Welcome to the launch of the 2011 edition of The Military Balance.

Joining me to respond to your questions today are: Oksana Antonenko, Senior Fellow for Russia and Eurasia; Douglas Barrie, Senior Fellow for Military Aerospace; Brigadier Ben Barry, Senior Fellow for Land Forces; James Hackett, Editor, The Military Balance; Tim Huxley, Director for Military and Defence Analysis; Nigel Inkster, Director for Transnational Threats; Christian Le Miere, Research Fellow for Naval Forces and Maritime Security; Rahul Roy-Chaudhury, Senior Fellow for South Asia; and Adam Ward, Director of Studies.

Since the launch of the previous edition of The Military Balance last year, the IISS has substantially boosted its capacity to collect, collate and analyse military data, and to organise research projects on important developments in defence policy and armed forces globally, through establishing its new Defence and Military Analysis Programme, known as DMAP. This programme already constitutes a substantial and key element of the Institute’s overall research activity.

While DMAP is now engaged on important research projects that will find their published outlets in articles for our journal Survival, books in the Adelphi series, and in some cases Strategic Dossiers, producing the annual Military Balance is a key responsibility for the programme’s research staff.

In the Military Balance that we are launching today, you will find improvements compared with previous editions. Chapters on the war in Afghanistan, unmanned aerial vehicles, and the military dimension of cyberspace provide additional specialist analysis. The whole of Asia is now included in a single chapter, reflecting the increasing integration of the continent’s security relationships, cooperative and adversarial alike. We have thoroughly re-examined and revised the systems we use to classify naval vessels and some types of military aircraft. We are planning more profound changes to the structure, content and appearance of The Military Balance to take effect next year.

Since its beginnings fifty years ago, The Military Balance has provided an increasingly detailed record of the numerical indicators of the military strength of an expanding number of states. Thus, using The Military Balance, it is possible to make time-series comparisons over many years of states’ defence spending, military personnel numbers, and equipment holdings. But it is entirely valid to ask how much this tells us about real military capabilities: the ability of states to deter potential adversaries and, if necessary, to deploy and use military force effectively.

The IISS already includes substantial qualitative analysis in The Military Balance, in order to strengthen its utility to those assessing military capability. For example, for many air forces we indicate the number of flying hours per operational pilot. We include a table showing selected major military exercises and training activities. We provide extensive narrative surveys for each region, which among other things highlight national efforts to develop military capability.

We recognise, though, that The Military Balance could more systematically take account of a fuller range of factors contributing to contemporary national military capabilities. Specifically, we plan in future editions to assess key states’ capacities in areas such as logistics and combat support, C4ISR, training, joint-service operations, and interoperability with allies. In that light, we expect to increase country-specific narrative capability assessment significantly from next year onwards. At the same time, we are reconsidering the categories of equipment that we list in the context of their contribution to military capability.

DEFENCE CUTS IN THE WEST

Turning to this year’s edition of The Military Balance, which is as ever comprehensively global in its scope, one key theme stands out. Western states’ defence budgets are under pressure and their military procurement is constrained. But in other regions – notably Asia and the Middle East – military spending and arms acquisitions are booming. There is persuasive evidence that a global redistribution of military power is under way.

In an atmosphere of economic stagnation, Western states’ defence budgets are declining. The outcome of the United Kingdom’s Strategic Defence and Security Review in October 2010 indicated the hard times facing
most Western defence ministries and armed forces. While the UK will remain one of the world’s leading military powers, the SDSR is resulting in significant cuts to Britain’s defence capability including its ability to contribute to future expeditionary operations beyond Europe.

One result of the pressure on Britain’s defence spending, and similar constraints in France, was the two countries’ announcement in November that they were ‘opening a new chapter’ in their bilateral defence cooperation that will include creating a joint expeditionary task force, and collaboration on aircraft carriers.

The United States’ defence budget is still huge, of course, but Secretary of Defense Robert Gates is nevertheless forcing the Pentagon and US armed services to search hard for efficiency savings that can be reinvested in front-line operations in Afghanistan. The surge there has now peaked. With the US, UK and other coalition members’ armed forces applying relevant lessons learned in Iraq, the surge is achieving military effect in terms of clearing populated areas of insurgents and then holding these areas. The increased tempo of the offensive by special operations forces against Taliban command and logistic networks is also making headway. The Afghan army and police are growing in size, confidence and capability, and are starting to take the lead in some tactical operations. ISAF is likely to transfer the leading security role to Afghan forces in Kabul and some other districts during 2011.

Nevertheless, serious obstacles remain to a satisfactory resolution of the conflict. Pakistan’s forces are still not pressing Taliban sanctuaries in North Waziristan sufficiently hard. The biggest challenge to NATO’s and the Afghan government’s strategic objective of an Afghan lead in security across the country by the end of 2014 remains the Kabul government’s weakness. It remains possible that the Taliban can preserve their strength, wait for Western governments to withdraw most of their forces, and then mount offensives with renewed strength against a regime in Kabul that has relatively little military capability or will, and sparse political legitimacy.

The defence budgets of the United States, Britain and other Western states deploying forces in Afghanistan have needed to accommodate not only the costs of continuing military operations there, but also a requirement for equipment procured especially for that conflict such as protected patrol vehicles, UAVs, and helicopters. As the Afghan war winds down, there will be a need to make difficult choices about which of these equipment types have enduring value and should be retained.

In the meantime, major procurement programmes such as the US Marine Corps’ Expeditionary Fighting Vehicle are likely to suffer cuts or cancellation. Even the F-35 Joint Strike Fighter programme, and notably the vertical and short take-off version of the aircraft, may be under threat. And in the longer-term, the US defence budget is likely to remain under considerable pressure.

As the Foreword highlights, recent defence and security statements by Western governments indicate the complexity of perceived contemporary security challenges. However, the scope of these challenges and current fiscal constraints arguably call for more fundamental reassessments of defence priorities than we have seen so far.

NON-WESTERN MILITARY AMBITIONS ARE GROWING

There is now a stark contrast between the contracting defence budgets of many Western states and the growing military spending and arms procurement that characterises the Gulf, the Asia-Pacific and Latin America. This fact has significant implications for Western arms manufacturers. Faced with contracting domestic order-books, military exports to other regions are more important than ever for US and European defence companies. However, where more basic military equipment is concerned Western arms exporters face strong and in some cases growing competition from non-Western defence industries, notably those of Brazil, China, Russia, Singapore, South Africa, and South Korea.

The different types and quantities of military equipment that developed and developing countries are seeking reflects the disparity in defence budget trajectories between them. With straitened finances as well as a relatively new focus on combating asymmetric
threats, developed countries have diminishing appetite for grand defence projects. In the naval arena, for example, this means fewer large ships and larger numbers of smaller, multirole vessels. In the US, the navy has cut its Zumwalt-class destroyer programme from 32 to three ships, but still plans to procure 20 smaller, modular Littoral Combat Ships. In the UK, an aircraft carrier will be mothballed and the number of frigates in service reduced to 13, while the Type-26 replacement frigate will probably be smaller and more versatile. Meanwhile, in India, China and Brazil, there is still a desire to expand or establish fleets based around aircraft carriers and other large ships.

In the Gulf, the threat perceived from Iran with its growing missile capabilities and nuclear potential is stimulating the Gulf Cooperation Council countries including Saudi Arabia to spend heavily on defence, and they are emphasizing combat aircraft and ground-based air defences in their procurement programmes. In the maritime arena, Iran’s extensive fleet of small, fast attack craft, increasingly armed with capable anti-ship missiles, is encouraging GCC states, concerned to protect their offshore oil and gas infrastructure, to build up their own small attack craft capabilities. At the same time, the role of the United States remains key to security in the Gulf. There is no effective multilateral defence cooperation under GCC auspices, and it is the US that provides the ‘common operating picture’ for missile defence in the region.

In Asia, increasing defence budgets and expanding military procurement programmes have provoked much speculation about an ‘Asian arms race’, and about whether China’s major efforts to enhance its military capabilities combined with its greater strategic assertiveness – particularly in its maritime littoral – are fuelling such military competition. In reality, while plans to expand submarine fleets across the region do suggest efforts to counter China’s growing capabilities, the factors influencing Asian defence spending and military modernisation are diverse, ranging from the region’s relative economic vibrancy to suspicion and distrust among small and medium powers.

The modernisation of all branches of China’s People’s Liberation Army continues to overshadow other Asian states’ military efforts and to create unease on the part of the United States and other Asian powers, notably Japan and India. While media attention has focused on China’s aircraft carrier plans, the PLA Navy’s submarine programme, its new landing platform docks, and its deployment of more effective anti-ship missiles hold greater strategic significance.

The recent unveiling of the J-20 – a new combat aircraft with some ‘stealth’ characteristics – was an interesting indication that China is gradually closing the military technology gap between itself and the West. However, the build-up of the PLA Air Force’s inventory of multirole Sukhoi 30s, together with in-flight refuelling tanker and AWACS aircraft is already significantly strengthening China’s air capability. One consequence of China’s apparently relentless military upgrading, which also includes the development of anti-satellite and cyber-war capabilities, is that the balance of power across the Taiwan Strait is gradually changing in favour of the PLA.

In several Latin American countries – Ecuador, Brazil, Colombia and Paraguay – defence budgets have been rising in step with economic growth. Brazil has taken delivery of new main battle tanks and attack helicopters, amongst other equipment. The first KC-135 in-flight refuelling aircraft arrived for Chile’s air force, while navies throughout the continent have been commissioning new patrol vessels.

FLASHPOINTS AND CONFLICTS
While war across the Taiwan Strait remains unlikely, the last year has seen international tensions rise in several other places with a concomitant increase in the likelihood of inter-state conflict. Iran’s nuclear programme continues to provoke the implicit threat of Israeli or US military action. In the context of an imminent and possibly unclear leadership succession in Pyongyang, North Korea’s apparent aggression towards the South – seen in its alleged sinking of the Cheonan in March last year and its shelling last November of the island of Yeonpyeong – mean that the Korean peninsula is now as dangerous a place as it has been at any time since the end of the Korean War in 1953. These developments have reinforced South Korea’s determination to strengthen its military capacity. Seoul has focused on procuring anti-submarine warfare capabilities and has accelerated the FX-III multirole fighter aircraft programme. South Korea’s new defence build-up, and intensive programme of military exercises have backed up Seoul’s more assertive rhetoric stressing that a ‘disproportionate response’ will meet any future attack from the North.

Meanwhile, greater assertiveness on the part of China (in relation to its maritime claims) and the United States (in relation to its right to gather intelligence within China’s EEZ) has increased tensions in the South China Sea, while China has also acted with less restraint in East China Sea where its claims conflict with Japan’s. At the same time that some Southeast Asian states are watching China’s behaviour in the South China Sea nervously, the long-established but always tenuous expectation that members of the Association of Southeast Asian Nations would not go to war with each other has been dashed with a renewed and more clear-cut breakout of border fighting between Cambodia and Thailand. Thailand and other Southeast Asian states, notably Indonesia, Malaysia, Singapore and Vietnam continue to increase their defence spending and all have major military procurement programmes.

Long-running mistrust between China and India focuses on their border disputes, with New Delhi pointing to alleged Chinese transgressions of the Line of Actual Control. In response, India has significantly reinforced its air force deployments to northern bases.
China’s encroachment into the Indian Ocean through its anti-piracy patrols, and its funding of port construction in Pakistan and Sri Lanka has concerned India’s naval establishment, and has provided a justification for India’s own naval expansion plans.

In Latin America, important tensions, not least concerning the continuing FARC presence on Venezuelan territory, persist between Colombia and Venezuela. In October, a military incursion by Nicaragua into Costa Rica at a disputed section of the border led to a diplomatic confrontation. And Argentina responded to early indications of oil deposits in waters around the Falklands by escalating its diplomatic protests and more stringently regulating shipping to the islands.

CONCLUSION
The latest Military Balance is rich in detail and nuance, and provides cogent analyses by IISS experts of global defence developments and trends. But while The Military Balance examines trends, it is avoids trendiness. For example, we acknowledge the importance of cyber-threats and cyber-defence, but we remain unconvinced that this is the most important aspect of the contemporary defence debate. Over time, ‘cyber’ will find its place in the wide array of factors comprising military capability that policy-makers must properly consider but this place may not be as prominent as the recent high profile given to the issue has sometimes suggested.

Among the other important areas that the latest Military Balance investigates, the assessments of Russian military reforms and Indian defence policy are particularly worthy of attention. These further emphasise the key theme that while the military sector in the West is, overall, contracting as a result of financial constraints, elsewhere the picture is often quite different. Many states are seeking to translate their economic strength into military power which they may then use in support of national goals ranging from protecting their energy supplies to asserting territorial claims.

How quickly the global redistribution of military spending and procurement will translate into useful military capability will vary according to national circumstances. However, it is already clear that as a result of shifts in the global distribution of economic power and consequently the resources available for military spending, the United States and other Western powers are losing their monopoly in key areas of defence technology, including stealth aircraft, unmanned systems – and cyber-warfare. As the IISS Defence and Military Analysis Programme develops its research and analysis, the questions of how quickly and in which directions non-Western military capabilities are evolving will be a top priority.