the Pacific pivot, and has been well signalled by the United States. The majority of these forces will be deployed in the sovereign territory of the United States of Guam in the western Pacific. There is also likely to be increased deployments with close allies, such as Japan and South Korea. This reallocation of forces will give substance to the rhetoric of the realignment towards the Pacific.

China will therefore inevitably see more U.S. forces in the region. Since the redeployment will have an emphasis on naval and air forces, it will be easy for China to interpret this as a policy of containment.

The increased deployments will not just be in terms of personnel or numbers of ships and aircraft. There will also be qualitative improvements in the assets deployed, which can include capabilities that have not been previously prominent in the Asia Pacific region. Advanced anti-missile systems fit within this concept. Over time, there may be much more technical capability to these systems than the current deployment of PAC III missiles and AGEIS anti-missile cruisers. A network of long-range radars, advanced missiles and their accompanying command and control centres can start to change the strategic equation.

The Pacific readily lends itself to these kinds of redeployments. The bases in Guam, Japan and South Korea are able to accommodate significant numbers of additional aircraft and naval units, if that is the strategic intent. The United States has the flexibility of being able to deploy these kinds of assets at will, according to the requirements that may arise at any time.

The United States already has made substantial new military commitments to its allies, including Australia, Japan and South Korea. They have been able to establish the case for new technology anti-missile systems for the protection they afford against North Korea's nuclear threat.

The temporary deployment of these systems during the 2013 North Korean crisis makes it easier to permanently station these systems in the region and to build up their capabilities. In China's

view, a significant improvement in anti-missile capability beyond what is required for protecting oneself against the risk of North Korean adventurism will be perceived as being directed against China.²⁸ While many commentators see this as justifiable, given China's investment in advanced missile systems, especially those capable of being targeted at ships, such as the DF-21D, there are some who consider that new ABM systems will inevitably increase tension over the longer term.²⁹

There will be greater impact on the strategic balance if the United States not only increases the number of ships and aircraft but also announces the build-up of the basing infrastructure, whether it involves completely new facilities or the expansion of existing facilities. The development of such facilities can take place in the territories of allies or it can take place in United States sovereign territory, particularly in Guam, Midway and the Northern Marianas. A substantial build-up in the Northern Marianas will inevitably be seen by China as part of a policy of containment.

Despite these concerns, China can expect to see advanced new strike capabilities being developed over the next decade by the United States, particularly the planned Long Range Strike-Bomber to replace the B52 and B1B. These aircraft, particularly the B52, are already 50 years old, and it is inevitable that they will be replaced. As a global power, the United States considers it essential to retain a long-range heavy bomber. The new Long Range Strike-Bomber will rely heavily on stealth technologies that have been developed over the last two decades in the B2 bomber and in the F22 and F35 combat aircraft.

If this pattern of deployments of the B2 is followed, then a proportion of the new advanced bomber fleet will be deployed to Guam. The United States has choices in this regard. It can either forward deploy these aircraft or it can base the fleet in the continental United States. Both the nature and deployment locations of the strategic

28 Statement by Chinese Foreign Ministry spokesman, Hong Lei, 19 March 2013.

29 Peter Symonds, *America Threatens China, Russia and North Korea: U.S. to Boost Anti-ballistic Missile Systems in Asia Pacific*, 16 March 2013, Global Research.

bomber fleet will indicate the strategic intent of the United States. The perception of this intent will be carefully measured by both the United States and China.

The United States should be under no illusion as to how its actions may be interpreted. Any significant move to increase the deployment of long-range airstrike capability to Guam, coupled with a major expansion of basing facilities in the Northern Marianas, is likely to be interpreted by China as pointing towards containment. This interpretation is more likely if the orientation of new deployments and facilities is clearly towards strategic air power.

China will not remain passive in such circumstances. An expansion of U.S. defence facilities that can readily be interpreted as reflecting a policy of containment will almost certainly result in a significantly faster build-up of defence spending by China.

China has considerable potential to substantially increase its defence spending. Simply matching U.S. expenditure as a percentage of its GDP will almost double China's defence spending. This additional expenditure would be largely directed towards advanced long-range air and missile strikes and to maritime capabilities. Since the increase in spending will be in the scale of hundreds of billions of dollars, China will likely acquire advanced long-range bombers and naval forces with a sophisticated range of offensive weapons systems. Instead of three aircraft carriers, China can readily afford a fleet of five or six aircraft carriers.

The United States will need to carefully consider whether adopting a strategy that China interprets as a policy of containment will actually serve to increase the security of the United States and its allies.

Not all increases in U.S. military capability in the Asia Pacific can be interpreted as pointing to a policy of containment. A major build-up of long-range strike capabilities in Guam or the Northern Marianas can be contrasted to the deployment of a regiment of U.S. Marines to Darwin. It will be difficult for China to realistically interpret this deployment as an encirclement of China. The Marines will be several thousand miles from China, and they will not alter the strategic equation in the Asia Pacific.

The remoteness of Darwin has already been seen as an opportunity to strengthen multilateralism. It has been announced that forces from the ASEAN countries, especially Indonesia, will train alongside Australian and U.S. forces. President Yudhoyono has also suggested that China be included in the training with a particular focus on humanitarian and disaster relief (HADR) training.³⁰

The nations of the Asia Pacific will have no interest in participating in a U.S. policy of containment unless the security situation has deteriorated to such an extent that such a policy is unavoidable. Even then, they will have to conclude that the fault lay primarily with China. The nations of the region will strive to ensure that they are not put in this position. The states of the region therefore have every incentive to ensure that China is fully included in the security initiatives relating to the peace and stability of the Asia Pacific.

The proposal of President Yudhoyono underscores the fact that there will be no place in the Asia Pacific where China can be relegated to the position of a minor player. China will expect to have a dominant role near its own littoral region. But it will also expect to be recognised as an important and influential nation throughout the entire region. This cannot be just an issue of semantics and rhetoric. It implies that China will play an active part in virtually all initiatives affecting the entire Asia Pacific region.

Thus when initiatives are being developed by other nations in the region, the inclusion of China requires active and early consideration, even if the initiative is confined to a small number of states in a specific part of the Asia Pacific region. It will be increasingly untenable to wait to invite China to join only after the initiative is established.

The requirement to include China will be increasingly important in security matters. As one of the great powers of the region, China will expect to be included in the initial planning for security initiatives that affect the whole region, or even part of the Asia Pacific.

Such an approach also indicates how China's concerns can be addressed. The tempo of strategic dialogue between China and the United States has increased in recent years. Importantly, they are now

30 Reported in *Sydney Morning Herald*, 21 November 2011.

building a more sustainable security relationship between them. It should be possible for the two nations to negotiate the parameters of the behaviour that might be expected between them, not just during benign times but also during times of tension. The example of the careful diplomacy that was carried out by both countries during the P3 incident near Hainan Island in 2003 shows what is possible.

Inclusion in existing arrangements and in military exercises is an important part of the process. The United States' invitation to China to participate in RIMPAC 2014 is part of this wider engagement that will be welcomed by the allies and partners of the United States as providing tangible evidence that China can be a security partner within the region.

The particular challenge for the United States is to accept that over the next 20 years, the power of China will increase relative to that of the United States. By 2030, China's economy will be as large as that of the United States. Even at the current ratios of defence spending between the two countries, China's defence forces will have significantly closed the gap with those of the United States. In the littoral regions of China, military superiority is likely to belong to China.

The increase in China's power carries the expectation that China will be treated as a full equal to the United States. China will not expect to be subject to a policy of containment. The Chinese response to the Pacific pivot illustrates the point.

China's Response to the Pacific Pivot

The Pacific pivot heralds a new level of engagement by the United States within the Asia Pacific. It will shape the security environment of the Asia Pacific over the next 20 years. But much will depend on how the United States applies the Pacific pivot in practice. This will determine in large measure how China responds to it.

The Pacific pivot can be seen as a positive engagement of the United States in the area of the world where it has its deepest economic interests. The role of defence forces can be explained as underpinning the conditions for peace and stability and reinforcing

the mutual recognition of the free availability of the global commons, rather than being explicitly aimed at adversaries.

The intent is that the whole region benefits from a re-engaged United States. China, along with the other nations of the Asia Pacific, benefits from the benign commitment of U.S. defence forces in the region. In this sense, the increased presence of U.S. military forces is intended to increase stability.

Such an interpretation means that the Pacific pivot will be primarily seen by China as the constructive engagement of the United States across the full range of activity in the region. Security issues will be regarded as only one part of the Pacific pivot, and not necessarily the largest element. There will be no need for any nation to significantly change its military posture in response to the Pacific pivot.

In these circumstances, the current projections of increased defence capability will naturally play out over the next 20 years and will not be seen to destabilise the balance of power within the Asia Pacific.

For the United States, this outcome will involve similar levels of defence expenditure as the present, leading to broadly the same range of capabilities that it currently possesses. This will involve the modernisation of U.S. forces. Within 20 years the majority of combat aircraft will be fifth-generation F22 and F35, along with the planned Long Range Strike-Bomber replacing the B52 and B1B. Many of these aircraft will be deployed in the west Pacific, particularly at Guam.

For China, a continuation of current levels of expenditure of around two per cent of GDP will lead to a substantial improvement in capability, both qualitatively and quantitatively. Over the next 20 years China's fleet of modern combat aircraft will increase from the current 600 to as many as 2,500. China will have a naval fleet, both surface and subsurface, that is at least twice as large as its current fleet. This will all occur because the Chinese economy will grow faster than that of the United States. In the likely scenario that the economies of the two nations are of a similar size in 20 years' time, it is inevitable that the military gap between China and the United States will close to a substantial extent.

It will be a significant challenge for policy makers in the United States to view the closing of the military gap as simply an outcome of economic growth, and not a threat to the security of the region. It is foreseeable, and understandable, that the continuous increase in the numbers of modern combat aircraft in the PLA Air Force from the current 600 to 2,500 by 2030 will inevitably lead to demands within the United States to counter this growth. At the minimum, the effect of this increase in China's military capability is likely to result in a greater percentage of U.S. Air force aircraft being stationed in the Pacific, with many being forward stationed in Guam. The way in which this occurs will have a very significant effect on whether these deployments are seen to enhance stability or whether a herald to a more competitive situation between China and the United States.

There are more challenging possibilities. The pressures that will arise from the change in the military balance means that there are scenarios that see the United States build up its military capability, especially airpower, beyond what is currently contemplated. This is most likely to result in an arms race in the Asia Pacific. This will occur if China considers that the key objective of the United States, either implicitly or explicitly, is to contain China.

A U.S. policy of containment will not be confined only to the build-up of arms and their forward stationing in the western Pacific. It will likely also involve only a limited recognition of Chinese interests. Indications of such a policy will be the establishment of fully equipped bases throughout the Northern Marianas, even if they are operated as bare bases as part of the Air Sea battle concept. The CSBA does state that the containment of China is not the objective of the Air Sea battle concept, but it will be difficult for China to interpret the full-scale adoption of the concept in any other way. The result of such a strategy will be an arms race between China and the United States. Other states in the region will inevitably respond as well with increased arms expenditure.

The challenge of such an arms race for the United States is the difficulty that it will have to significantly increase its defence expenditure from current levels, particularly as a percentage of GDP. The current financial situation of the U.S. government can only serve to

make such a commitment even more difficult to sustain. Containment will therefore have to be largely achieved from within current financial settings. The alternative is a substantial reallocation of existing government spending towards defence so that U.S. defence spending is maintained at not less than four per cent of its GDP.

China, however, has more choices. In particular, it can increase its defence expenditure from the current level of two per cent of its GDP to a figure that is comparable to the U.S. levels of four per cent of its GDP. There are Chinese economists who argue that such an increase will be beneficial to the Chinese economy. Increased defence expenditure will strengthen Chinese technical and manufacturing capability.

China's defence objectives are also simpler than those of the United States. It does not have to build a global defence capability; its objectives can be limited to securing the first and second island chains.

The increased Chinese defence expenditure will go almost entirely on aviation and naval and missile capabilities, along with vastly improved command and control systems. As a consequence, China will have several thousand fourth- and fifth-generation aircraft, including longer-range J20 and SU 34 combat aircraft. There is also the prospect of a long-range stealth bomber. The Chinese Navy will have several hundred ships and submarines. Medium range missiles may number in the thousands.

An immediate effect of increased defence expenditure by China will be a dramatic increase in arms expenditure right across Asia. Many Asian nations can readily increase their defence expenditure without any serious adverse effects to their economy. Japan can double its defence expenditure and still be only at two per cent of its GDP. Similarly, South Korea can also readily increase its defence expenditure. Taiwan will demand more arms sales from the United States, and in such circumstances the United States will readily agree.

The overall effect of such an arms race will be a dramatic reduction in the stability of the Asia Pacific region. Many allies of the United States will view such an outcome as highly undesirable. Yet they will have little choice other than to increase their own defence

expenditure to offset the increased risks. However, most states will consider that their own security will be reduced in the event of such an arms race.

Japan and South Korea, in particular, will be badly affected by such a dramatic change in the balance of power in their immediate neighbourhood. The risk of clashes in the East China Sea will be much higher than at present.

Other allies and partners may limit their level of engagement with the United States so as not to be seen as directly participating in a perceived policy of containment of China.

This outcome will also be unsatisfactory for the United States, since its own sense of security will have reduced. In furtherance of a policy that China will perceive as containment, the United States will have diminished its qualitative and quantitative military advantages over China.

The challenges that the changing balance of power will produce over the next 20 years requires a critical analysis of the choices that are available to China and the United States. The pressures on U.S. policymakers are likely to be greater, since they are dealing with the challenge of a rising power.

Some choices may lead to an all-out arms race, which will have the effect of reducing security and stability in the region. Such an arms race will not just be limited to the two great powers. Other nations, especially Japan and South Korea, can substantially increase their defence budgets as a percentage of their GDP.

An arms race in the Asia Pacific is not an inevitable outcome. There are other choices open to nations of the region that can lead to a more benign outcome, notwithstanding the change in the balance of power. It is the intended outcome of policies that will be seen as the important criteria for assessing the motivation of nations.

A STRATEGIC PARTNERSHIP

An Engaged China

China's economic and security interests are not limited to its own immediate domain. It also seeks to be regarded as an important and influential nation throughout the world. But China's interests in the Asia Pacific region run deeper. Not only will China's interests in the Asia Pacific have to be respected, they will have to be fully integrated into the institutional frameworks that are being developed in the region. This is not a passive expectation on the part of China. At every opportunity, China will demand to be a principal party in shaping the institutional framework that is progressively developing in the Asia Pacific region.

Nationalism will play a role in how China asserts its strategic interests. President Xi Jinping has taken a more overtly nationalistic tone than his predecessor. He has come to office as the full potential of China has become evident. President Xi will expect to realise this potential during his term in office. In his address to the 2013 National People's Congress, he referred to the rejuvenation of the Chinese nation and the restoration of its historical place in the world.

The restoration of China's place in the world, to a very considerable extent, will occur over the next 10 years. This period covers the normal two terms of office that President Xi can be expected to serve. However, he cannot anticipate that China will simply resume its historical position of power. The situation of the twenty-first century will be very different to the past. The world is infinitely more connected than it was three centuries ago. At that time, China may have been the largest power in the world but it was hardly known beyond Asia, except as a somewhat mysterious empire of the East.

The growth of China over the last 30 years has seen China turn from an inwardly focused nation to one with deep trading and economic linkages throughout the world. The impact that the China of the twenty-first century will bring to the world will be deep and profound. It will extend across trade, investment, migration and cultural interchange. Increasingly, it will extend into the security arena. Instead of being a bystander in a world where other nations set the security agenda, China will actively pursue its view of how it considers the affairs of the world should be ordered.

There has already been sufficient indication of this change during the last two decades to know that substantial further adjustment will be required on the part of other nations to accommodate the rise of China. All the nations within the Asia Pacific will have to respond to China's rise. They will need to find ways to incorporate China within the framework of agreements and relationships that apply throughout the region.

Most states in the Asia Pacific will actively seek to build their relationship with China; to do otherwise will disadvantage their growth prospects. The nations of the region increasingly understand the role of China as the economic driver in the Asia Pacific economic community. These developments are occurring at both the bilateral and multilateral levels. Nations that wish to build their relationships with China have found it necessary to take a highly visible approach in their public expressions of the quality of the relationship with China, which is not typical of their relationships with other countries.

In the case of both Australia and New Zealand, there has been intensive Ministerial and Prime Ministerial interchanges. No other nation receives as many official visits as China. The official government publications of both Australia and New Zealand that deal with international relations stress the importance of the Chinese relationship virtually beyond all others. The specific exception is the security relationship with the United States. But as the 2013 Australian White Paper on Defence illustrates, this perspective is also changing.

The Asia Pacific nations are increasingly placing more importance on the quality and depth of their relationship with China. They realise that they cannot afford to have extraneous issues adversely

affect the overall relationship. The nations of the Asia Pacific will be particularly concerned if difficult security issues leak through economic issues. A great power competition between China and the United States will be perceived this way. It will inevitably be seen to be deeply harmful to the economic interests of the region. Much of the current prosperity has arisen precisely because there has not been serious rivalry between the great powers of the region.

The recent paper of the Australian Government, *Australia in the Asian Century*,³¹ illustrates how a more inclusive engagement with Asia, including China, will occur. The tone of the paper is intended to reassure China that Australia desires a comprehensive, collaborative relationship. Although Australia has a deep security relationship with the United States, this is not seen as an impediment to a more comprehensive engagement with China.

In fact, Australia is looking for ways to strengthen their engagement with China even on defence issues. The 2013 Australian White Paper on Defence forecasts a new defence relationship with China that will be deeper and more sophisticated than could have been envisaged even as recently as four years ago. The difference in tone between the 2009 Defence White Paper and that of 2013 could not have been more marked. The new defence relationship was one of the key discussion points between Australia and China at the 2013 Boao forum.

The imperative for the nations of the Asia Pacific is that the Pacific pivot should not be construed as a great power competition. If the partners of the United States perceive that the Pacific pivot will be interpreted by China in this way, many of them will seek to find ways to limit their engagement with the strategy. The United States is increasingly aware of this risk, and is reassuring both its allies and partners as well as China that this is not the purpose of the strategy. However, comments by senior military officers and by defence commentators sometimes undermine the statements of political leaders. This may be an intended strategy, but it will be more difficult to sustain into the future.

31 Australian Government, 2012.

The opportunity for the region is that the renewed engagement of the United States is fully inclusive, and that it will provide avenues for China to deepen its role within the region as China gains in economic and strategic capability. This is no small challenge, since the continuing rise of China will create profound change within the Asia Pacific region. The era of unrivalled U.S. pre-eminence is coming to an end. Power will have to be shared by the United States, since it cannot be unilaterally retained.

A transition of this magnitude offers opportunity. The second term of President Obama's administration provides a unique opportunity to refashion the security architecture of the region so that it is more inclusive. U.S. leadership was crucial in ensuring that the last 30 years has been a period of peace and stability within the Asia Pacific region. The Pacific pivot can be the genesis for a more inclusive approach to secure the peace for the next 30 years. But this will require a clear understanding of the nature of this objective—and active diplomacy—in order to achieve it.

President Obama's public statements on China since his first election in 2008 indicates his understanding of the importance of this approach. The imperatives of President Obama's second and final term will drive things forward. The opportunity is being seized by President Obama. During his visit to Australia in 2011 he stated:³²

With most of the world's nuclear powers and some half of humanity, Asia will largely define whether the century ahead will be marked by conflict or cooperation, needless suffering or human progress.

More recently, Secretary of State John Kerry, speaking of "America's Dream" in Tokyo in May 2013, stressed the nature of cooperative partnership that is building between China and the United States.³³

There are clear indications from the June 2013 summit in California between President Obama and President Xi that both China

32 Address to Australian Parliament, 17 November 2011.

33 The subject, "The American Dream," was an intended counterpoint to President Xi Jinping's governing slogan, "The China Dream."

and the United States deliberately stepped back from the issues that vex their relationship and focused on the new role that China will play in the Asia Pacific.³⁴ The two leaders stressed a more cooperative approach to the fundamental issues that affect the Asia Pacific. This was particularly notable in economic issues, but it was also evident on security matters.

The visit of China's Defence Minister, General Chang, to the United States in August 2013 was notable for the commitment to ongoing dialogue.³⁵ General Chang indicated that defence ties are "gaining a good momentum". General Chang and Secretary of Defense Chuck Hagel stressed the desire of both nations to resolve issues through dialogue and negotiation. Secretary Hagel indicated the U.S. position that it remained neutral on the sovereignty issues in the East China Sea and South China Sea, but that the issues should be resolved peacefully and without coercion. While this was said to be a restatement of existing positions, it is a further indication the United States has no enthusiasm to be drawn into these issues. Nevertheless, the United States has reiterated that the Senkakus are covered by the US-Japan security alliance.

The basis of a comprehensive security partnership is slowly being established. It will not resemble a traditional alliance relationship where the parties typically have a shared political tradition. But the overall objective will be the same. And that is to build a climate of confidence, so that security is less dependent on the preponderance of military power but rests more firmly on shared goals of peace and stability.

The Nature of Alliance Relationships

It is the norm of international relations that enduring security arrangements are established between nations with similar values. Where these are not present, security negotiations and agreements tend to be confined to finding ways to determine each nation's sphere of interests rather than establishing a collaborative security framework.

34 *The Economist*, 8 June 2013.

35 Agence France-Presse, reported 21 August 2013.

The democratic deficit of China therefore poses a deep dilemma in respect of the security arrangements in the Asia Pacific region. The issue is acute because China, as one of the two most powerful nations in the Asia Pacific, expects to be able to have a decisive influence in the development of the security arrangements of the region.

However, it will be difficult for China and the United States, as well as its allies and partners, to build a cooperative approach to security issues in the region, much less a true security partnership. An alliance relationship in the nature of the existing alliances that the United States already has with nations in the region is not a likely outcome. Instead, the security relationship will have to be built on interests rather than values. As such, it is likely, at least in the initial stages, to have a transactional basis rather than being based on a community of interests. This will limit the level of cooperation that China will have with the United States.

Other democratic nations in the Asia Pacific region will also limit their engagement with China on security issues, particularly if there are difficult territorial disputes between them. There will always be a suspicion that a powerful totalitarian government will not be willing to make permanent settlements on these issues on the same terms as a government that is based on more pluralistic values.

This will be a serious challenge over the next 20 years, since it is during this period that superpower parity between China and the United States will occur. This is the fundamental reason why the future is likely to be different to the preceding 30 years. From 1980 to the present there was no doubt about who was the pre-eminent nation in the Asia Pacific.

So long as one nation, the United States as the world's sole superpower, was able to set the international security agenda, there was no significant divergence between achieving economic aspirations and maintaining the conditions of security that allowed this growth in prosperity to occur. It can be argued that the hegemonic power of the United States was an essential condition for the stability of the region. It enabled the full realisation of China's "Four Modernisations" and its decision to open up to the world. But a fundamental change in the balance of power will upset this equilibrium.

As China emerges as a full-fledged superpower, it will be less willing to acquiesce to the role of the United States to set the security agenda and protect the global commons. The current situation is therefore likely to come under increasing challenge. In turn, this can test the stability in the region that is sought by virtually all the nations of the Asia Pacific, large or small.

Any new security architecture will have to recognise that the balance of power in the Asia Pacific region is undergoing fundamental change. It will also require an acceptance that, at least for the foreseeable future, the two great powers of the region will have divergent political systems. This means a solution that is based on the model of the tightly integrated NATO arrangements is an unlikely prospect.

The major failing of the current arrangements is that there is no forum for disputes to be resolved, such as those that have arisen over the disputed islands. To the extent that these issues have been considered at the multilateral level within the Asia Pacific, it has been through APEC, EAS and ASEAN. However, the reference is essentially ad hoc, and only occurs with the consent of all parties. The nature of these various forums is that in order to seriously consider such a dispute, it means that the forum will be essentially overtaken by these particular disputes. The value of APEC, EAS and ASEAN is that they have been able to concentrate on issues that serve to unite the participants, not divide them.

There is no institutional framework that enables contentious issues to be formally considered, without derailing relations between states. In order for this to occur, either existing institutions will have to be adapted or new institutions will have to be established. Removing the disputes outside the region to U.S. adjudicative bodies, as the Philippines has done, is seen as counter-productive. Any new approach will have to be found within the region.

The Role of ASEAN

ASEAN is particularly well placed to promote a new approach. The EAS, an ASEAN initiative, provides an opportunity for development. At present, the EAS operates by an annual plenary session of

its leaders. But it does not have an ongoing Council of Members or a Secretariat, which enables continuous dialogue on current issues. The progressive institutional development of the EAS provides the opportunity to strengthen dialogue on the key security issues affecting the Asia Pacific.

Similarly, ADMM + 8 can meet the challenge progressively. Currently, it meets triennially, with the first meeting in Hanoi in 2010 and the second meeting in Brunei in 2013. The frequency of its ministers meetings is insufficient to deal with the rate of evolution of events in the Asia Pacific. It is more appropriate for its ministers meeting to take place annually, as with the annual meetings of the EAS and APEC. This difficulty has been recognised by its member nations, and it is proposed that its future ministers meetings would take place biannually. However, there will be significant reluctance for the ADMM + 8 to be overtaken by bilateral territorial disputes. This will imperil an institution still in its infancy.

The first ministers meeting of the ADMM + 8 developed a particular initiative that can be the basis of stimulating more comprehensive dialogue on key security issues affecting the Asia Pacific nations. Five working parties were established at the initial ministers meeting. These working parties were each led by an ASEAN member and one of the “Plus Eight” countries. They reported back in 2013 at the Brunei meeting of the ADMM + 8 with specific proposals for each area of work.

The working parties covered the topics of humanitarian assistance and disaster relief (HADR) with Vietnam and China, military medicine with Indonesia and Japan, maritime security with Malaysia and Australia, and peacekeeping with the Philippines and New Zealand. The other ADMM + 8 nations can also participate in the working parties. The United States has formally expressed its interest in maritime security, which specifically relates to the U.S. commitment to freedom of navigation in the high seas.

ADMM + 8 is the first Asia Pacific initiative that provides a specific framework for defence ministers of the region to have an ongoing dialogue on the security issues affecting the region. While ADMM + 8 had a tentative beginning, it has the potential to evolve

into a more substantive organisation. In order to be more effective, the ADMM + 8 partners will need to meet more regularly. They will need to have more comprehensive working parties on specific issues and these will need to involve actual military exercises. ADMM +8 will also need an effective, though not necessarily large, permanent Secretariat to coordinate its work.

The role of the institutional framework has particular importance to the viability of the organisation. The organisations that are able to build effective institutional structures are more likely to demonstrate that they can make an enduring contribution to Asia Pacific security.

The ASEAN nations have seen the imperative need for such initiatives in the region. They have taken the initiative to engage the nations of the region to preserve the peace and security that the Asia Pacific region has enjoyed for the last 30 years. They have demonstrated the fresh thinking that will be required in the coming decades.

The ADMM + 8 initiative shows that the Asia Pacific nations are not dependent on either China or the United States to provide the lead for the new thinking that the region will require over the next two decades as the balance of power evolves. Every state in the region has a vested interest in the stability of the region, and therefore a duty to think creatively on how best to enhance the prosperity and peace that has lifted more people out of poverty than at any other time in history.

The ASEAN nations have been particularly active to promote significant security dialogue in their multilateral fora, with the establishment of the ARE, the EAS and ADMM + 8. These fora provide opportunities to progress beyond dialogue. The initiative does not need to reside solely with sponsoring ASEAN nations. Its other members can promote possibilities to advance cooperation on practical concerns affecting the region.

It is these practical concerns that provide the opportunity for closer cooperation. The increasing pressure of climate change, with more hurricanes and storms in the region, will overwhelm local resources. A greater level of international HADR cooperation will

be required. The dialogue opportunity provided by ADMM + 8 can lead to the establishment of a multinational HADR task force made up of civil and military forces from within the region. Initially, it may involve periodic exercises but over time a coordinating headquarters will be required. The practice of the ASEAN nations is not to have permanent institutional arrangements. However, this should not preclude an administrative planning group. It need not be interpreted as a permanent headquarters but it will enable an HADR taskforce to work effectively together when it undertakes exercises or is deployed on actual HADR emergencies.

Maritime security is much closer to the real concerns of the region. The term is quite extensive and can cover fairly modest activities such as the patrolling of principal shipping lanes to protect against piracy and predictable maritime hazards through to interstate naval warfare. Exercises organised by ADMM + 8 can cover the full range.

Antipiracy exercises require the use of significant military capabilities, including surface naval gunfire and airborne ship assaults. In the case of traditional naval warfare, the exercises will cover antisubmarine warfare, surface warfare and hostile air threats. Such exercises cover the full gamut of military capability. It is noteworthy that such exercises envisage a naval threat that can only come from a nation state with hostile intent. And if all nations of the Asia Pacific have a genuine cooperative partnership, one may wonder where such a threat will come from.

Limiting Defence Spending

As the level of cooperation increases, there will be an increasing opportunity to place limits on defence spending and therefore reduce the risks that arise from the inevitable tensions in the region. There is also an economic case to limit defence spending. A certain amount of defence capability is essential for the security and the unity of the state. However, once defence spending rises above a certain level, it can constrain economic growth. When U.S. defence spending fell during the Clinton years, economic growth increased. While it is dif-

difficult to draw a direct causal link, since other factors are also at play, economic theory indicates that defence spending does not usually promote economic growth, since the ultimate products of defence spending, the service people and their weaponry do not add further productivity to the economy. The exception may be when the science required to develop modern defence systems is transferrable to the wider economy.

It is noteworthy that over the last 20 years, most nations in Asia have been able to limit their defence spending to less than three per cent of their GDP. Their economic success indicates that higher growth rates are achieved when defence spending is kept at moderate levels. On straight economic grounds, an arms build-up that imperils the growth potential of the Asia Pacific region is something to be avoided.

A reduction, over time, of 50 per cent in defence expenditure to an average level of one to two per cent of GDP can be seen as a plausible goal. This is the level that is now typical of the nations of the European Union, although it is noteworthy that neither Britain nor France, as leaders in the region, has reduced their expenditure to this extent. Reductions of this scale will free up substantial economic resources in the region. However, it cannot be expected that China and the United States will reduce their expenditure to such a low level, given their leadership roles in the region.

The successful evolution of a comprehensive Asia Pacific security partnership should provide the conditions for a reduction in the scale of the arms build-up that is anticipated among the Asia Pacific nations over the next 20 years. This will release funds that will otherwise be spent on unproductive endeavours. Nations will embark on this course if they are confident that security conditions are sufficiently settled for the foreseeable future.

One of the challenges is to determine the pathway to achieve such an objective. At the initial stage, the principal requirement is to build the intellectual and practical case for limiting the growth of arms within the Asia Pacific region. This is typically done as a second track initiative, using trusted agencies that are connected to

the government but are not part of the government. Such work will have more impact if it has the endorsement and support of influential governments within the region.

It is clear that it will take many years for such a project to come to fruition in the form of agreements and understandings of governments of the Asia Pacific nations to limit the scale of their defence forces. But the potential advantages are so great that modest investments in this direction can lay the pathway for the enduring benefit to the nations of the Asia Pacific.

ABOUT THE AUTHOR

Dr Wayne Mapp was the New Zealand Minister of Defence from 2008 to 2011, during the first term of the John Key-led government. During this time Dr Mapp was responsible for the 2010 Defence White Paper, the first such document produced by the New Zealand government since 1997.

Prior to entering Parliament in 1996, Dr Mapp was an Associate Professor at the University of Auckland, teaching international law and international trade law. When he left Parliament in 2011, he was appointed as a Law Commissioner, a position he currently holds.

Dr Mapp holds degrees in Law from the Universities of Auckland, Toronto and Cambridge, where he earned his PhD in International Law. His thesis was on the Iran United States Claims Tribunal, which was established following the 1979 hostage crisis. He has also served as an officer in the New Zealand Army Territorial Force, specialising in military intelligence and signals.

Dr Mapp has written a number of articles on defence and foreign policy, with particular emphasis on the evolution of the balance of power in the Asia Pacific.

The Asia Pacific region has been at peace for more than 35 years. The prosperity of the nations in the region has been built on that fact.

The prosperity has enabled the Asia Pacific to take a much more prominent place in the world, and has spurred the rise of China as a great global power. This growth also has the potential to disrupt the equilibrium of the region. We are already seeing signs of this with the increased tensions in the East China Sea and the South China Sea. The combination of increased wealth and rising tensions is leading to an arms build-up in the region.

These developments pose a deep dilemma for the nations of the region; how to preserve the basic conditions for continued prosperity.

So there is a choice. Nations can continue the arms race, or they can seek new ways to preserve stability while recognising that the balance of power in the region is changing.

This article proposes the progressive development of an inclusive security architecture that enables every nation to contribute to the stability of the region. It will not look like NATO; rather it will reflect the dynamics of the Asia Pacific.

The achievement of this goal will provide the conditions to limit the growth of arms, and more importantly will preserve the peace and stability upon which billions of people depend for the security of their future.

