

## AN EMERGING TREND IN EAST ASIA: MILITARY BUDGET INCREASES AND THEIR IMPACT

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*The recent military budget increases in East Asia are motivated by various factors—flash point-driven, hedging strategy-driven, or governance-driven—but they do necessarily trigger an arms race in the region. Domestic politics within Japan, South Korea, China, and the United States have had a complicated impact on regional security. Furthermore, the potential crisis points on the Korean peninsula and in the Taiwan Strait are also driving factors that test the stability of the region. Despite competing interests and challenges, the U.S.-led system seems to be enduring and a great-power rivalry stemming from the increases in military spending between the United States and China appears unlikely.*

**Key words:** East Asian security, China, Japan, South Korea, United States, military spending, arms race

### **Introduction**

East Asia has recently witnessed a new wave of military budget increases as ASEAN countries—the ten-member Association of Southeast Asian Nations—have shrugged off the negative impact of the global financial crisis and struggled to update their

military procurement plans. Vietnam will become a large purchaser of Russian-made submarines and Malaysia has acquired advanced jet fighters.<sup>1</sup> Singapore has declared its intention to buy F-35 fighter jets. Seoul is developing its cruise missiles, planning a high-speed military communications network, building bigger warships, and boosting its space exploration program.<sup>2</sup> Australia vows to spend more than \$70 billion over the next twenty years to renew its military, according to its Defense White Paper of March 2009.<sup>3</sup> Japan's military expenditures have stayed stable in the past three years and will drop by 0.8 percent in fiscal year 2009. However, if Tokyo fulfills its desire to acquire the F-22 *Raptor*, its defense budget will rise steeply in the future.<sup>4</sup>

New Delhi, meanwhile, is hungry for the U.S.-made F-18 and F-35 jet fighters and other offensive strike capabilities. Secretary of State Hillary Clinton's India tour in July 2009 laid the groundwork for sizable military cooperation between the two countries. New Delhi is expected to spend \$14 billion to acquire advanced American weaponry.<sup>5</sup> In addition, "the region has seen considerable growth in arms manufacturing in terms of value, types of systems, sophistication and, particularly, national ambitions for such manufacturing."<sup>6</sup>

These trends suggest that the region is sliding into an arms race. Actually, this is not a new fear. Fears of a revival of an arms race in East Asia emerged shortly after the demise of the Soviet Union. They have returned, sporadically, during the post-

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1. "Southeast Asia Shrugs Off Global Downturn," *Jane's Defense Weekly*, July 27, 2009.
  2. "South Korea Unveils Surion Helicopter" and "South Korea Plans \$3.9bn High Speed Military Communications Network," *Jane's Defense Weekly*, July 31, 2009; "South Korea Issues Multimission Helicopter Request," *Jane's Defense Weekly*, July 27, 2009.
  3. Australian Department of Defense, "Defending Australia in the Asia-Pacific Century: Force 2030," Defense White Paper, March 2009.
  4. "Japan Maintains Raptor Interest," *Jane's Defense Weekly*, August 3, 2009.
  5. David Karl, "The Other (Equally Important) Dimension of U.S.-India Relations," Pacific Forum/CSIS, PacNet, No. 35, August 3, 2009.
  6. Institute of International Strategic Studies, *The Military Balance 2009* (London: IISS, 2009), p. 455.

September 11 era and with North Korea's nuclear brinkmanship policy. The surge of military expenditures in the region, by its very nature, reflects the vulnerability of regional security in East Asia. It does not, however, necessarily lead to the conclusion that a new arms race is underway.

### **Explanatory Frameworks**

#### *Flash Points*

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

Some ASEAN countries, such as Vietnam, Malaysia, and the Philippines, obviously want to strengthen their naval combat and patrol capabilities in defiance of China's claims over disputed territory in the South China Sea and in response to any potential military contingency around the Spratly and Paracel Islands. Updating their outmoded military forces, these countries hope to reinforce their long-held claims to these islands. The islands are believed to hold significant oil and natural gas reserves, making them prized territories. They also sit near valuable shipping lanes. Combined with the spiraling claims in the South China Sea and the drilling for seabed resources, the modernization of naval and air forces suggests that the claimants are moving away from political compromise. In addition, the various plans to purchase new weapons might raise the interest of the United States and draw international attention to the contentious situation of the Spratly and Paracel Islands. U.S. Senator Jim Webb (Democrat of Virginia), for instance, held a hearing on July 16, 2009, to examine China's attempt to "expand its territory"

in the South China Sea.<sup>7</sup>

India's new enthusiasm to purchase U.S. weapon systems is arguably to counter China's claims to the border area at dispute between the two countries. New Delhi is also intensely concerned that China might initiate a new border attack, as Beijing did in 1962.<sup>8</sup> Since 2008, India has reinforced its military deployment at the disputed border area by stationing Su-30MKI jet fighters and adding two more infantry brigades. Although China has little interest at the moment in using military force to take back the Chinese-named Southern Tibet territory, New Delhi's perception of a strong China threat is understandable given the historical memory of past border conflicts. In addition, India's concerns about China have been rapidly increasing. New Delhi has recently been fearful of Chinese naval expansion in the India Ocean.<sup>9</sup>

### *Hedging Strategies*

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

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7. Gabe Joselow, "US Reaffirms Its Rights to Operate in South China Sea," VOANews.com, July 16, 2009, at [www.voanews.com/english/2009-07-16-voa4.cfm?renderforprint=1](http://www.voanews.com/english/2009-07-16-voa4.cfm?renderforprint=1).

8. Peter Wonacott, "India, China Talks about Border Amid Rising Tensions," *Wall Street Journal*, August 10, 2009; Ishaan Tharoor, "The China-India Rivalry: Watching the Border," *Time*, April 19, 2009; Madhur Singh, "Can China and India Be Friends?" *Time*, December 21, 2008.

9. Peter Wonacott, "China, India Stoke 21st Century Rivalry," *Wall Street Journal*, October 23, 2009; Ishaan Tharoor, "India's China Panic: Seeing a Red Peril on Land and Sea," *Time*, September 20, 2009; Howard Chua-Eoan, "Beyond Pirates: on the High Seas, an India-China Rivalry," *Time*, April 8, 2009.

Australia's 2009 Defense White Paper is a case in point. This White Paper, in describing how much strategic risk Australia is prepared to bear and hence how much military power it should develop, proclaims that China "will be the strongest Asian military power by a considerable margin," and will be "critical to the stability in Northeast Asia and the wider region." The essential theme of future defense planning for Canberra is, along with the United States, Japan, India, and others, to reinforce military capability, develop defense collaboration, and prevent any uncertainties arising from China's reemergence.<sup>10</sup> For this purpose, the White Paper recommends that Canberra acquire long-range cruise missiles, double its submarine fleet to twelve, and buy 100 F-35 Joint Strike Fighter jets and eight new warships under a plan titled "Force 2030."<sup>11</sup>

Australia's Sino-focused strategy, which met with unease in Beijing, signals that China's rise is causing some awkwardness for the government of Kevin Rudd as it assesses how China will affect Australia's strategic situation and its defense needs.<sup>12</sup> The White Paper is a sophisticated response to the potential negative impact of China's rise. It not only represents Australia's largest defense budget increase since the early 1970s but also indicates that the Rudd government plans a strategic posture of "forward defense" against any possible U.S. retreat in the face of China's advance.<sup>13</sup> Australia seems to be relying on the rise of China to fund its defense against China.

South Korea's military increase combines both "flash-point-driven" and "hedging-strategy-driven" factors. The Lee Myung-bak administration, which took office in early 2008, has been inclined toward closer alliance relations with the United States and has coordinated its overall foreign and defense policies with

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10. Australian Defense White Paper, pp. 32-33, 95.

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

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

13. "Rear Admiral Rudd Back to 'Forward Defense'?" *The Week*, May 8, 2009, p. 3.

Washington to address growing tensions proactively. Some scholars argue that Seoul, in its strategy toward China, should comply with U.S. policy and hedge Beijing's growing regional influence on the Korea peninsula in particular and in East Asia in general.<sup>14</sup> In fact, the Lee administration's policy adjustment reflects South Korea's longstanding fear of Beijing's expanded influence in Pyongyang and exposes a growing awareness of how little China has helped in dismantling North Korea's nuclear capability.<sup>15</sup> Under the reign of Korean conservatives, Seoul has completely abandoned its "sunshine policy" toward the reclusive North. The government is pushing instead for a settlement based on "pressure and isolation tactics" to force regime change or the transformation of the Democratic People's Republic of Korea (DPRK). From the point of view of Korean conservatives, China's reluctance to leverage its influence over the North and its continued embrace of the DPRK as its "socialist little brother" reflect a Chinese conspiracy to perpetuate the separation of the North and the South because Beijing needs the communist North as a "strategic buffer."<sup>16</sup>

South Korea is in the same predicament as Australia. It remains unclear how far this Korean version of hedging against China can go, since Seoul is increasingly dependent on the Chinese market for its economic boom. South Korea achieved a 2.3 percent boost in economic output in the second quarter of 2009, which the Korean media attributes largely to China's growing import volume from Korea.<sup>17</sup> In spite of this, the Lee Myung-bak administration has clearly decided to strengthen all-around rela-

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14. Chung Min Lee, "How Obama Can Shape Asia's Rise: Engaging Japan and Korea is Key," *Wall Street Journal*, November 16, 2009; Han Sukhee, "ROK's Hedging Against China Policy in Formulation," *The Korean Analysis of Defense Affairs*, vol. 18, No. 3 (Fall, 2008), pp. 89-113.

15. Anna Fifield, "Beijing's Rising Influence in Pyongyang Rises Fears in Seoul," *Financial Times*, February 3, 2006.

16. Leon V. Sigal, "Deciphering North Korea," *Global Asia*, vol. 4, No. 2 (Summer, 2009), pp. 8-40; G. John Ikenberry and Chung-in Moon, *The United States and Northeast Asia: Debates, Issues and New Order* (New York: Rowman & Littlefield, 2008).

17. "Korean Economy Got to Rebound," *Korea Times*, July 17, 2009.

tions and more closely align security policy with the United States.<sup>18</sup>

### *The China Factor*

China's military modernization has proven to be the third factor behind military budget increases in the region. The reason for Beijing's large defense increases over the past two decades is not a secret. China is anxiously pursuing great-power status globally and yet remains insecure about its sovereign dignity, territorial integrity, and extended national interests. Beijing's sizable territory, ethnic and domestic unrest at home, and the complications of its relations with neighboring countries all add to its insecurity.

Many China watchers in the West contend that the weak legitimacy of the Chinese Communist Party (CCP) has spurred its military buildup. But this is mostly an attribution error. Despite a great number of challenges from home and abroad, the CCP's ruling legitimacy has not suffered from any shock. The Chinese people do not believe that a change of ruling party or the party's relinquishing of power will resolve their complaints. Even if domestic unrest flares up, China would likely turn inward rather than outward, even at the cost of effectively muting an assertive foreign policy.<sup>19</sup>

China's advent on the world stage, however, has brought a number of formidable obsessions to its thinking on security and the upsurge in its investments in the military. These include the enduring separatist threats from Taiwan, Tibet, and Xinjiang, and Chinese perceptions of "foreign intervention" behind them. Also important are an increasing dependence on the world market, the need for the safe transportation of oil and raw materials,

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18. Helene Cooper and Martin Fackler, "Obama Takes Stern Tone on North Korea and Iran," *New York Times*, November 19, 2009.

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

and the consequent focus on maritime security. Of course, China's economic development in fact allows the government to devote a bigger share of swelling national revenue to the defense budget. In general, these policies enjoy majority consent in the country.

China's military aspirations, in other words, derive from its current transition. These motivations have less to do with specific strategic goals or some desire to change or preserve the status quo. Rather, they have to do with Beijing's sense of national pride, the imperative of the state to counter separatist pressure and address potential contingencies arising from this pressure, and the need to develop a capability to cope with "uncertain war."<sup>20</sup>

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

Essentially, Beijing has only two choices. One would be to toss out the ruling CCP, embark on democratization, and become a full-blown follower of Anglo-American preeminence. The other would be to maintain its current policy and help formalize the "Beijing consensus" by all means, including military muscle. China's historical grievances, its opaque patriotic culture, and the great-power legacy emanating from its long history all push it toward its current strategic choice. Therefore, China's military budget increase falls into a different category. It is neither a hedge strategy nor flashpoint-driven, but could be summed up as "governance driven."<sup>21</sup>

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

21. Beijing's military parade marking the 60th anniversary of China's founding clearly reinforces the notion that China is moving to a stronger military. David Shambaugh argues that "it is a sovereign autocracy



No one can deny the political function of the Chinese military buildup in the domestic arena. Beijing's military parade on October 1, 2009 was impressive by any standard, given the sheer number and force on display and the seeming lack of individuality. The outcome has been predictable: stoking patriotism and helping build up the popularity of the Chinese leadership at a time of social unrest. But Beijing has spent less effort anticipating the international response. There is no sign that the Chinese leadership is aware of international fears of its military buildup. Possibly, the leadership's superficial blindness to international reaction derives from its domestic focus and its desire to play to a domestic audience.

### **Regional Security Fluidity**

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

As such, the surge of defense expenditures in East Asia does not add up to an arms race. No country in East Asia wants to see a new geopolitical divide and spiraling tensions in the region. The growing defense expenditures powerfully illuminate the deepening of a regional "security dilemma," whereby the "defen-

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beating its chest for its own public, showing off its muscle to the outside world and, yes, selling its wares to whoever will buy them. The politics of inertia predetermined the result." See Cady Epstein, "Military Parade or Trade Show?" *Forbes*, September 30, 2009.

sive" actions taken by one country are perceived as "offensive" by another country, which in turn takes its own "defensive" actions that the first country deems "offensive." As long as the region doesn't split into rival blocs, however, an arms race will not ensue.

What is happening in East Asia is the extension of what Robert Hartfiel and Brian Job call "competitive arms processes."<sup>22</sup> The history of the cold war is telling in this regard. Arm races occur between great-power rivals only if the rivalry is doomed to intensify. The perceived tensions in the region do not automatically translate into consistent and lasting increases in military spending. Even declared budget increases are reversible. Taiwan's defense budget for fiscal year 2010, for instance, will fall 9 percent.<sup>23</sup> This is a convincing case of how domestic constraints can reverse a government decision to increase the defense budget. Australia's twenty-year plan to increase the defense budget could change with a domestic economic contraction or if a new party comes to power. China's two-digit increase in its military budget might vanish one day if the type of regime changes or the high rate of economic growth slows. Without a geopolitical split or a significant great-power rivalry, military budget increases will not likely evolve into "arms races." The security dilemma alone is not a leading variable in determining the curve of military expenditures.

Nor will trends in weapon development and procurement inevitably induce "risk-taking" behavior. Given the stability of the regional security architecture—the combination of U.S.-centered alliance politics and regional, cooperation-based security networking—any power shift in East Asia will hardly upset the overall status quo. China's military modernization, its determination to "prepare for the worst and hope for the best," hasn't yet led to a regional response in military budget increases. In

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22. Robert Hartfiel and Brian L. Job, "Raising the Risks of War: Defense Spending Trends and Competitive Arms Processes in East Asia," *Pacific Review*, vol. 20, No. 1 (March, 2007), pp. 1-22.

23. "Taiwan Cuts Defense Spending for Second Year," *Jane's Defense Weekly*, August 3, 2009.

contrast, countries in the region continue to emphasize political and economic engagement with China, though “balancing China” strategies can be found in almost every corner of the region as part of an overall balance-of-power logic.<sup>24</sup>

In the last few years, China has taken big strides toward building up asymmetric war capabilities against Taiwan. Beijing also holds to the formula of a peaceful solution of the Taiwan issue except in the case of the island’s *de jure* declaration of independence. Despite its nascent capability of power projection, China shows no sign that it would coerce Taiwan or become militarily assertive over contentious territorial claims ranging from the Senkaku Islands to the Spratly Islands to the India-China border dispute.

#### *Regional Security in Transition*

If it is not yet an alarmist warning, the rise in military spending in the region is at least a timely wake-up call as to the vulnerability of East Asia security. Many Asian observers agree that East Asia is in transition. But the key questions concern the sources, the pace, and direction of the transition. There is growing speculation that post-cold war U.S. regional hegemony is eroding, due primarily to Washington’s significant international commitments in the Middle East, Afghanistan, and Pakistan as well as the impact of the global financial crisis and the rapid rise of China. At the same time, new challenges, such as a nuclear North Korea, a changing Japan, difficult-to-solve territorial disputes across the region, contentious history issues, and, perhaps most importantly, the “security dilemma” arising from a power shift in the region have emerged as potentially destabilizing factors. What is the regional security perspective, and what will be the emerging trends? The answer varies tremendously according to the respective preferences, strategic goal-setting, and

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24. For an in-depth analysis of regional responses to China’s rise militarily and strategically, see Evan S. Medeiros et al., *Pacific Currents: The Responses of U.S. Allies and Security Partners in East Asia to China’s Rise* (Santa Monica, Calif.: RAND Corporation, 2008).

interest calculations of the regional member states.

As John Ikenberry and Michael Mastanduno argue, “the Asia-Pacific is a mosaic of divergent cultures and political regime types, historical estrangements, shifting power balances, and rapid economic change.”<sup>25</sup> But how will this “mosaic” evolve and what will be the sustainable outlook of great-power relations in East Asia? David Shambaugh optimistically assumes that the ongoing power shift in East Asia will not likely lead to a dramatic strategic shift in the East Asian order.<sup>26</sup> Similarly, as Robert S. Ross and Zhu Feng emphasize, structural and long-term international factors, as well as short-term U.S. and Chinese policy trends, allow for tempered optimism that a power transition, albeit competitive and costly, can remain peaceful.<sup>27</sup> But can such optimism be sustained in the foreseeable future?

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

The ongoing financial crisis has highlighted the fragility, lack of legitimacy, and overall imbalances in global economic governance. At the same time, new and powerful members of the global system have yet to take their place at the table of a wide range of international forums managing regional and mul-

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25. John Ikenberry and Mike Mastanduno, eds., *International Relations Theory and the Asia-Pacific* (Princeton, N.J.: Princeton University Press, 2003), preface.

26. David Shambaugh, ed., *Power Shift: China and Asia's New Dynamics* (Berkeley, Calif.: University of California Press, 2005).

27. Robert S. Ross and Zhu Feng, eds., *China's Ascent, Power, Security and the Future of International Politics* (Ithaca, N.Y.: Cornell University Press, 2008).

tilateral relationships in the domain of old and “new” security issues. This includes the rise of new giants such as India, China, and Brazil, new forms of governance at the regional level of which the European Union is a model, and many emerging states of medium size whose place at the global table remains uncertain. The continued exclusion of the poorest countries in the world and the ongoing problem of failed states, coupled with debilitating ethnic conflicts, continue to loom large.

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

### **Shifting Domestic Politics**

A careful examination of security dynamics in East Asia reveals that the domestic variable is the most compelling factor behind the rise of military expenditures. Domestic changes in Japan, South Korea, China, and the United States have necessarily affected the regional redistribution of power, the management of regional conflicts, and the prospects for stability.

#### *Japan*

Japan faces both domestic and demographic constraints on its regional activism. Even if Japan becomes a “normal” power more engaged in international security affairs, its nationalism

makes regional cooperation more difficult. Japan's tradition of "mercantile realism"—or, more popularly, "reluctant realism"—remains very difficult to change and also constrains Japan's emergence as an independent strategic power.<sup>28</sup> In this context, Japan has focused its emerging international activism on support for the U.S.-Japan alliance rather than pursuit of an independent international role. This quite limited contribution to regional stability will eventually cause growing dissatisfaction among Japan's strategic-military specialists, given the Barack Obama administration's "nuclear twin commitments," as they are inclined to believe that a better relationship between Washington and Beijing might make the United States less likely to risk an outright conflict with China to defend Japan.<sup>29</sup>

However, Japan's international stance is not fixed and unchangeable. China's growing international clout is beginning to transform Japan's long-held self-restraint in defense thinking. China's military spending surpassed Japan in 2006, and the gap between Tokyo and Japan will continue to grow as long as the People's Liberation Army (PLA) remains bent on rapid modernization. China's military spending will, sooner or later, produce less tolerant behavior from Japan. At the same time, the constructive U.S.-China relationship calls into question the U.S. commitment to protect Japan if Tokyo comes into conflict with Beijing. There is a remarkable tendency in Tokyo to see U.S. efforts to engage China as detrimental to Japan. Many Japanese aligned with the Liberal Democratic Party mistakenly interpret efforts to engage China as hostility, or at least, the malign neglect of their own country.<sup>30</sup>

Japan's international behavior and calculations, meanwhile,

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28. Eric Heginbotham and Richard J. Samuels, "Mercantile Realism and Japanese Foreign Policy," *International Security*, vol. 22, No. 4 (Spring, 1998), pp. 171-203.

29. Ken Jimbo, "Japanese Perceptions of Nuclear Twin Commitments under the Obama Administration," *Pacific Forum/CSIS, PacNet*, No. 9A, February 27, 2009.

30. Robert Dujarric, "Angst Over Opposition Rule," *Japan Times*, August 3, 2009.

have been premised on a strong U.S.-Japan security alliance. In return, domestic political dynamics have done little to modify Japan's geostrategic perspective. In the short and medium term, maintaining the U.S.-Japan security alliance is important mainly due to the China factor. Nevertheless, in the long run, it remains unclear if the comprehensive improvement of the PLA's power capability both in quantity and quality will eventually undermine Japan's confidence, shake up alliance politics, and prompt Tokyo to embark on a significant rearming process. Reinforcing Japan's military commitment to its alliance with the United States would be one way of addressing the growing China concern. On the other hand, a rejuvenated nationalism in Tokyo could push the country into assuming a more independent role in security. In either case, China might be less motivated to slow down its pace of military modernization. The major powers in East Asia might increase their struggle for geopolitical gain in the Taiwan Strait, the South China Sea, and perhaps the entire East Asian region. Thus, a looming great-power rivalry will overshadow the region.

This worst-case scenario would very likely free the arms-race genie from its bottle. In the real world, the likelihood remains very slight. Christopher W. Hughes proposes some "red lines" for Japan security, such as threatening its sea lines of communication (SLOC) or promoting further proliferation of weapons of mass destruction (WMD), which might provoke a stronger defensive response from Japan than ever before imaginable in the postwar period.<sup>31</sup> Under the current circumstances, the "red lines" will not be crossed because the DPRK might be destroyed if it proliferates and China has no reason to threaten any SLOC.

Thus far, this scenario is not visible on the horizon. Japan's rearming will almost certainly be incremental. Additionally, Japan's domestic politics will continue to be rather messy for the next five years or so, due to the nascent two-party system in Japan that has resulted from the Democratic Party of Japan's (DPJ)

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31. Christopher W. Hughes, *Japan's Remilitarization* (London: Routledge, 2009), p. 146.

landslide victory in the Lower House elections of August 30, 2009. The new prime minister, Hatoyama Yukio, has fulfilled his promise during the election campaign to let the Indian Ocean mission of the Japanese Self-Defense Forces expire. Moreover, the Hatoyama government has decided to reevaluate the tacit nuclear agreement with the United States and has expressed a desire to reexamine the legal status of U.S. forces in Japan. Despite these actions, few observers conclude that the DPJ will explicitly weaken the alliance with the United States. But the political gridlock will make it hard for Japan quickly to devise a new and ambitious military strategy. Regardless of Hatoyama's recent actions, Japan will continue to rely on the U.S. security guarantee.<sup>32</sup>

From the Chinese perspective, the emergence of a two-party system in Japan will be conducive to Sino-Japan relations in the long run. This system, accommodating the expanding diversity of policy perspectives and appreciating the growing significance of stability in relations with Beijing, might present a more balanced approach toward China. China is concerned not so much with Japan's grand strategy as with the dwindling consensus in Japan about which China policy should be pursued. Without a strong, sustainable, and consistent administration in Tokyo, Japan's policy toward China might remain disengaged, caught somewhere between Koizumi-like populism and Fukuda-like pragmatism.

### *Korea*

South Korean domestic dynamics also play a significant role in both peninsular and regional affairs. The greatest challenge facing South Korea is how to prevent the Lee Myung-bak administration policies of strengthening the alliance with the United States, hedging against a rising China, and countering North

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32. Leif-Eric Easley, Tetsuo Kotani, and Aki Mori, "Japan's Foreign Policy and the Alliance: Transcending Change with Trust," *Pacific Forum/CSIS*, No. 84, September 22, 2009.



Korea's bellicosity from complicating and destabilizing regional cooperation. President Lee obviously prioritizes the resolution of the nuclear crisis over inter-Korean functional contacts and values security concerns vis-à-vis nuclear North Korea over the gradual national reunification process envisioned by his two predecessors. His "Vision 3000 through Denuclearization and Openness" policy toward the North presents a fundamental change in Seoul's focus, from inter-Korean "rapprochement" to the "internationalization" of North Korea through its "behavior change."<sup>33</sup>

In contrast to the more multilateral and regional approach of his predecessors, President Lee has pursued a crisis-reacting capability buildup to prepare for North Korea's collapse. Since he took office, instead of shying away from the catastrophic prospects of a post-Kim Jong Il era on the peninsula, Lee unambiguously describes his policy preference for transforming inter-Korean ties from an "intra-national" relationship into an "inter-state" one—from Korea as one people with one aspiration for reunification to Korea as two states that have different policy objectives.<sup>34</sup> This "paradigm shift" definitely reflects Seoul's growing confidence in its leading role regionally and globally and its overall disappointment in the awkward, feet-dragging process of the Six Party Talks. In this sense, Seoul's military expansion, driven by the North Korea threat, is understandable, but the key question is how far South Korea will go to prepare for the rapid collapse of the Kim Jong Il regime.

Moreover, a unified Korea has the potential of turning into a new Asian giant. According to Kwon Goocheon, a Goldman Sachs analyst, a unified Korean economy would even outperform Japan thirty years after reunification.<sup>35</sup> A unified and economi-

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33. Jae Jean Suh, *The Lee Myung-bak Government's North Korea Policy: A Study on its Historical and Theoretical Foundation* (Seoul: Korea Institute for National Unification, 2009), p. 88.

34. Park Sang-Seek, "Grand Bargain: Lee's Paradigm Shift," *Korea Herald* (Seoul), October 6, 2009.

35. "Economy of a Unified Korea would Outperform Japan," *Korea Herald*, September 22, 2009.

cally powerful Korea will not necessarily trigger a real arms race. However, the potential threat of a unified Korea in the eyes of China or Japan—or its actual hostility toward China or Japan—might prod Seoul to spend even more on its military budget. Considering the rampant nationalism in all three countries—China, South Korea, and North Korea—it is too early to say that a unified Korea will never rock the boat in Northeast Asia.

So far, at least, economic integration in Northeast Asia has not yet pushed the countries concerned into formalizing their political and security ties. As Scott Snyder observes, “both Koreas have sought to preserve their independence from Chinese political influence, in the process blocking the possibility that China could utilize its growing economic influence on the Korean peninsula as political leverage.”<sup>36</sup>

### *China*

In contrast to Japan and Korea, China’s greatest challenge is to manage its own rise—to take advantage of its stronger capabilities to expand its regional influence without provoking the regional instability that could undermine its long-term economic prosperity and integration. Nonetheless, the magnitude of China’s economic growth seems to be increasingly accompanied by growing vigilance from its Asian neighbors and Western powers. Ideological biases against and diplomatic challenges toward China’s authoritarian system have, ironically, fueled Chinese nationalism and patriotism. This dynamic was powerfully demonstrated both in the torch relay for the 2008 Beijing Olympic Games and the ethnic rioting in Xinjiang and Tibet.

The Chinese leadership seems to rely increasingly on appeals to domestic harmony for political legitimacy and international image, but it also insists on its sovereign claim to a genuinely and fully integrated China. As such, Beijing will always assert its control over Xinjiang and Tibet, and will not exclude using

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36. Scott Snyder, *China’s Rise and the Two Koreas: Politics, Economics, Security* (Boulder, Colo.: Lynne Rienner, 2009), p. 13.

force to reunify with Taiwan. Beijing will not relax its iron-fist policy of clamping down on Tibetan and Uighur separatists, but it is less likely to threaten the use of force to resolve disputed territorial claims. Thus, the primary future challenge for China's leaders is to maintain economic growth while reducing the country's vulnerability to external manipulation.

With its military modernization, China does not seek to undermine the current status quo, regain historically lost territory, or expand its "sphere of influence." A small and strong military force, with the self-proclaimed mission of resolving all historic grievances, is a perennial preoccupation of the Chinese leadership. Additionally, it reflects China's growing integration into the global economy and its turn seawards. China will maintain the momentum of modernizing its military—this is a political imperative for the ruling party—but it will not risk damaging its global links by using the military.<sup>37</sup> As long as there is no dramatic change in external relations, an arms race is not Beijing's preference.

Historically, power transitions in East Asia have sometimes been peaceful, sometimes not. Should the region be unable to reverse the current vicious circle of arms spending, and military power increasingly becomes a geopolitical goal, the nightmare of great-power rivalry might be hard to avoid. One possible source of tension would be U.S. domestic politics. Recently, U.S. congressmen publicly meddled in the Spratly Islands dispute between China and some ASEAN countries by favoring the ASEAN claims and calling for more Pentagon attention.<sup>38</sup> This is a dire case where external interference might provoke Chinese nationalists into military adventurism. Those with an ax to grind have overstated the "threat" emerging from China's naval buildup.<sup>39</sup> In response, Beijing should increase the transparency

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37. David Philing, "China Flexes New Economic Muscle at Sea," *Financial Times*, April 22, 2009.

38. Jane Perlez, "U.S. Competes with China for Vietnam's Allegiance," *New York Times*, June 19, 2009; Gabe Joselow, "US Reaffirms Its Rights to Operate in South China Sea," VOA, July 16, 2009.

39. Dan Blumenthal, "Coming to Asia's Defense," *Wall Street Journal*, April

of its military budget and provide convincing evidence of the peaceful purpose of its naval development. Washington, as Thomas P. Barnett has argued, has used the prospect of war with China over Taiwan or possibly North Korea as a justification for the purchase of big-ticket items.<sup>40</sup>

China has gone through a number of major domestic events since late 2007, but the country has not yet shown any signs of embracing democratization. The Chinese leadership has kept mentioning and even committing to “political reform,” sometimes using other phrases such as “political development” or “political civilization.” However, what these terms mean is quite different from what many understand them to mean, both inside and outside China. The connotation of “political reform” generally refers to improvement rather than active or forceful change. It is difficult to underestimate the effects that Beijing’s stalled political reform might have in undermining the trust building that other countries in the region expect from China. On the other hand, a changing regional security landscape could help diminish Beijing’s perceptions of “regime insecurity” and create the conditions for “political reform” in China. We should not assume, however, as some political scientists do, that democracies are less likely to throw their weight around than authoritarian states.

### **Tests for Regional Security**

#### *North Korea’s Nuclear Weapons*

The increasing stocks of destabilizing weapons on the Korean peninsula and in the Taiwan Strait are having a significant impact on defense planning and procurement throughout the region. These two flash points will probably dominate future

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16, 2009; “Sea Change in the Pacific,” *The American*, March 25, 2009.

40. Thomas P. Barnett, *Great Powers: America in the World Affairs After Bush* (New York: W.W. Norton, 2009).

security planning in East Asia. But whether they will ultimately drag regional powers into arms races appears less likely. On the contrary, the productive resolution of these two challenges might well pave the way for credibly addressing rising defense budgets in East Asia.

The nuclear crisis on the Korean peninsula culminated with North Korea's second nuclear test in May 2009. North Korea's use of brinkmanship tactics has revealed Kim Jong Il's real mindset. He is not interested in trading his country's nuclear program for a comprehensive deal on diplomatic normalization, the lifting of sanctions, and massive aid. Rather, he intends to engage in perpetual blackmail. Pyongyang will never abandon its nuclear weapons until "Dear Leader" Kim Jong Il takes his final breath.

Since the early 1990s, the international community has taken two counter-proliferation approaches to North Korea. One approach has been primarily based on the assumption that the North Korean state is on the verge of collapse, and that this collapse should be seen as a welcome development that perhaps should be accelerated. The other is that the North Korean state will eventually emulate the two other ex-Leninist states of East Asia, China and Vietnam, and begin reforming itself. If Pyongyang is treated gently, according to this latter view, sooner or later its leaders will change their minds and accept some market-oriented reforms similar to the Chinese *gaige* or Vietnamese *doi moi*. Such reforms, it is hoped, will lead to significant economic growth that could help to make North Korea less dangerous internationally and also improve the harsh living conditions of its destitute populace. No matter which approach is the more practical, however, there is no rapid way of bringing down the Kim Jong Il regime and expediting nuclear disarmament. As such, in the short to medium term, the restoration of the Six Party Talks remains the best way to control the crisis, influence the North, and prevent nuclear proliferation.

U.S.-China coordination in handling the North Korean nuclear issue has dramatically strengthened over the years. The reason is simple: The two sides don't have competing geopoliti-

cal interests and neither wants to take a great risk by rushing to a "solution." China has great sway on the foreign policy issues that the United States is most concerned about, with the nuclear ambitions of Iran and North Korea at the top of the list. Nuclear weapons, by all accounts, are the last thread by which the Kim dynasty and the reclusive regime hang. The key issue is how firmly to control the nuclear danger arising from the potential of North Korea selling or trading its nuclear material and technology. Fortunately, a steady commitment from the member states of the Six Party Talks to UN Security Council Resolution 1874 laid a solid foundation for such counter-proliferation efforts.

How should we think about Japanese and Korean strategic interests in a region where the DPRK maintains nuclear weapons? No one wants to see Japan go nuclear, and, similarly, no one wants to see North Korea itself as a permanent entity. China will not object to any reunification of the two Koreas according to any reasonable timetable and will never make reunification contingent on reducing the American military presence or weakening its alliance network. Alternatively, the successful evolution of the Six Party Talks could lead to the establishment of a permanent security mechanism in the region. The Six Party Talks have in fact mandated a working group to consider this idea.

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

the regional member states. A multilateral regional security mechanism is the best way to mitigate rising defense budgets.

### *The China-Taiwan Conundrum*

Just as a successful outcome to the Six Party Talks promises to map out a path to reduce defense budgets through denuclearization and the creation of a regional security mechanism, the resolution of the lingering tension in the Taiwan Strait might also bolster regional security cooperation. The landslide victory of Ma Ying-jeou in Taiwan's March 22, 2008 presidential election and his subsequent pragmatic policy toward the mainland—coupled with the flagging performance of the previous ruling party and the jailing of ex-President Chen Shui-bian for his appalling family scandals—have notably defused a major crisis in the region. Having won the election on a platform that favors eventual Chinese unification, the ruling Kuomintang (KMT) party, along with its mainland counterpart, is turning a new page in cross-Strait relations.

Besides this political development, economic and social contacts between the two countries have markedly improved. The “three links”—postal, transportation, and trade—have been established, and a quasi-official mechanism for communications is working well. China and Taiwan may be prepared to defer the resolution of Taiwan's status until some point in the future. A peace agreement, some sort of interim treaty that would legally define the mutual relationship, may soon be on the table.<sup>41</sup> However, since around 35 percent of Taiwanese still support the opposition Democratic Progressive Party, Ma's considerable popularity might not secure the KMT's enduring reign and the ultimate success of its China strategy.

Washington has looked favorably on the warming ties between Taiwan and Mainland China. However, Washington

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41. Philip C. Saunders and Scott L. Kastner, “Bridge over Troubled Water? Envisioning a China-Taiwan Peace Agreement,” *International Security*, vol. 33, No. 4 (Spring, 2009), pp. 87-114.

may want to see a continued balance between government and opposition forces in Taiwan in order to preserve leverage over both contentious political camps. With an eye toward maintaining its influence in the Taiwan Strait area, the United States will likely keep up arms sales to the island despite improved cross-Strait relations. U.S. lawmakers, for instance, are pushing the Obama administration to sell more advanced weapons to Taiwan. But expanding U.S. ties with Beijing complicate such a policy. Further, China's military has modernized so rapidly that new arms sales are increasingly unlikely to redress the imbalance across the strait any time soon.<sup>42</sup>

The United States faces a choice. It could try to beef up Taiwan's military capacity to counter the appeals from China and seek to maintain the delicate balance of military forces between two sides. Or the United States might build up its military presence in Japan and Taiwan to heighten the credibility of U.S. conventional deterrence capability vis-à-vis China. The United States is not likely, however, to shift its focus to helping facilitate cross-Strait relations by reducing arms sales to Taiwan.

Beijing's response to the political dynamics in Taiwan since the 2008 election has been quite positive. As it continues to assess Taiwan's desire for more international engagement, the mainland will relax its hyper-vigilant behavior, as the constructive handling in 2009 of Taiwan's World Health Organization participation demonstrates (whereby the PRC accepted Taiwan's presence at a World Health Assembly meeting), and approach the island's international requests on a case-by-case basis. Nevertheless, the easing of tensions across the Strait will not immediately lead to changes in Beijing's military planning, preparations, and procurement, as the positive trend is not seen as irreversible. Beijing will probably not slow down its military modernization until it achieves credible deterrence in the event of the worse-case scenario of Taiwan's declared independence and

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42. For the military balance assessment in Taiwan Strait, see Michael D. Swaine et al., eds., *Assessing the Threat: the Chinese Military and Taiwan's Security* (Washington, D.C.: Carnegie Endowment for International Peace, 2007).



sharply increasing great-power rivalry.<sup>43</sup> The PLA's military advantage over Taiwan will ultimately contribute to the stability of the Taiwan Strait and even to Beijing's flexibility on the Taiwan issue. The challenge, however, is the degree to which Chinese efforts in this regard will be misinterpreted. The "path dependency" affecting both the United States and Japan—responding to Chinese military modernization with increased military spending and exports—might raise the stakes rather than cement new multilateral security cooperation.

Still, the enduring standoff around North Korea's nuclear crisis and the potential dangers of deterioration in Taiwan-Mainland China relations highlight the necessity of establishing a multilateral security arrangement. With the tension lowered in the Taiwan Strait, it theoretically appears easier for the PRC, the United States, Japan, South Korea, and Russia to discuss the prospects of establishing a viable regional security framework, which will also involve the DPRK on the condition of its verifiable nuclear dismantlement. It is a crucial moment for East Asia to consider this idea. Otherwise, increased military expenditures will exacerbate security strains in the region.

#### *China-U.S. Naval Confrontations*

Perhaps an even greater challenge to regional security than the conflicts around North Korea and Taiwan involves the naval assets of China and the United States. The *Impeccable* incident of March 7, 2009 is an alarming reminder of the fragility of U.S.-China military interactions. With China's military modernization under way, the United States has publically worried about the potential of a Chinese naval-based challenge to America's sea dominance in the Asia-Pacific. Rather than an effort to antagonize the U.S. navy in the region, China's confrontation with the *U.S.S. Impeccable* was intended to ridicule U.S. navy surveillance

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43. Roy Kamphausen, David Lai, and Andrew Scobell, eds., *Beyond the Strait: PLA Missions other than Taiwan* (Carlisle Barracks, Penna.: U.S. Army War College, Strategic Studies Institute, 2009).

and spying activities. But the next time, the resolution might not be so peaceful, since U.S. officers have said that the U.S. navy would fire back if Chinese boats engage in future harassment.<sup>44</sup>

Military confrontations like the EP-3 event in April 2001, against the backdrop of a worrisome region-wide naval buildup in the Asia-Pacific in general and China's naval advancement in particular, could escalate. With the lack of a substantial military-to-military relationship between Washington and Beijing, the debate on China's naval development has deepened U.S. distrust of Chinese motives and raised suspicions that the United States is losing the Pacific and the military balance in the region is at a tipping point.<sup>45</sup> Given America's unshakable military superiority in the region, these suspicions are clearly overreactions. Because of the potential for future disruptions, however, strengthening the military dialogue between the United States and China has become more necessary than ever.

### Conclusion

Despite speculation about America's power in the world—whether it is declining or staying the same—U.S. primacy both at the regional and global level remains intact. Given the huge and enduring power disparities in the world, the increasingly symbiotic nature of power relations in economic terms, and the networked relationships among states, no power can take advantage of the current situation to dramatically upset the status quo. Thus, the U.S.-led balance-of-power system in the region will endure, and the U.S.-centered liberal order will continue. In addition, China will continue to enjoy a reemergence in this unipolar system while seeking to avoid stepping on American toes. As long as cooperative relations between Beijing and

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44. Bill Powell, "The Chinese Navy: How Big a Threat to the U.S.?" *Time*, April 21, 2009.

45. Mary Kissel, "Is the U.S. Losing the Pacific?" *Wall Street Journal*, September 21, 2009; Paul S. Giarra and Michael J. Green, "Asia's Military Balance at a Tipping Point," *Wall Street Journal*, July 17, 2009.

Washington remain constructive and stable, there will be no surge of military acquisition and no spike in defense spending that could cause an arms race in the region overall.

Against this backdrop, the evolution of U.S. policy toward China, the adoption of a new paradigm to examine global power relations, and the remodeling of security interactions among the United States, China, and its Asian neighbors have all proven to be pivotal. For example, the United States must reevaluate its tendency to treat China as a global creditor while steadily maintaining a soft containment policy toward the country. At the same time, Beijing should also upgrade its traditional approach to relations with Japan as well as Korea, and squarely live up to growing security concerns from its two leading Asian neighbors. Furthermore, China's PLA should productively and actively follow up on President Obama's appeal to raise the level and frequency of military dialogue "in order to avoid future incidents" like the high seas confrontation between naval vessels in March 2009.<sup>46</sup> Chinese military modernization especially requires trust-building measures that can help to diffuse misperceptions and stabilize regional security.

Simultaneously, new forms of crosscutting networks of relationships must coexist with traditional bilateral alliances. The attenuation of sovereign autonomy and of the competitive dynamics of traditional foreign policy behavior need to be explored. Providing global security is a serious collective action problem, whereas competition and self-interest lead to suboptimal outcomes. Cooperation on regional security—and discouraging great-power competition—is the best way to avoid the worst-case scenario of an out-of-control arms race in the region.

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46. Perer Baker, "Obama Calls for Military Dialogue with China," *New York Times*, March 12, 2009.

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