



Asia Defense Spending: 2000-2011

October 15, 2012

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Outline

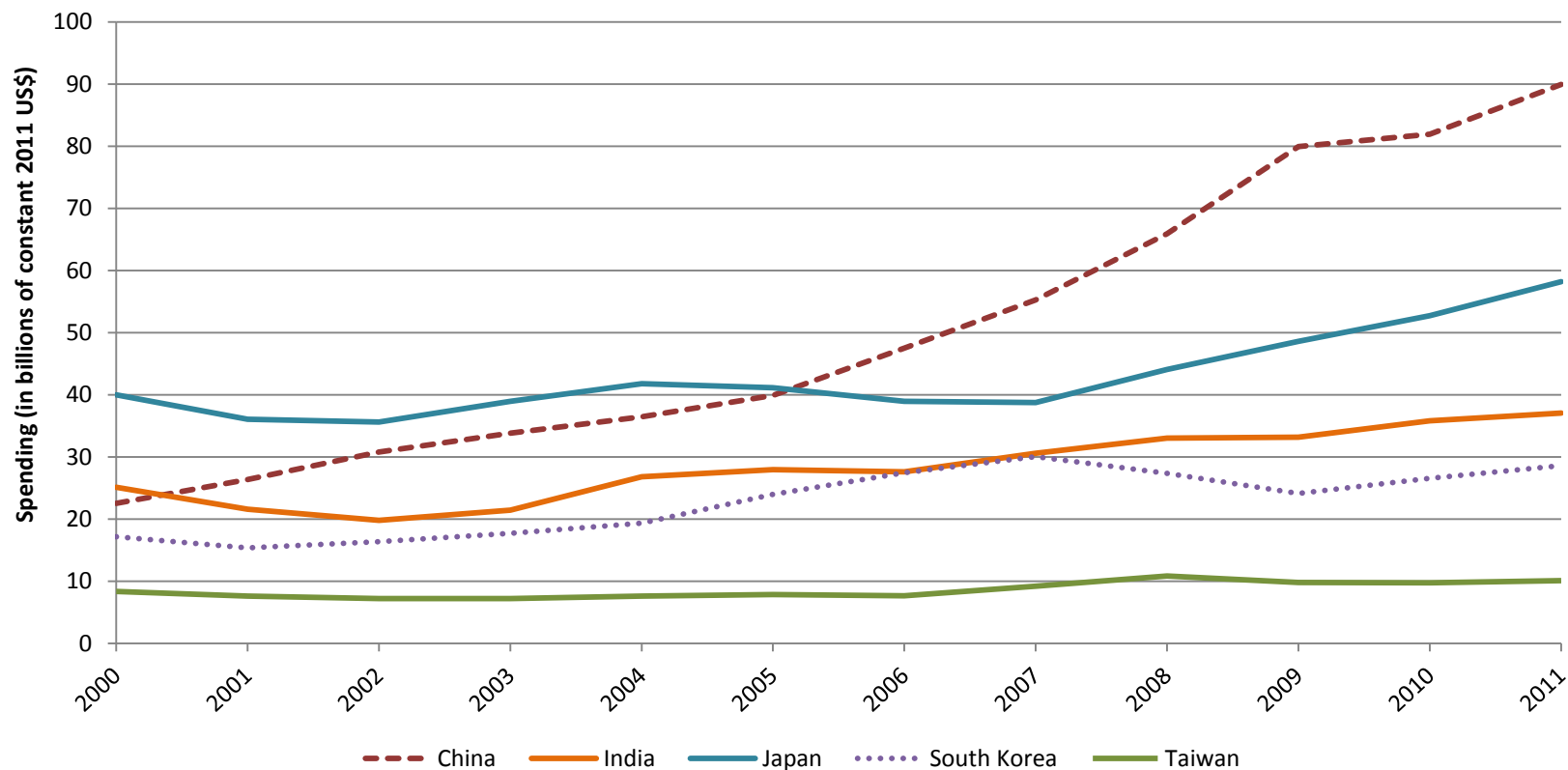
- **Methodology**
- **Macro Trends**
- **Trends for China, India, Japan, South Korea, and Taiwan**
- **Defense Spending Categories**
- **Key Findings and Areas for Further Research**

Methodology

- **Report covers China, India, Japan, South Korea, and Taiwan**
 - Top 5 defense spenders in Asia (not including Russia and Australia)
 - Capture 87 percent of Asian defense spending in 2011
- **Primary source: national government documents**
- **Standardized defense spending categories**
- **See report's methodology section for more details**

MACRO TRENDS

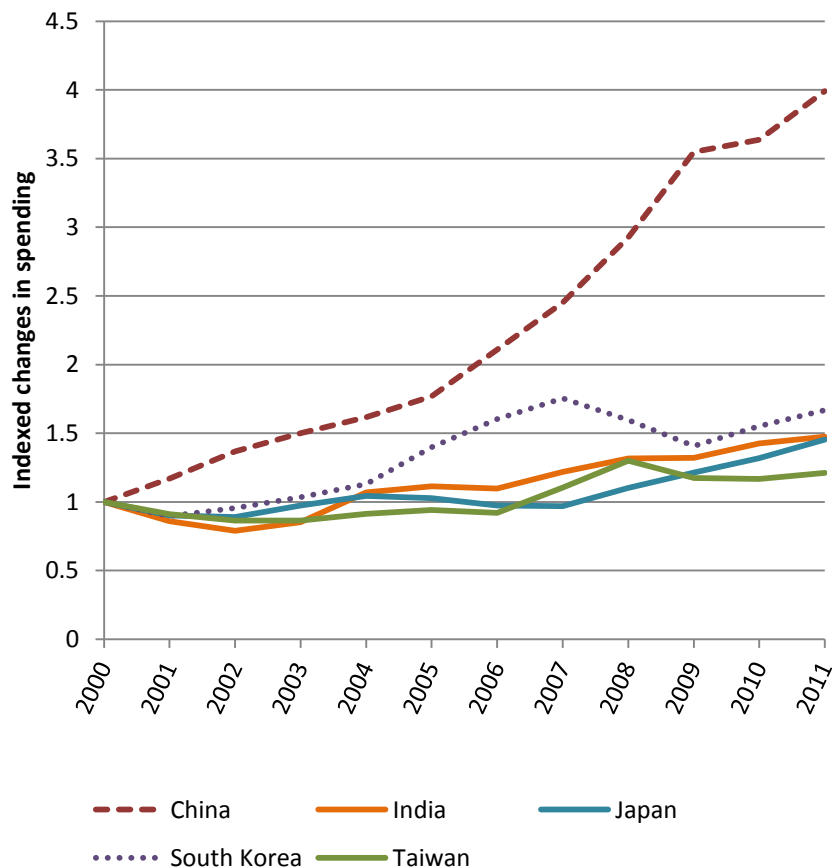
Total Defense Spending



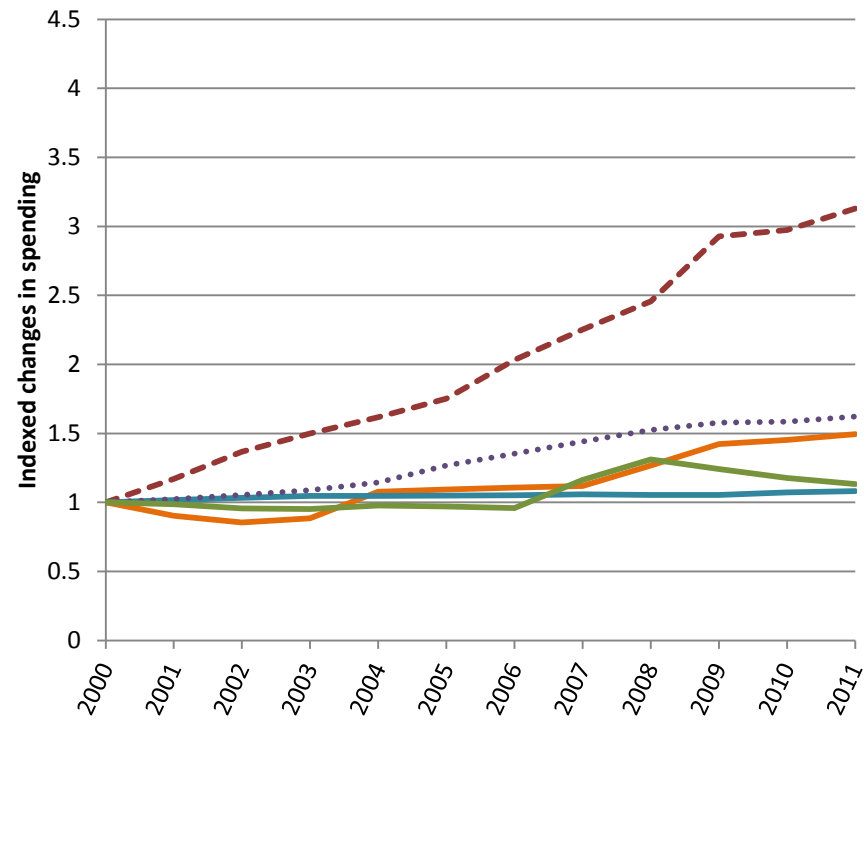
Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; Indian Union Budget and Economic Survey: Expenditure Budget, 2000-2013; Japanese MoD White Papers, 2005-2011; South Korean MoD White Papers, 2000, 2006, 2008, 2010; South Korean MoD; Taiwanese National Defense Report, 2009 and 2011; analysis by CSIS Defense-Industrial Initiatives Group.

Indexed Total Defense Spending

Constant 2011 USD



Constant 2011 LCU



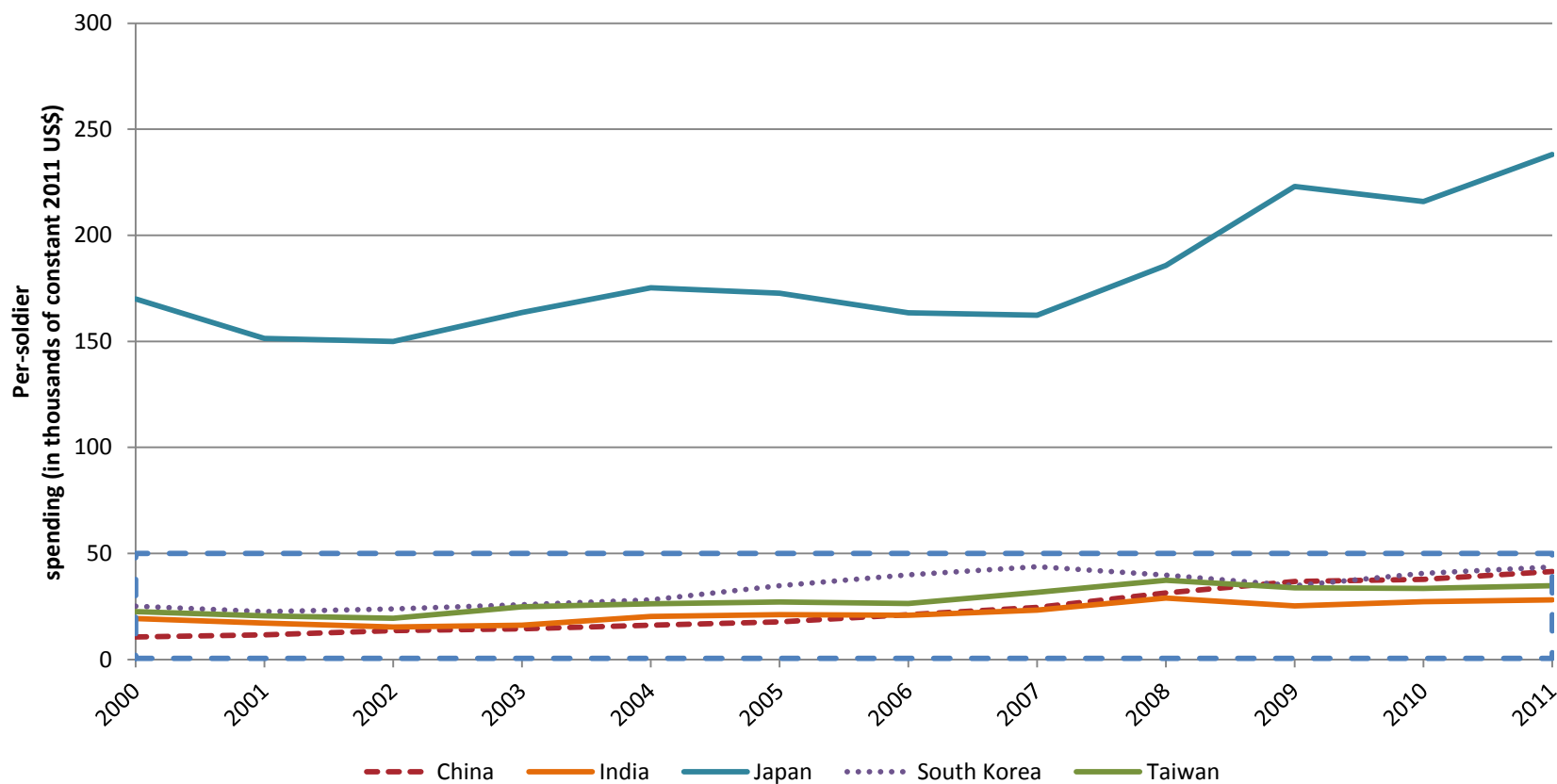
Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; Indian Union Budget and Economic Survey: Expenditure Budget, 2000-2013; Japanese MoD White Papers, 2005-2011; South Korean MoD White Papers, 2000, 2006, 2008, 2010; South Korean MoD; Taiwanese National Defense Report, 2009 and 2011; analysis by CSIS Defense-Industrial Initiatives Group.

CAGRs for Total Defense Spending in Constant 2011 U.S. Dollars

| Countries | Defense Spending CAGR | | |
|-------------|-----------------------|-----------|-----------|
| | 2000-2005 | 2005-2011 | 2000-2011 |
| China | 12.1% | 14.5% | 13.4% |
| India | 2.2% | 4.8% | 3.6% |
| Japan | 0.6% | 6.0% | 3.5% |
| South Korea | 6.9% | 3.0% | 4.8% |
| Taiwan | -1.2% | 4.3% | 1.8% |

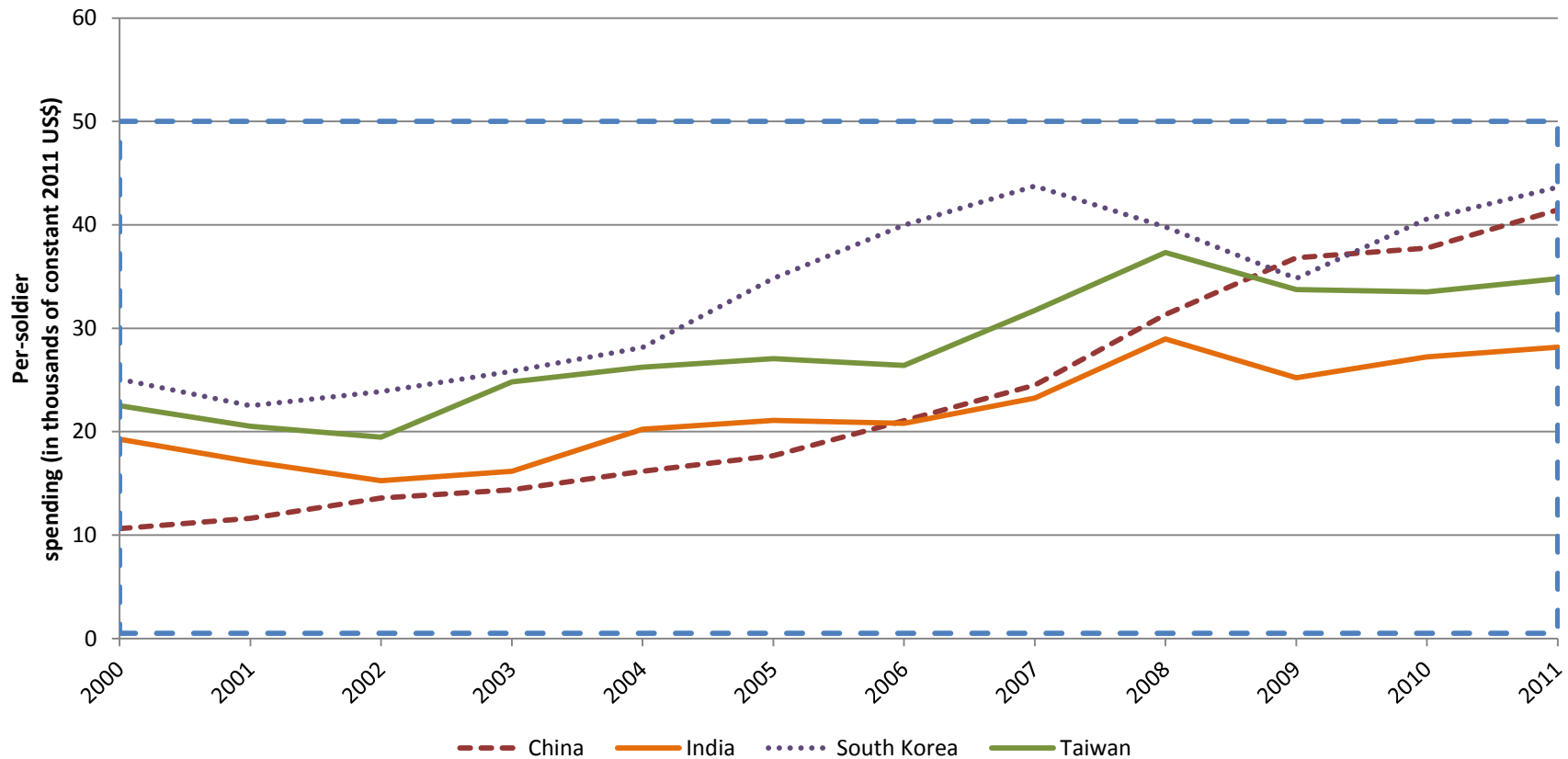
Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; Indian Union Budget and Economic Survey: Expenditure Budget, 2000-2013; Japanese MoD White Papers, 2005-2011; South Korean MoD White Papers, 2000, 2006, 2008, 2010; South Korean MoD; Taiwanese National Defense Report, 2009 and 2011; analysis by CSIS Defense-Industrial Initiatives Group.

Per-Soldier Defense Spending



Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; Indian Union Budget and Economic Survey: Expenditure Budget, 2000-2013; Japanese MoD White Papers, 2005-2011; South Korean MoD White Papers, 2000, 2006, 2008, 2010; South Korean MoD; Taiwanese National Defense Report, 2009 and 2011; IISS Military Balance; analysis by CSIS Defense-Industrial Initiatives Group.

Per-Soldier Defense Spending



Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; Indian Union Budget and Economic Survey: Expenditure Budget, 2000-2013; Japanese MoD White Papers, 2005-2011; South Korean MoD White Papers, 2000, 2006, 2008, 2010; South Korean MoD; Taiwanese National Defense Report, 2009 and 2011; IISS Military Balance; analysis by CSIS Defense-Industrial Initiatives Group.

CAGRs for Total and Per-Soldier Defense Spending in Constant 2011 U.S. Dollars

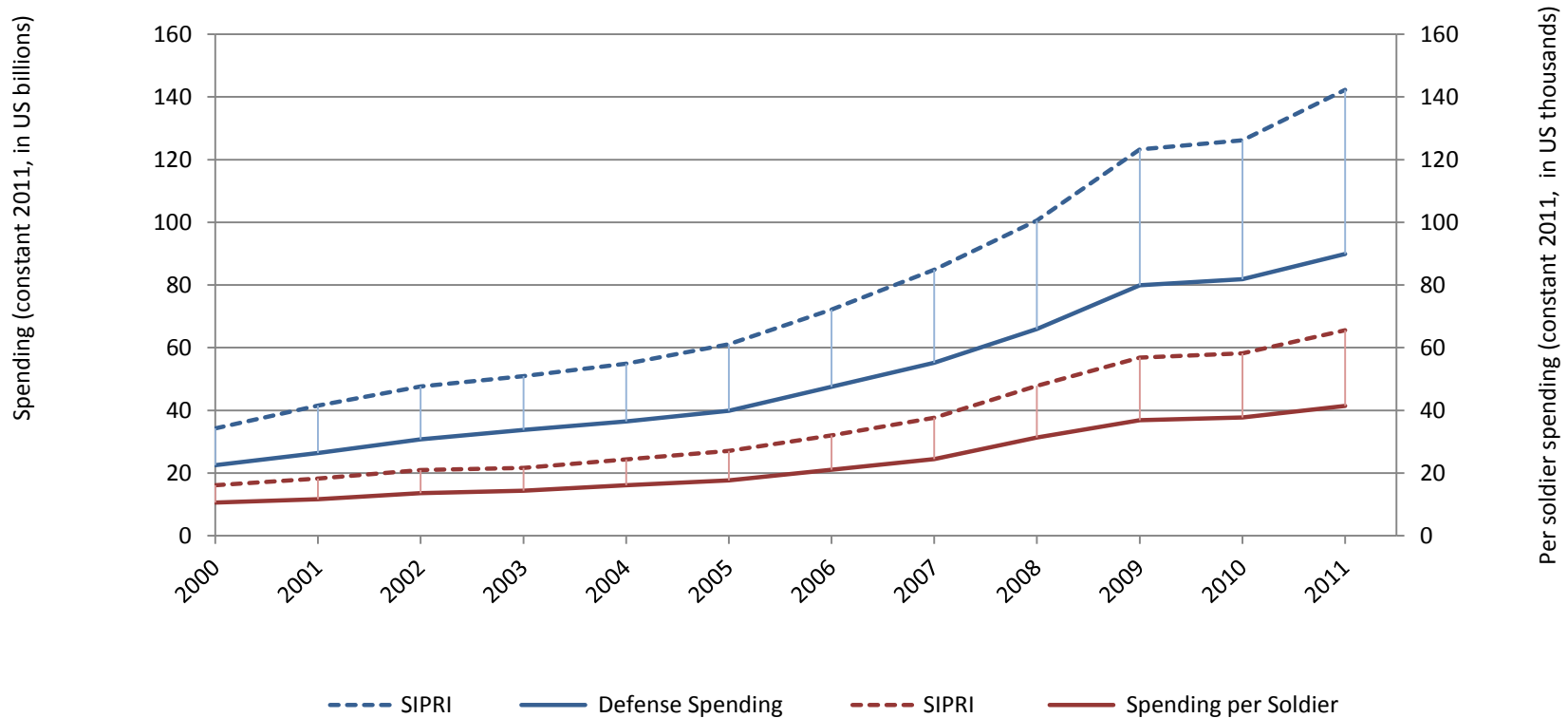
| Countries | Defense Spending 2000-2011 CAGR | |
|-------------|---------------------------------|-------------|
| | Total | Per-Soldier |
| China | 13.4% | 13.2% |
| India | 3.6% | 3.5% |
| Japan | 3.5% | 3.1% |
| South Korea | 4.8% | 5.2% |
| Taiwan | 1.8% | 4.0% |

Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; Indian Union Budget and Economic Survey: Expenditure Budget, 2000-2013; Japanese MoD White Papers, 2005-2011; South Korean MoD White Papers, 2000, 2006, 2008, 2010; South Korean MoD; Taiwanese National Defense Report, 2009 and 2011; IISS Military Balance; analysis by CSIS Defense-Industrial Initiatives Group.

TRENDS FOR CHINA, INDIA, JAPAN, SOUTH KOREA, AND TAIWAN

China

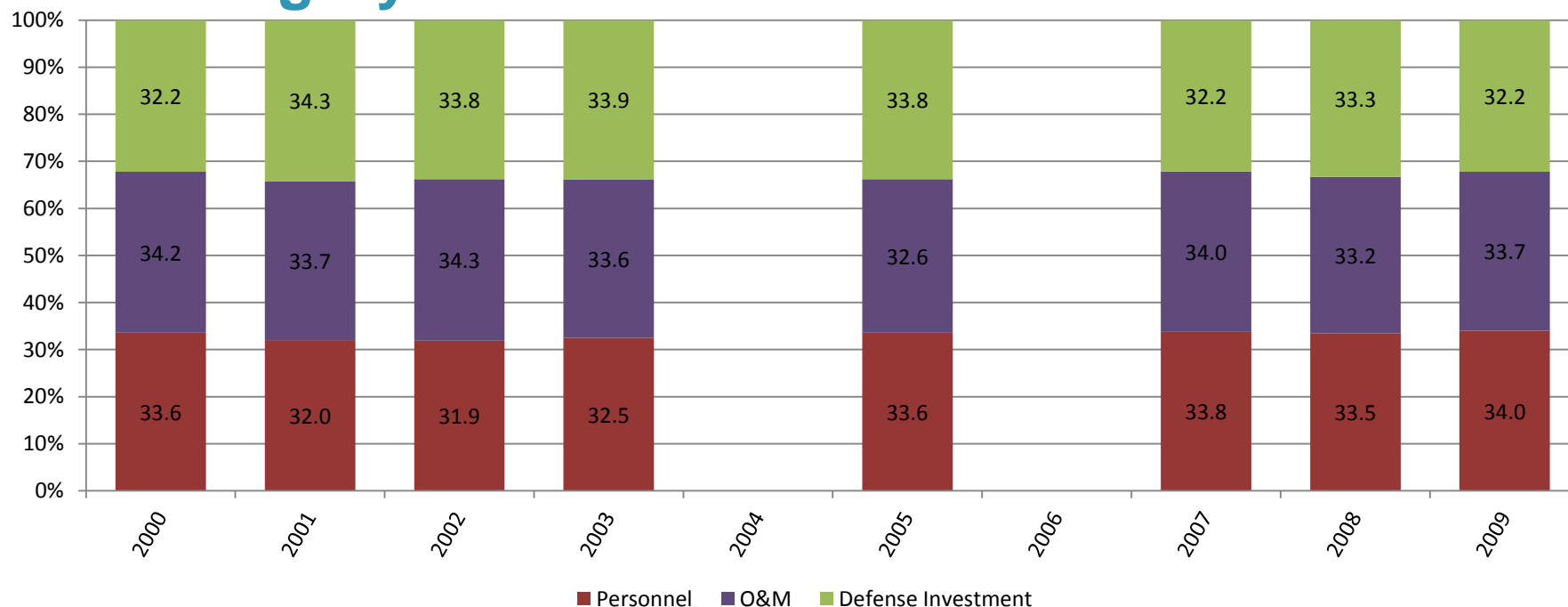
Total and Per-Soldier Defense Spending



Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; IISS Military Balance; SIPRI Military Expenditure Database; analysis by CSIS Defense-Industrial Initiatives Group.

China

Distribution of Total Defense Spending by Category

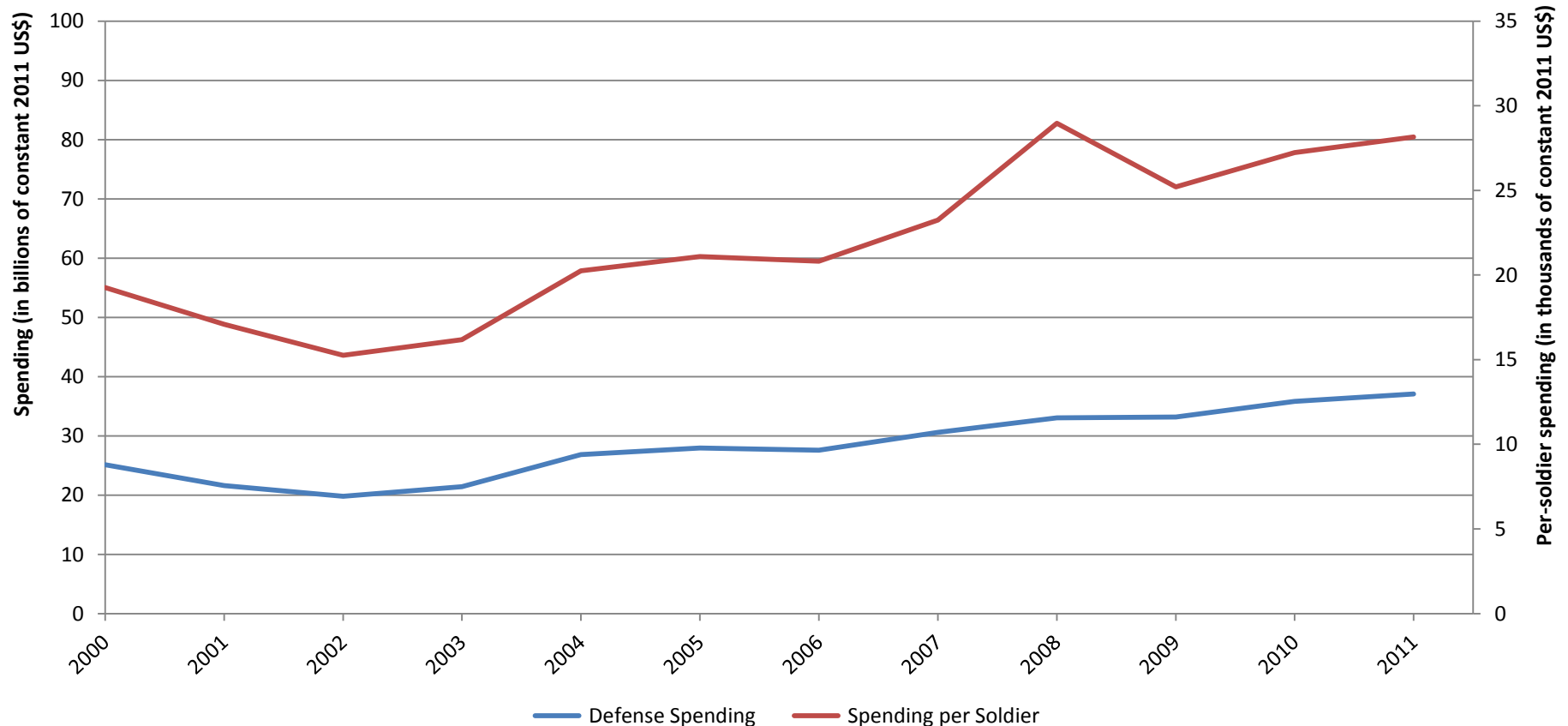


Note: 2008 breakdown data was provided by China to the United Nations and republished in the U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China

Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; SIPRI Military Expenditure Database; analysis by CSIS Defense-Industrial Initiatives Group.

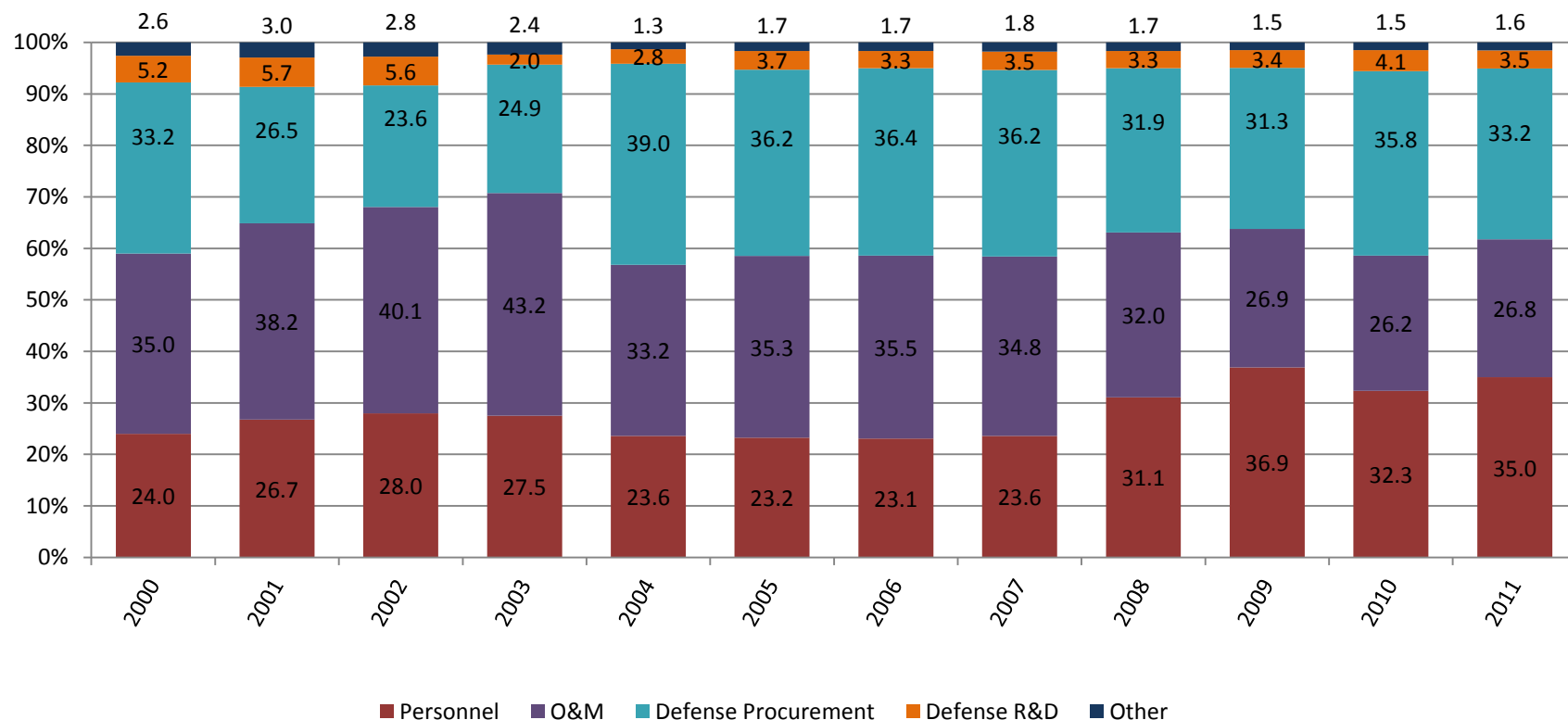
India

Total and Per-Soldier Defense Spending



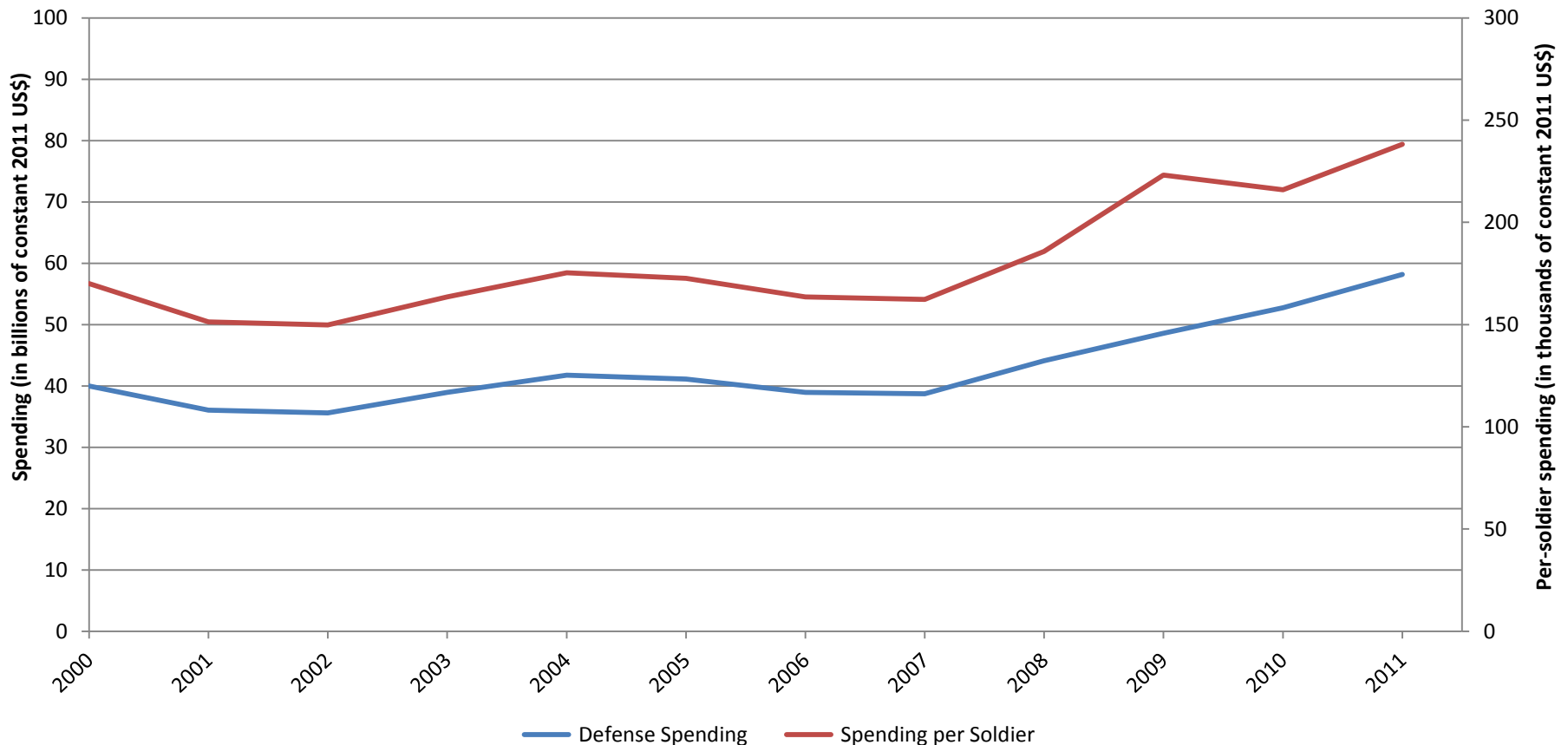
India

Distribution of Total Defense Spending by Category



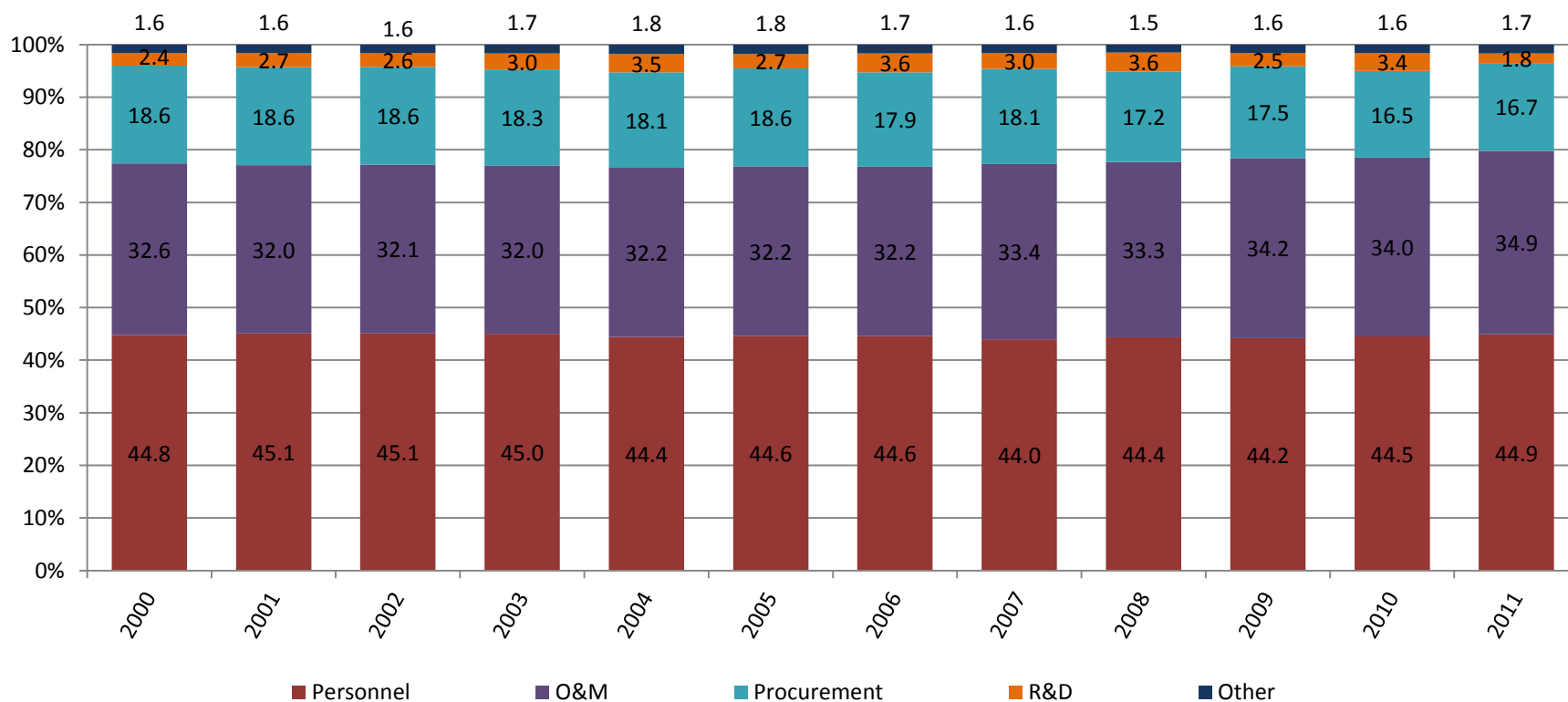
Japan

Total and Per-Soldier Defense Spending



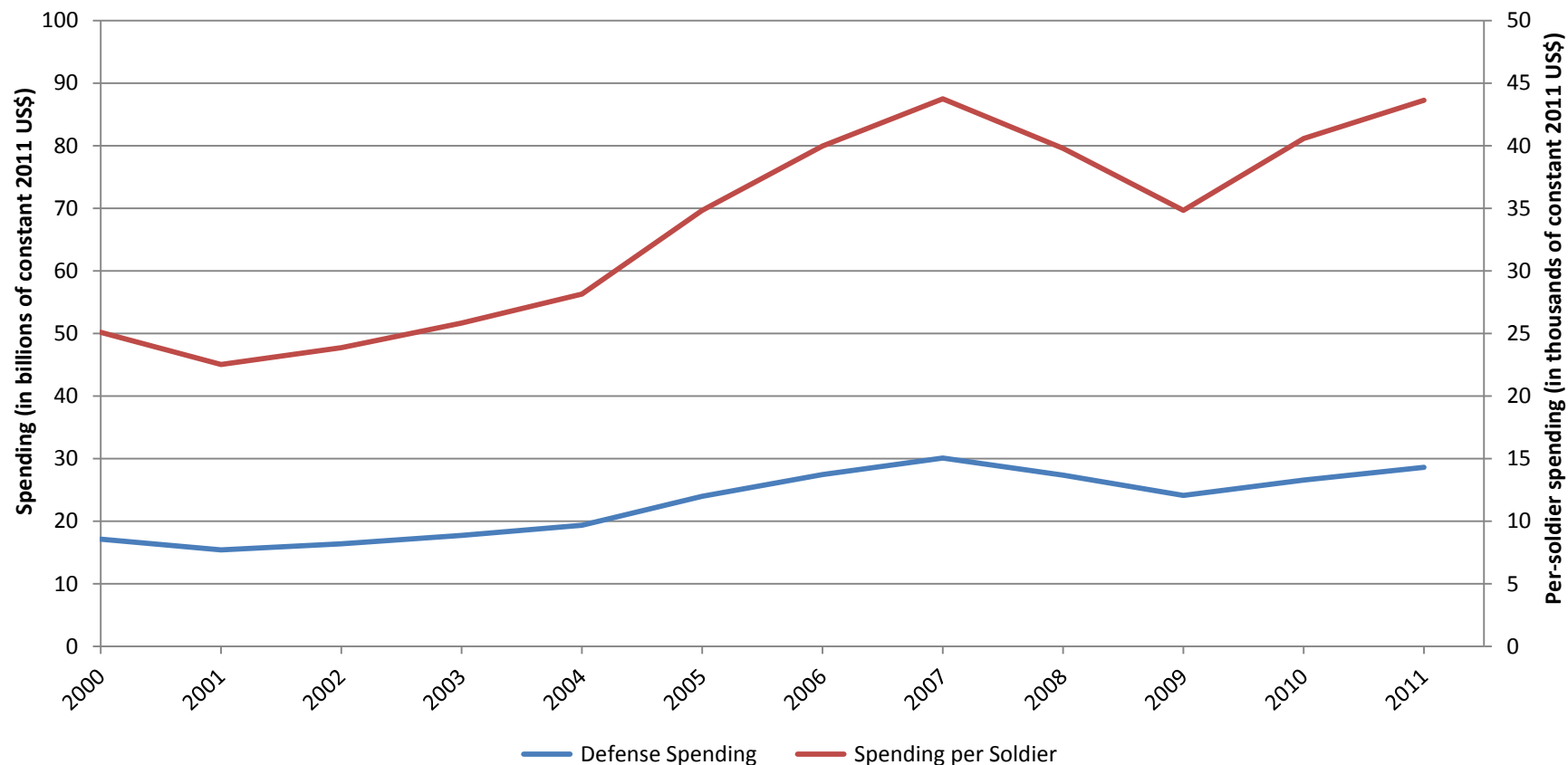
Japan

Distribution of Total Spending Defense Spending by Category



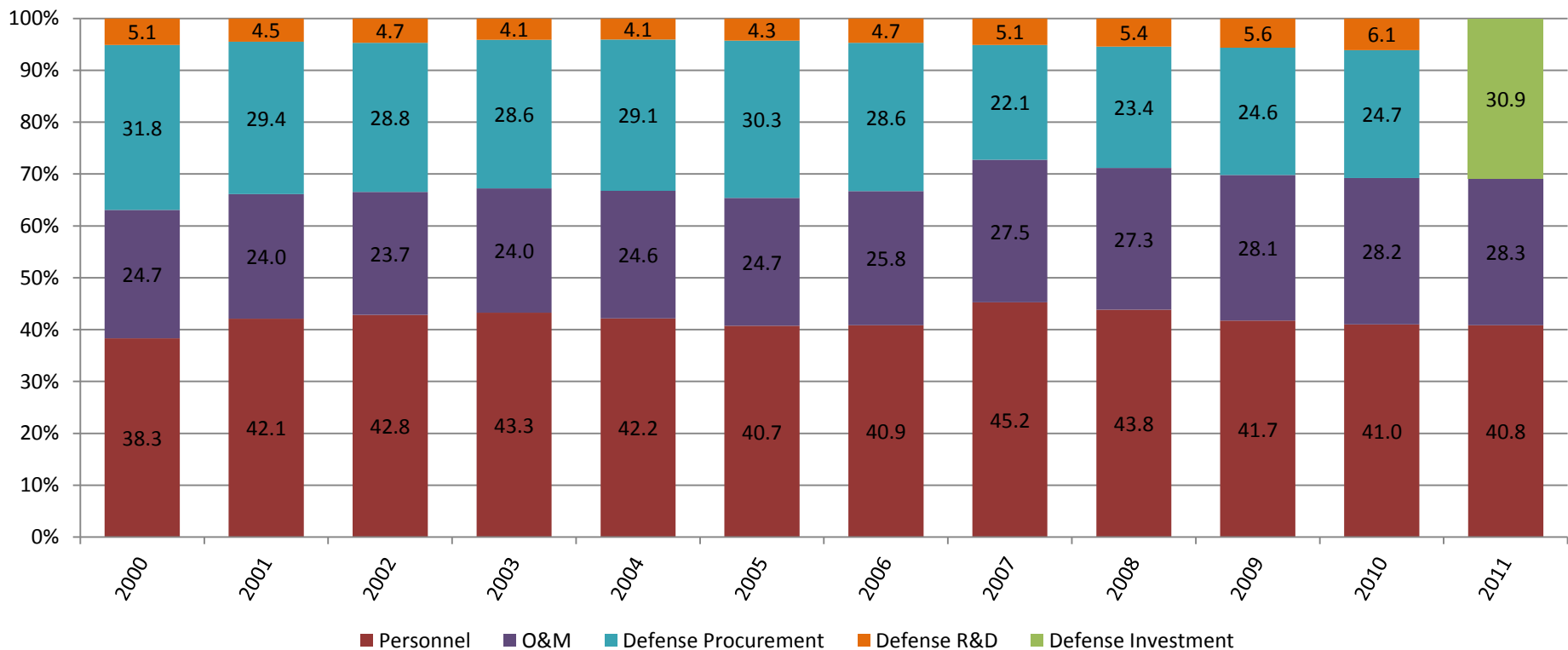
South Korea

Total and Per-Soldier Defense Spending



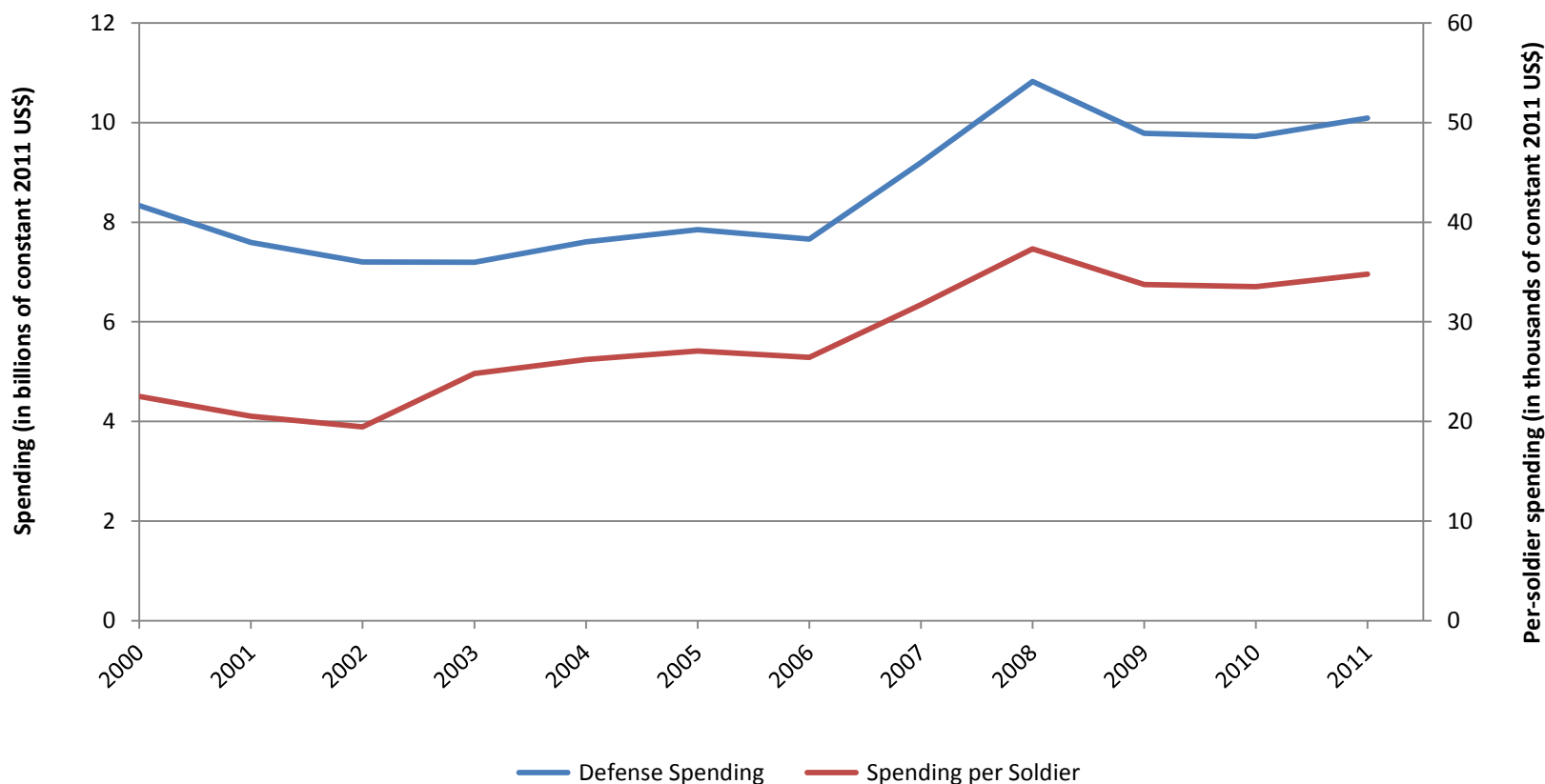
South Korea

Distribution of Total Defense Spending by Category



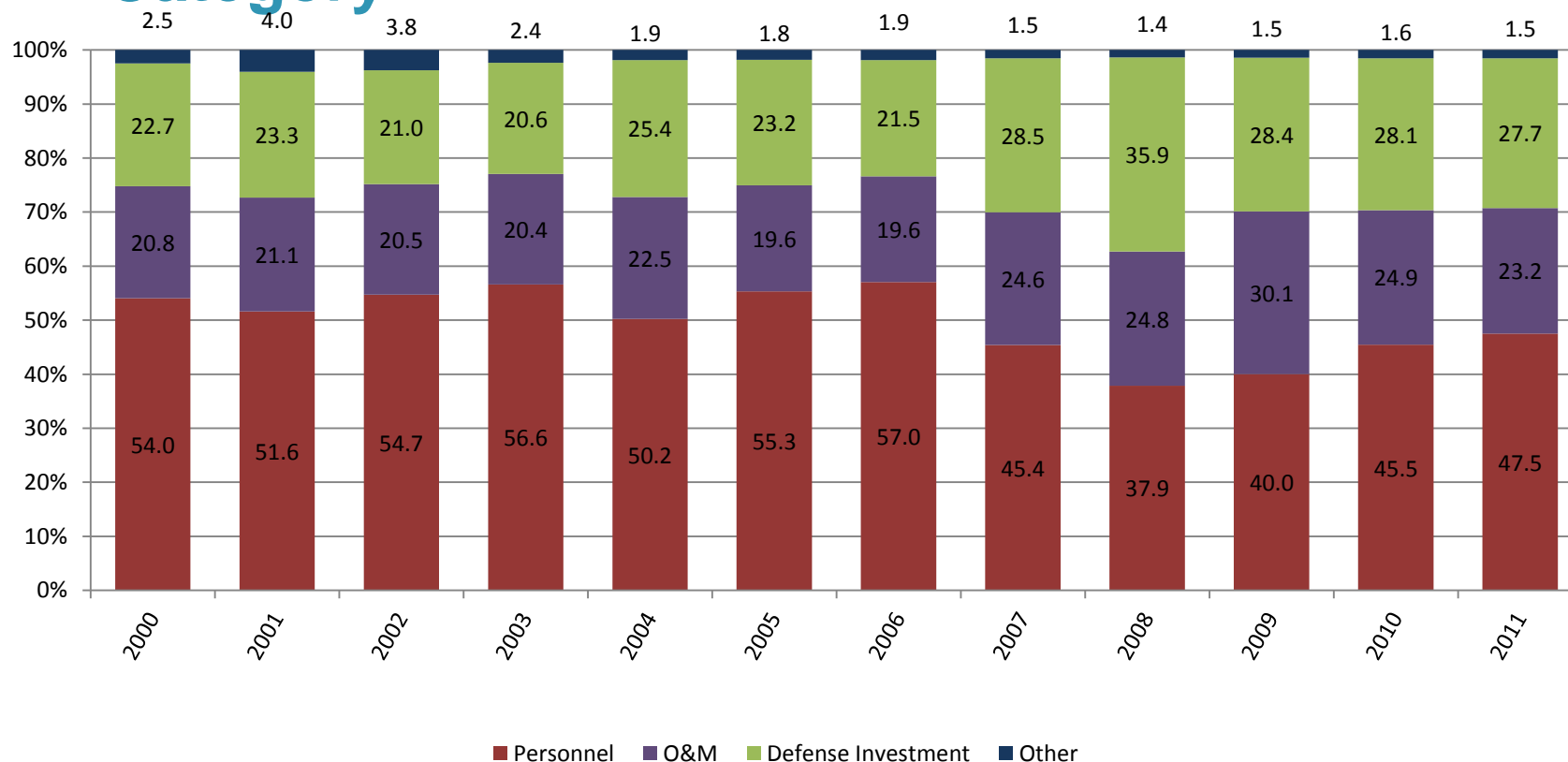
Taiwan

Total and Per-Soldier Defense Spending



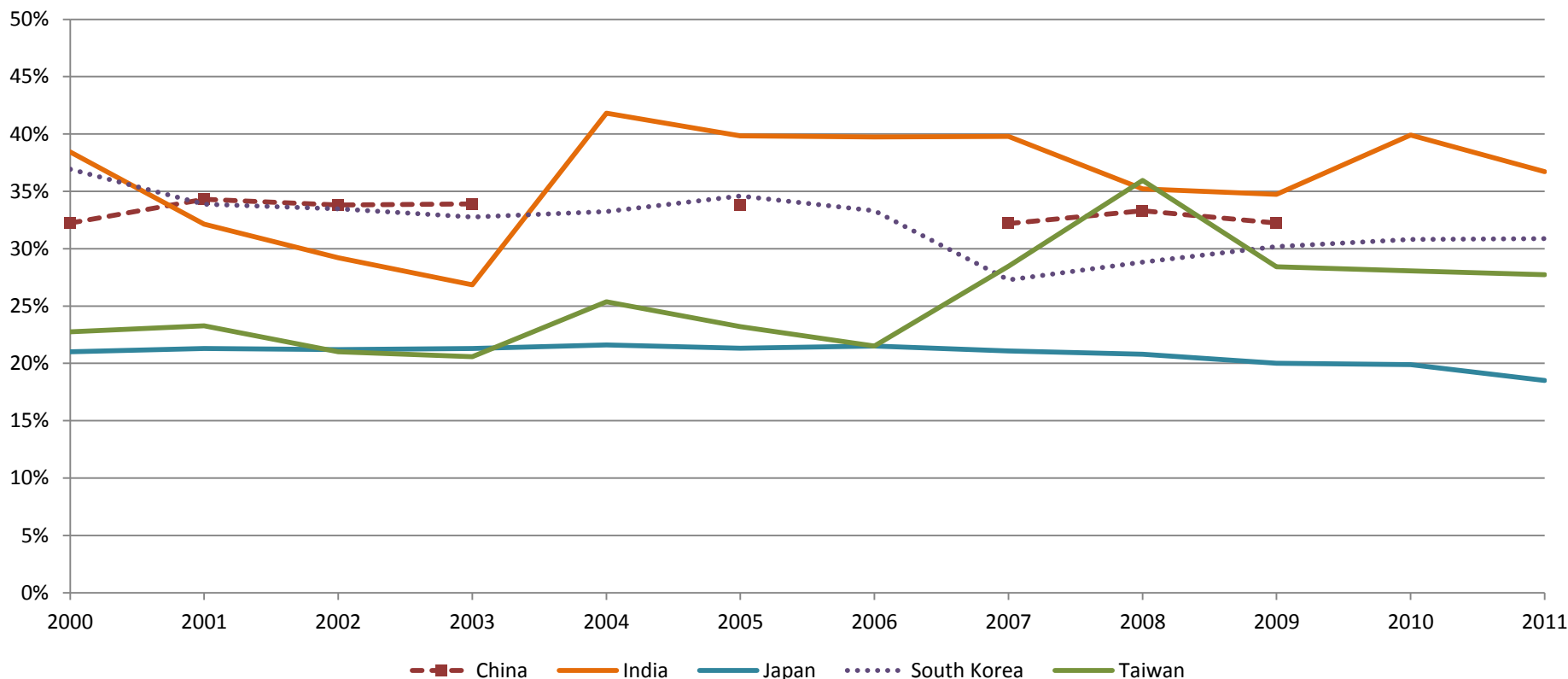
Taiwan

Distribution of Total Defense Spending by Category



DEFENSE BUDGET CATEGORIES

Defense Investment Spending as a Share of Total Defense Spending



Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; Indian Union Budget and Economic Survey: Expenditure Budget, 2000-2013; Japanese MoD White Papers, 2005-2011; South Korean MoD White Papers, 2000, 2006, 2008, 2010; South Korean MoD; Taiwanese National Defense Report, 2009 and 2011; analysis by CSIS Defense-Industrial Initiatives Group.

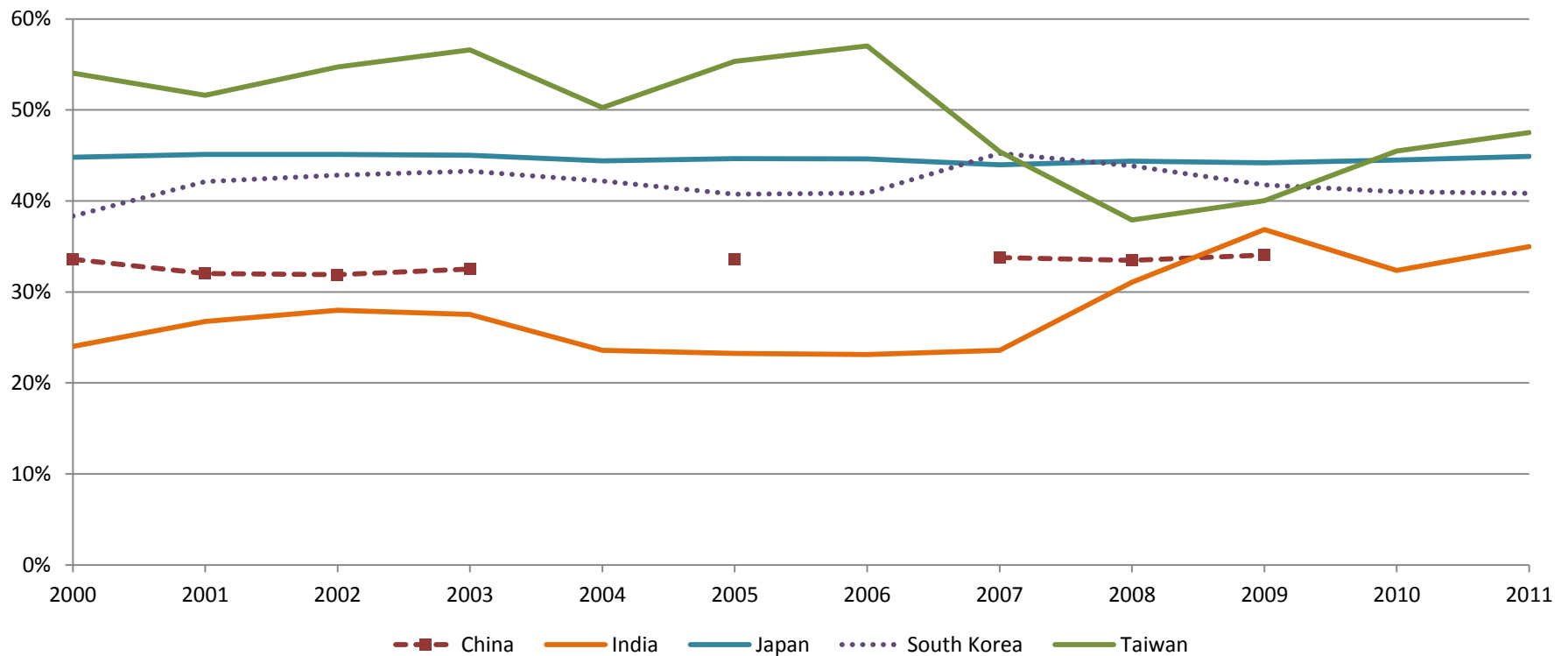
CAGRs for Total Defense and Defense Investment Spending in Constant 2011 U.S. Dollars

| Countries | Defense Spending 2000-2011 CAGR | |
|-------------|---------------------------------|--------------------|
| | Total | Defense Investment |
| China | 15.1%* | 15.1%* |
| India | 3.6% | 3.2% |
| Japan | 3.5% | 2.3% |
| South Korea | 4.8% | 3.1% |
| Taiwan | 1.8% | 3.6% |

*Note: For China, CAGRs are for 2000 - 2009.

Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; Indian Union Budget and Economic Survey: Expenditure Budget, 2000-2013; Japanese MoD White Papers, 2005-2011; South Korean MoD White Papers, 2000, 2006, 2008, 2010; South Korean MoD; Taiwanese National Defense Report, 2009 and 2011; analysis by CSIS Defense-Industrial Initiatives Group.

Personnel Spending as a Share of Total Defense Spending



Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; Indian Union Budget and Economic Survey: Expenditure Budget, 2000-2013; Japanese MoD White Papers, 2005-2011; South Korean MoD White Papers, 2000, 2006, 2008, 2010; South Korean MoD; Taiwanese National Defense Report, 2009 and 2011; analysis by CSIS Defense-Industrial Initiatives Group.

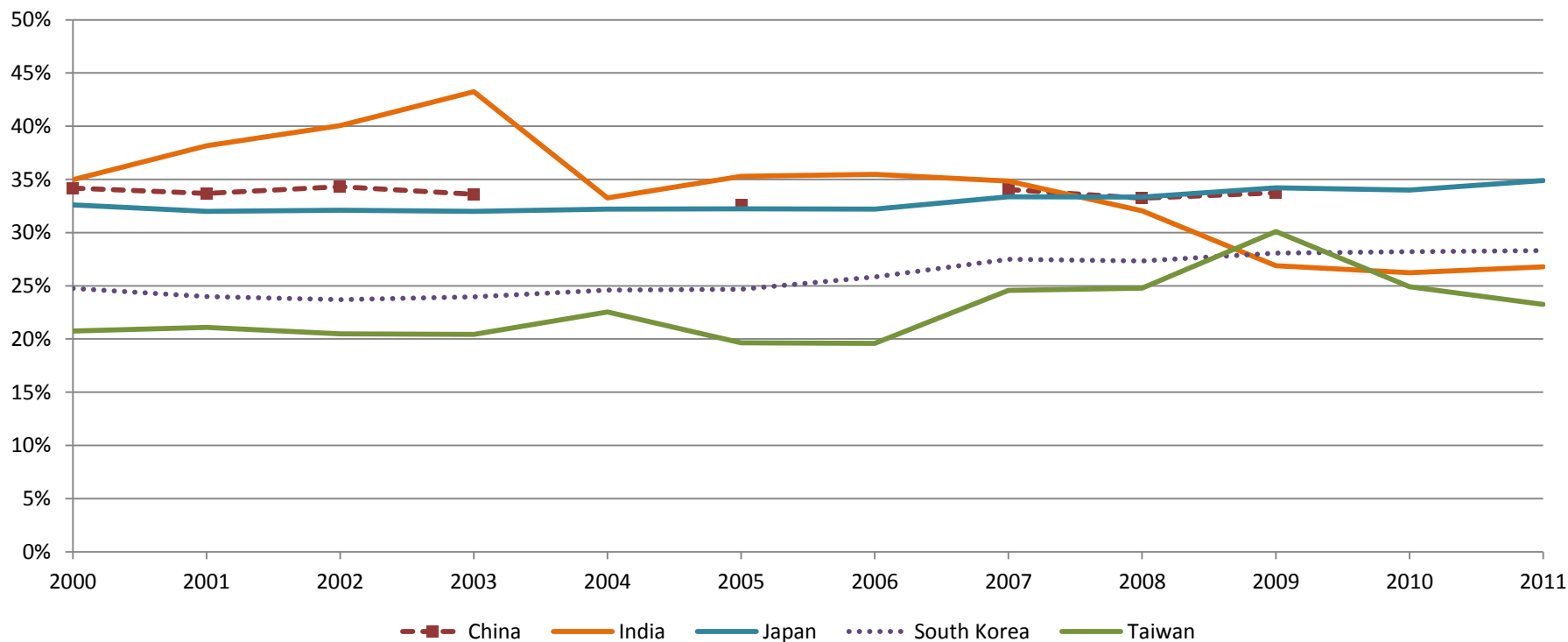
CAGRs for Total Defense and Personnel Spending in Constant 2011 U.S. Dollars

| Countries | Defense Spending 2000-2011 CAGR | |
|-------------|---------------------------------|-----------|
| | Total | Personnel |
| China | 15.1%* | 15.3%* |
| India | 3.6% | 7.2% |
| Japan | 3.5% | 3.5% |
| South Korea | 4.8% | 5.4% |
| Taiwan | 1.8% | 0.6% |

*Note: For China, CAGRs are for 2000 - 2009.

Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; Indian Union Budget and Economic Survey: Expenditure Budget, 2000-2013; Japanese MoD White Papers, 2005-2011; South Korean MoD White Papers, 2000, 2006, 2008, 2010; South Korean MoD; Taiwanese National Defense Report, 2009 and 2011; analysis by CSIS Defense-Industrial Initiatives Group.

Operations and Maintenance Spending as a Share of Total Defense Spending



Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; Indian Union Budget and Economic Survey: Expenditure Budget, 2000-2013; Japanese MoD White Papers, 2005-2011; South Korean MoD White Papers, 2000, 2006, 2008, 2010; South Korean MoD; Taiwanese National Defense Report, 2009 and 2011; analysis by CSIS Defense-Industrial Initiatives Group.

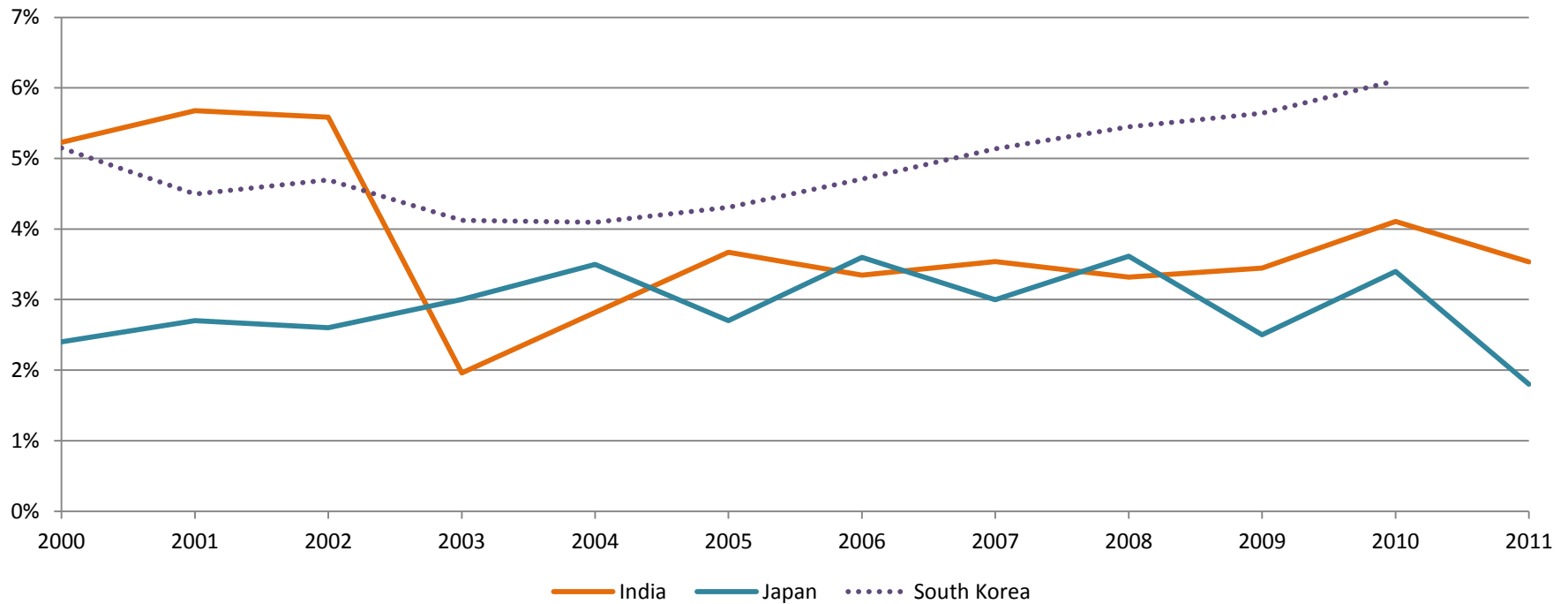
CAGRs for Total Defense and Operations and Maintenance Spending in Constant 2011 U.S. Dollars

| Countries | Defense Spending 2000-2011 CAGR | |
|-------------|---------------------------------|--------|
| | Total | O&M |
| China | 15.1%* | 14.9%* |
| India | 3.6% | 1.1% |
| Japan | 3.5% | 4.1% |
| South Korea | 4.8% | 6.1% |
| Taiwan | 1.8% | 2.8% |

*Note: For China, CAGRs are for 2000 - 2009.

Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; Indian Union Budget and Economic Survey: Expenditure Budget, 2000-2013; Japanese MoD White Papers, 2005-2011; South Korean MoD White Papers, 2000, 2006, 2008, 2010; South Korean MoD; Taiwanese National Defense Report, 2009 and 2011; analysis by CSIS Defense-Industrial Initiatives Group.

Defense Research and Development Spending as a Share of Total Defense Spending



Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; Indian Union Budget and Economic Survey: Expenditure Budget, 2000-2013; Japanese MoD White Papers, 2005-2011; South Korean MoD White Papers, 2000, 2006, 2008, 2010; South Korean MoD; Taiwanese National Defense Report, 2009 and 2011; analysis by CSIS Defense-Industrial Initiatives Group.

CAGRs for Total Defense and Defense Research and Development Spending in Constant 2011 U.S. Dollars

| Countries | Defense Spending 2000-2011 CAGR | |
|-------------|---------------------------------|-------------|
| | Total | Defense R&D |
| India | 3.6% | 0.0% |
| Japan | 3.5% | 0.8% |
| South Korea | 4.5%* | 6.3%* |

*Note: For South Korea, the R&D spending CAGR is for 2000 - 2010.

Sources: Indian Union Budget and Economic Survey: Expenditure Budget, 2000-2013; Japanese MoD White Papers, 2005-2011; South Korean MoD White Papers, 2000, 2006, 2008, 2010; South Korean MoD; analysis by CSIS Defense-Industrial Initiatives Group.

KEY FINDINGS AND AREAS FOR FURTHER RESEARCH

Accelerated Defense Spending Growth

| | Defense Spending CAGR | | |
|------------------|-----------------------|-----------|-----------|
| | 2000-2005 | 2005-2011 | 2000-2011 |
| Aggregate values | 4.5% | 8.0% | 6.4% |

- Growth accelerated in second half of the decade
- Growth primarily driven by Personnel and O&M accounts

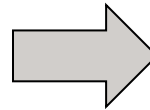
➡ Will accelerated growth continue or slow down?

Sources: Chinese MoD White Papers, China's National Defense, 2002, 2004, 2006, 2008, 2010; U.S. Department of Defense 2010 Annual Report to Congress on Military and Security Developments Involving the People's Republic of China; Indian Union Budget and Economic Survey: Expenditure Budget, 2000-2013; Japanese MoD White Papers, 2005-2011; South Korean MoD White Papers, 2000, 2006, 2008, 2010; South Korean MoD; Taiwanese National Defense Report, 2009 and 2011; analysis by CSIS Defense-Industrial Initiatives Group.

Prioritizing Quantity over Quality

| Top 10 Global Defense Spenders | 2011 Troop Numbers |
|--------------------------------|--------------------|
| 1. USA | 1,569,417 |
| 2. China | 2,285,000 |
| 3. Russia | 956,000 |
| 4. United Kingdom | 174,030 |
| 5. France | 238,591 |
| 6. Japan | 247,746 |
| 7. Saudi Arabia | 233,000 |
| 8. India | 1,325,000 |
| 9. Germany | 251,465 |
| 10. Brazil | 318,480 |

- **Comparatively low per-soldier spending levels in all countries (except Japan)**



Future force structure reductions or continued emphasize on size?

Areas for Further Research

- **Expanding the geographical scope**
- **Assessing defense trade patterns**
- **Analyzing regulatory frameworks governing defense**
- **Mapping and evaluating the defense industrial base**

QUESTIONS? COMMENTS?

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