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# Why Did Southeast Asia's Military Expenditure Increase During a Recession?

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#### Abstract

The world is in recession, Covid-19 and the Ukraine Crisis are two important events that have made the world economy worse. The World Bank predicts an increased risk of a global recession in 2023. A recession will impact many aspects of life, including the military. This is reasonable because efforts to overcome them are prioritized in the main sectors. Something is fascinating about Southeast Asia, namely that its military expenditure has increased. Why did Southeast Asia's military expenditure increase during a recession? This pattern of contradiction is not only important but also interesting to study. Using qualitative methods with data analysis techniques, and borrowing a structural realism approach, it is found that the increasing competition between the U.S.A. and China has triggered an increase in military expenditure in the region. At the same time conflicts and potential conflicts between countries in the Southeast Asian region, although not directly, are permanent causes. The recession does not seem to affect efficiency in military expenditure, this shows that tensions in Southeast Asia are a priority of countries in the region. These findings close a gap in previous studies which were relatively dominated by efforts to link military expenditure to economic growth using quantitative methods.

**Keywords:** Military Expenditure; Military Transfer; Southeast Asia; South China Sea; AUKUS.

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### **INTRODUCTION**

The world economy is experiencing a slowdown. Covid-19 and the Ukraine war have become two important events in recent years that have affected the decline in international economic performance. One of the sectors affected is security. During the pandemic, the world economy was focused on stemming the spread of Covid 19. On the other hand, economic activity experienced a slowdown due to social distancing. The world has not emerged from the crisis caused by the pandemic but the Ukraine crisis has added new difficulties. That conflict has far-reaching effects. As one of the world's main energy producers, this crisis affects the distribution of Russian gas to its consuming countries for various reasons. This situation attracts many observers predicting a recession in 2023. Even the World Bank predicts a "rising risk of global recession in 2023 amid simultaneous rate hikes" (The World Bank, September 15, 2022).

Interestingly, given the slowing economic situation and the growing global recession discourse, in Southeast Asia at least half of the countries in the region have experienced an increase in military expenditure. Four countries experienced an increase (% GDP), namely: Myanmar (3.33% [2021] previously 2.95% [2020]), Malaysia (1.06% previous 1.01%), Singapore (2.98% previously 2.94%) and the Philippines (1.04% previous 1.01%). On the other hand, three countries experienced a decline, namely: Cambodia (2.32% [2021] previously 2.45% [2020]), Thailand (1.32% previously 1.45,%) and Indonesia (0.70% previously 0.86%) experienced a slight decrease (SIPRI, 2022). Meanwhile, despite no data on Laos and Vietnam, there is believed to have been a substantial increase, from the last pattern. Meanwhile, when viewed from the level of Southeast Asia in the 2019-2021 range, since before Covid 19, military expenditure has also increased, namely 43.2 (2021) while previously it was 41.9 (2019) (SIPRI, 2022).

It is vital to put Southeast Asia as the case. First, this region is geographically strategic because it is a place of crossing, flanked by two continents (Asia and Australia) and two oceans (Indian and Pacific). So that it becomes one of the dense routes of world trade through the South China Sea and the Strait of Malacca, security in the region determines the world's security. Because if stability and security in this region experience a crisis, it will affect many other parts of the earth. Secondly, demographically, the population in the region is the largest after China and India. A large population is a market for various world products. Of course, this region has become very dynamic and economically promising, with at least half a billion inhabitants. So the consequence is third, namely that this region becomes one of the critical centres of the world economy. This strategic position places Southeast Asia as an urgent region to be studied, especially concerning the progressiveness of its mili-

tary expenditure in times of recession. Theoretically, recessions are responded to by policy-makers by making strict savings. Consequently, many sectors are experiencing budget shrinkage, including the security sector. However, interestingly, not a few countries in the region have experienced an increase in military spending.

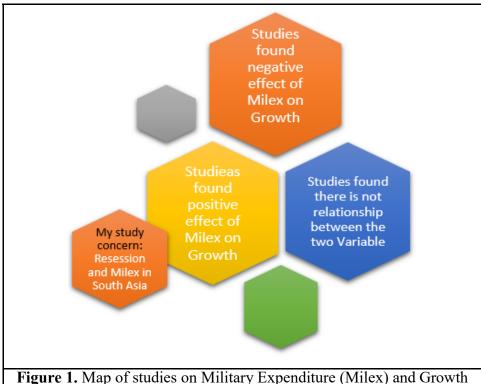
The increased Military Expenditure in Southeast Asia is significant because it occurred during a recession, so the interesting question is: why did southeast Asia's military expenditure increase during a recession?

#### **Literature Review**

Studies linking Military Expenditure with the economy can be classified into 3: *First*, Studies that find the negative effects of Military Expenditure on economic growth. Those who found there were direct adverse effects include: Larrosa argues that "a tight arms race can harm growth." Paras, Richter, and Paparas state that "military spending (author: expenditure) hurts economic growth." Constantin also wrote that "qualitative and quantitative expansion of the arms race harms international relations and their stability" and automatically has a destructive impact on the economy. Ahmed and Ismail who found "The 0.04 percent negative impact of military expenditure on growth implies that military expenditure is detrimental to growth in Africa (Ahmed and Ismail, 2015)." Furthermore included in this group are (Aye *et al.*, 2014), (Haseeb *et al.*, 2014), the three studies concerned South Africa; then with China as case (Qiong and Junhua, 2015); with Pakistan as case (Ajmair *et al.*, 2018), with Russia as case (Oxenstierna, 2016), with Turkey as case (Töngür and Elveren, 2017), with Greece as case (Dimitrios Paparas, christian Richter, 2016), and with the U.S.A. as case (Masoud Ali Khalid, 2015).

**Second**, studies found positive effects of military expenditure on the economy, among which (Pramono, 2018) wrote "the arms race between China and the United States in the South China Sea has become a process of regional power balance, which strengthens political stability and makes the region a dynamic engine of economic growth" (Pramono, 2018). **Third**, those who assume there is no relationship between the 2 variables. Including (Abdel-Khalek, Mazloum and El Zeiny, 2020) who "conclude the absence of a causal relationship between the two variables (in the case of) military expenditure and economic growth in India case, during period 1980-2016."

The three groups only analyzed the effect of Military expenditure on the economy, but not many studies explored the opposite; I do this, by questioning the recessionary variables followed by the growth of military expenditure in Southeast Asia.



Source: Author's conceptual framework

#### **Theoretical Framework**

Theoretically, the power structure at the international level affects at least the behaviour of medium and small states. Meanwhile, significant countries, on the contrary, determine more international power structures. So it can be illustrated that there is a process of interaction between systems and units in international politics. The unit's behaviour, a response to the structure surrounding it, also contributes to the formation of the international structure.

One of the important facts shown by neo-realism, international structures have a significant role in determining countries' behavior. Although there were differences in domestic political structure between the Soviet Union and America in the cold war era, the two great powers had the same international behaviour. This means that domestic factors are not more significant when compared to the international power structure. The global structure or system becomes an Independent Variable that explains the international behaviour of the world's countries.

The international system understood by structural realism is anarchy, i.e., a situation

with no government over states. Or in other words, the one who can be relied upon to help is oneself. The logic of this international system is referred to as the Self Help System. In every unit in an anarchical system, countries are vying to increase their security guarantees in at least two ways: increasing their armaments or creating alliances.

In the Southeast Asian context, the behaviour of two great powers, namely China and the USA, shows a pattern of competition. China is increasingly assertive in the South China Sea, increasingly intervening in the problems of Hong Kong and Taiwan. Meanwhile, the US is increasingly strengthening alliances with Australia and the UK through AUKUS. Such interactions create tensions in the region that are understood as a threat to countries in the region.

From the perspective of the countries in Southeast Asia, the rivalry between the two great powers is of course very worrying. Because the mobilization of forces occurred in their environment. Under these conditions, naturally, each country tries to struggle to secure itself so that what is known as a self-help system is created. "In any self-help system, units worry about their survival, and the conditions worry about their behaviour" (Kenneth N. Waltz, 1979). The most feasible and realistic effort is to strengthen its security as much as possible, which is operationally carried out by increasing military expenditure. Furthermore, from the perspective of a self-help system, dependence on other countries is a problem. Because dependence results in control from other. From a security point of view, this is very worrying, so countries control as much as possible what they can control to reduce dependence. "...states seek to control what they depend on or to lessen the extent of their dependencies." (Kenneth N. Waltz, 1979).

In line with these arguments, the perspective of John Mearsheimer is that countries tend to compete and threaten each other in an anarchic international system. Moreover, Mearsheimer emphasizes the importance of military power in ensuring national security. In the context of Southeast Asia, Mearsheimer's argument supports the view that the competition between China and the United States in the region is a result of the logic of the international system, which takes into account military power at the international level (Mearsheimer, 2001).

Supplementing this perspective is (Posen, 1993), who emphasizes the role of security dilemmas in the international system. He argues that countries tend to threaten each other due to security dilemmas, namely the fear that another country's military power can pose a threat to national security. In the context of Southeast Asia, Posen's argument can illustrate how countries in the region may feel threatened by the rivalry between China and the United States, leading them to strengthen their military capabilities in response to the security di-

lemmas that arise.

Overall, neorealist thinkers like Waltz, Mearsheimer, and Posen provide perspectives that support the argument for increased military expenditure in Southeast Asia during economic recessions. In their views, there are several main reasons why countries in the region tend to increase their military budgets. Waltz's perspective on countries controlling their own needs and reducing dependence on other nations is particularly relevant in this context. Countries in Southeast Asia recognize the importance of ensuring their security and defense, regardless of challenging economic conditions. By increasing military expenditure, they hope to reduce reliance on aid or support from other countries and enhance their own abilities to safeguard national security.

Mearsheimer's perspective on competition and threats in an anarchic international system is also significant to consider. The competition between China and the United States in Southeast Asia has raised significant concerns among the regional countries. They are aware that the rivalry between these two major powers can affect regional stability and security. In response to this situation, increasing military expenditure can be seen as a rational response to maintain the balance of power and protect their national interests.

Posen's view on security dilemmas provides further insights. Southeast Asian countries may find themselves trapped in security dilemmas, where they feel threatened by the rivalry between China and the United States. The rise in military expenditure in the region can be viewed as an effort to reduce uncertainty and maintain stability in national security. In this situation, countries in Southeast Asia strive to maintain a balance of power and enhance their military capacity to address potential threats.

Thus, these perspectives from neorealist thinkers provide a strong foundation for supporting increased military expenditure in Southeast Asia during economic recessions. In the face of competition, threats, and security dilemmas, countries in the region aim to safeguard their national security and exercise control over their own needs by enhancing their military capabilities.

#### RESEARCH METHOD

How is this research conducted and what data is used? This is qualitative research, which seeks to explore research subjects qualitatively. Greenhalgh, Trisha and Taylor wrote "qualitative methods aim to make sense of, or interpret, phenomena in terms of the meanings people bring to them" (Soares, Beard and Dornhorstt, 1997). The characteristics of qualitative research are exploratory, flexible and flexible, driven by data and sensitive to context. The opposite of qualitative research is quantitative research that explores the subject study,

usually description, through numeric analysis (Patton and Cochran, 2002). On other hand, qualitative research uses data in the form of the statement quoted (direct or not) from various sources that be believed the validity. Different from quantitative research that usually can be made generalizations, almost all qualitative research has not possibility to be made a generalization.

This research uses 2 technics to collect data, namely: (1) literature study and (2) data analysis. Literature study is a researcher's effort to explore many kinds of literature related to the topic, like journal articles, social science books, news, and official data such as from IMF, ASEAN Secretariat, SIPRI, etc. On the other hand, data analysis is an effort to understand or interpretation of data (document or policy) such as official websites, letters, white books, newspaper, and many other sources. Then from the two method efforts, the researcher finds and constructs many relations among the variables studied. Why is the qualitative research method relevant to this research? First, this research is effort to looking for factor; Second, every research's efforts to discover factors need to explore data. The best method for exploring data and literature is the qualitative method.

#### RESULTS AND ANALYSIS

#### The Emergence of Recession and Tensions in the Region

A growing economy requires stability that requires solid strength and stability that requires a strong defense. It is only natural that countries with developed economies also have high military expenditure. The case of Southeast Asia is interesting because an increase followed the military expenditure recession. In the context of this region, recession, although a situation that demands austerity, is accompanied by sharply rising tensions, namely the transformation of the Indi-Pacific into an area of competition between U.S.A and China. That tension accelerates the change of the region's international structure to a self-help system. Thus encouraging policymakers to emphasise increasing military power that can be relied upon in response to such uncertainty.

In a normal situation, a recession is undoubtedly addressed by a policy of tightening the expenditure, including in the security sector. It does not seem to be the case in Southeast Asia due to the rapid change in power structure marked by (huaxia, 2021a). A series of regional Chinese policies, such as assertiveness in the South China Sea, interventions against Hong Kong and Taiwan including leaps in arms transfers to the region from both China and the U.S.A, precede it. Rising dynamics in the area rapidly inform policymakers that the rivalry between the U.S.A. and China fuels tensions. Relying on one's strength to deal with regional tensions is a reasonably realistic policy.

Tensions in the region are more concerned than a recession, so efforts to increase military expenditure are a key priority rather than savings without security guarantees. Or in other words, although austerity is a logical step to respond to a recession, strengthening military expenditure guarantees more security in an abnormal situation.

#### **Tensions in Southeast Asia**

Tensions in the region are fueled by the rivalry between the U.S.A. and China. The rivalry between the two great powers is actually an extension of the rivalry at the global level that has been going on for several years. The world community witnessed a shift of power at the global level that led to the strengthening of China's influence on one side and the decline of U.S. power on the other side.

Starting from the terrorist attacks of September 11, 2001, which were quickly responded by the U.S.A. with the invasion of Afghanistan (2001), Iraq (2002) as well as a series of other actions within the framework of "the war on terrorism. According on a new study, the U.S.A. expenditure cost of post-9/11 wars through 2018 was 5.6 trillion (Crawford, 2017). The U.S.A. requested that the global community support these the U.S.A. actions but a critical view needs to be put forward, Bush specifically said "Either you are with us or you are with the terrorists?" (Truman, 1947) It is as if the U.S.A. says "let me determine who the terrorists are, you are sufficiently supportive."

Continued with global financial crisis occurred in 2008. This financial disaster was considered the most serious since the Great Depression of the 1930s. Triggered by the crisis in the subprime mortgage market in the United States in 2007 which developed into an international banking crisis, and the collapse of the investment bank Lehman Brothers on September 15, 2008. The crisis continues to have a bombastic effect, especially in northern countries. Greece became one of the worst countries hit by the financial crisis. Despite receiving massive guarantees from world financial institutions, the crisis was followed by the decline of the global economy and the Great Recession. The meeting of economic difficulties due to the global financial crisis on one side and the enormous size of the expenditure "war on terror" on the other side, makes the U.S.A. must bear a tremendous economic burden. This situation was responded by Obama by cutting the U.S.A. military expenditure on a large scale. In 2010 the growth of the U.S.A. military expenditure was 4.7%, then in 2016 the growth has become 3.3% (SIPRI, 2022).

The magnitude of the U.S.A. financial difficulties is still the focus of the next president, Trump. Although he has a different approach, compared with Obama in dealing with crises, the two Presidents have the same interest to secure the U.S.A. economy. If Obama

believes that the multilateral cooperation approach by increasing the U.S.A. global economic interaction can strengthen the country's economy, then Trump is of the opinion that efforts to isolate the U.S.A. economy, especially from countries that have a surplus of trade value over the U.S.A. are precisely necessary. Obama tied the U.S.A. with the trans-pacific partnership (TPP). For Trump TPP precisely increases the burden on the U.S.A., the U.S.A. economy which is in trouble is increasingly difficult with the mechanism agreed upon in the TPP. This thinking prompted Trump to revoke the U.S.A. participation from the TPP on January 23, 2017.

Different from the U.S.A. shifting towards self-isolation, China is increasingly opening up to the international world, even further strengthening its interaction with the global economic environment. It began when Deng Xiaoping adopted a policy of economic liberalization (1978). This policy was creative in his day, during the ideological war in the Cold War era (Communism promoted by the Soviet Union versus the U.S.A.-driven Capitalism), Deng precisely combined the two hostile ideologies, which in their development became known as "Capitalism with China Characteristics" (Fu, 2019) that is, by carrying out economic liberalization on the one hand but retaining political control of the style of Communist ideology on the other.

Proven that policy was followed by an increase in Chinese investment in the 80s, and the skyrocketing of China's GDP in the decade of the 90s, which became the foundation for the further development of China. The average economic growth of China during the 1990s was around 10%. One important context that accompanies China's economic growth is the increasingly strong interaction between China and the international world. After the Cold War, China began to open diplomatic relations with the world, including with the Southeast Asia countries. In 1997 China established relations with this regional organization, ASEAN. Through the ASEAN plus 3 (framework with Japan and South Korea) multilateral relations between them have begun. The 1997 financial crisis reinforced the need of ASEAN countries for foreign investment. The presence of China is seen as an opportunity that can ease the burden after the crisis.

While from the point of view of China, ASEAN is an area with a population of almost half a billion or the third largest in the world (after China and India). China and ASEAN feel the need to increase economic ties between them to increase the degree of economic integration which is believed to be more profitable in the future. This reasoning prompted ASEAN and China to agree to the ASEAN-China FTA in 2003. The multilateral cooperation that China began to encourage did not stop in the region. At the global level, in 2002 China began to join the WTO. Undeniably, the shift in the structure of world power has

affected the dynamics of international politics in Southeast Asia. From the point of view of large countries such as China and America, Southeast Asia is an area of competition to expand influence, including as an arms market. The high potential for conflicts such as border disputes, terrorism and separatism makes this region a potential place to absorb military products. The shift in the international power structure thus has an effects ease in military expenditure in the region.

#### China's Assertiveness in the South China Sea

The Philippines and Vietnam are two countries that directly have conflicting claims with China in these waters. It is not surprising that tensions often occur between the two countries and China even though bilaterally they try to separate the maritime conflict from other issues such as trade and investment. The difference in the level of development between China and the two Southeast Asian countries is one of the potentials to open up spaces for cooperation that can actually still develop in the future. The widening flow of foreign investment from China to Southeast Asia is of course one of the exciting sources of investment for this region, including for the Philippines and Vietnam. The choice to build friendship is clearly profitable situation has made international relations between China and the two countries dynamic. Wang Wenbin, the spokesperson of China's Foreign Ministry said: "China will continue to properly handle maritime disputes with countries directly concerned, including the Philippines, through dialogue and consultation, and work with ASEAN countries to maintain peace and stability in the South China Sea." (China, 2022).

On the other hand, America promised support to the Philippines regarding the dispute in the South China Sea "We stand with you in defense of international rules and norms as it relates to the South China Sea," said Kamala Harris in her meeting with Philippine President Ferdinand Marcos in Manila (Patsy Widakuswara, 2022). Previously Obama stopped his arms embargo on Vietnam in May 2016, even though he said, "Sales will need to still meet strict requirements, including those related to human rights, but this change will ensure that Vietnam has access to the equipment it needs to defend itself," (BBC, 2016). Obama said after talks with President Tran Dai Quang. Furthermore, Vietnamese Foreign Ministry spokesperson Le Thi Thu Hang said:

"Vietnam asks China to respect Vietnam's sovereignty over the Paracel Islands, sovereign rights and jurisdiction over its seas when taking measures to conserve biological resources in the East Sea [South China Sea], without complicating the situation, [and] to contribute to maintaining peace, stability and order in the East Sea region," (Vien Dong, 2022).

Although trying to build harmonious diplomatic relations with China, the Philippines' position regarding the South China Sea aligns with Vietnam's position. The Department of Foreign Affairs (DFA) announced its expenditure sponsor, Manila Representative Bienvenido Abante, during the plenary deliberations on the departments for 2023:

"Since 2020, we have filed 405 protests, including diplomatic notes on daily illegal presence of Chinese vessels in Pag-asa island and Julian Felipe Reef, as well as Chinese illegal activities in West Philippine Sea such as radio challenges, dangerous maneuvers, among others," (LLANESCA T. PANTI, 2022).

Malaysia also displays even the attitude of rhythm. The Ministry of Foreign Affairs of Malaysia, for example, in its official portal, launches its position clearly under the heading: "Malaysia protests the encroachment of Chinese vessels into Malaysian waters" (PUTRAJAYA, 2021). These countries' attitude reflects the perception of threats in responding to China's assertiveness in the South China Sea. Threat perception in the minds of policymakers of countries in this region further becomes the basis for these countries to improve their security which is physically visible from the behavior of increased military expenditure. The security situation described, of course, creates tension in Southeast Asia, so it is not surprising that countries in the region, especially those with coastlines connected to the SCS, give priority to their defense.

### **AUKUS** as West's Response to China

The increased security centralization of the Indo-Pacific was marked, among others, by the Australia, United Kingdom, United States (AUKUS) trilateral treaty pact on September 15, 2021. "Indo-Pacific refers to the strategic and geographical constructs in the foreign policy of different countries. The term has replaced the "Asia-Pacific" terminology previously used more dominantly." (Alunaza and Sherin, 2022). Through this pact the United States and the United Kingdom strengthened Australia's security in increasing nuclear powered submarines, which are part of efforts to synergize Western military power in the Pacific region. "President Biden said the United States and Britain would help Australia to deploy nuclear-powered submarines, adding to the Western presence in the region." (David E. Sanger and Zolan Kanno-Youngs, 2021).

Although the AUKUS declaration never stated which country its influence was blocked, it is believed that the Pact responded to the expansion of China's influence in the region. The strengthening of China's influence as seen from a number several such as intervention in Taiwan and Hong Kong, assertiveness in the South China Sea, including strengthening investment through BRI and AIIB, seems to be read by the West as a threat. AUKUS is increasingly visible as a response to China's strengthening influence in the region, espe-

cially when looking at the areas of cooperation, namely:

"The trio, now known by the acronym AUKUS, will make it easier for the three countries to share information and know-how in key technological areas such as artificial intelligence, cyber, quantum, underwater systems, and long-range strike capabilities." (ALEXANDER WARD and PAUL MCLEARY, 2021).

Wang Qun, China's Permanent Representative to the United Nations in Vienna, criticized AUKUS, saying "AUKUS goes beyond the existing international non-proliferation regime and the mandate of the IAEA Secretariat. The issue should not be handled by the three countries alone and must be handled by the IAEA member states" (huaxia, 2022). In line with the criticism, Wang Wenbin, a former Chinese Foreign Ministry spokesperson, said: "If the United States can transfer weapons-grade nuclear materials to Australia, a non-nuclear-weapon state, what reason does it have to oppose the production of highly enriched uranium by other non-nuclear-weapon states?" (huaxia, 2021b).

The interaction between China and the West regarding AUKUS at least shows a pattern of conflict between the two parties in the Indo-Pacific. From a broader perspective, there is tension in the relationship between the two parties. This relationship pattern helps shape the perception of threats in the minds of leaders in Southeast Asia so that they respond by increasing military expenditure.

The Ministry of Foreign Affairs of The Republic of Indonesia responded to these developments by conveying, consist of: "Indonesia is deeply concerned over the continuing arms race and power projection in the region; dan Indonesia stresses the importance of Australia's commitment to continue meeting all of its nuclear non-proliferation obligations." (INDONESIA, 2021).

The fact shows that the increase in military expenditure in Southeast Asia occurred during a recession, from US\$ 41.9 billion (2019) to US\$ 43.2 billion (2021). Even though the global community is facing a recession due to the pandemic and the Ukrainian crisis. The increase in military expenditure during a recession shows the urgent value of the security. From the perspective of structural realism, it cannot separate the policy of increasing military spending in Southeast Asia from the wider international environment, namely the dynamics of security in the Indo-Pacific.

### **Expansion of Military Transfers to Southeast Asia**

The increase in Military Expenditure in Southeast Asia cannot be separated from the military import of countries in this region, both from the U.S.A., China and other countries. China and the U.S.A. are not alone in being a source of arms imports for countries in South-

east Asia. Several countries with an important position as a source of arms imports to Southeast Asia besides China and the U.S.A., namely: Russia, Germany and France. The top five exporters of SEA (China in it) contributed 62% or U.S. \$ 10273 million. In contrast, the rest accounted for 38% or 6280. During the 2013-2018 period, the most significant source of weapons importers for SEA was Russia, which contributed up to 26% (U.S. \$ 4347 million), then in succession, namely: the U.S.A. 18% (2908), China 8% (1377), France 5% (889) and Germany 5% (752).

Interestingly, imports of Southeast Asian weapons from the U.S.A. increased during the pandemic era, namely 89 million US\$ (2019), increased to 203 million US\$ (2020) and increased again to 342 million US\$ (2021). Meanwhile, even though Southeast Asia's military imports from China have decreased, from US\$ 194 million (2019) to US\$ 26 million (2020) but at least it has increased sharply to US\$ 127 million (2021). The increased transfer of weapons from the two external great powers to this region seems forced considering that it was carried out during the pandemic which also hit all countries in Southeast Asia. This situation shows how high the priority is to improve regional security both from the perspective of the two great powers and the countries in this region. It is important to underline the increase in weapons imports is related to the size of the Military Expenditure. Because imported weapons are part of the Military Expenditure, when imported weapons increase automatically, the amount of Military Expenditure is affected. This pattern can be seen, for example, from the increase in imports of Philippine weapons from the US which was accompanied by an increase in Military Expenditure in that country. The same pattern also occurs in at least Singapore, Malaysia, Myanmar (see table 1 and 2).

**Table 1.** Military transfer (in million US\$)

Source	Receiver	2019	2020	2021	Total
	Indonesia	21	88	91	200
	Singapore	47	31	106	184
The U.S.A.	Philippines	11	60	91	162
	Viet Nam			54	54
	Thailand	10	24		34
	Total	89	203	342	634
	Thailand	97	9	23	129
	Myanmar	47		50	97
China	Malaysia	26		52	78
	Indonesia	14	17	2	33
	Laos	9			9
	Cambodia	1			1
	Total	194	26	127	346

Source: Military transfer (in million US\$), https://militarystrade.sipri.org/militarystrade/page/values.php

Table 2. Military expenditure by country, in constant US\$ m

Country	2019	2020	2021
Brunei	418.2	436.5	438.0
Indonesia	8063.0	9387.0	7965.1
Laos			
Malaysia	3179.7	3374.6	3682.1
Myanmar	2279.6	3208.3	2994.5
Philippines	3714.9	3732.7	3898.9
Singapore	10270.7	9978.6	10683.0
Thailand	7234.0	7268.8	6654.2
Viet Nam			
Total	35160.1	37386.5	36315.8

Source: Military expenditure by country, in constant (2020) US\$ m., 2018-2021 © SIPRI 2022, https://milex.sipri.org/sipri

When viewed from a more extended period, the pattern of competition between the two external great powers in Southeast Asia can be seen more clearly. According to SIPRI data on arms transfers worldwide, during the 2013-2018 period, China was the most significant source of weapons imports for SEA after Russia and the USA, amounting to US\$ 1377 million or 18% of a total of 16553 million. The region's highest increase in arms transfers reached 76.08%, from US\$ 782 million (2007-2012) to US\$ 1377 (2013-2018). The countries that receive weapons transfers from China in this region are Myanmar, Thailand, Indonesia, Laos, Cambodia and Malaysia. An increase and a decrease are pretty dynamic, with the central tendency to increase. Only two countries experienced a decline in arms imports from China, namely Cambodia and Malaysia. Cambodia fell by 48%, and Malaysia even declined by 100%. At the same time, other Chinese weapons importers in the region increased quite sharply. The most significant increase in Chinese arms transfers occurred in Thailand by 752%, from 34 million to 290 million in the same period.

In comparison, the lowest decline occurred in Malaysia, which fell by 100%. But in terms of volume, the biggest destination for Chinese arms transfers in SEA is Myanmar, which reached 719 million from 2013 to 2018. In contrast, the region's smallest volume of Chinese arms transfers was in Cambodia, which was only US\$ 39 million. China is not the only source of arms imports for countries in Southeast Asia. Some countries have an important position as a source of arms imports to Southeast Asia besides China: the U.S.A., Russia, Germany and France. The top five exporters of SEA (China in it) contributed 62% or

US\$ 10273 million. In contrast, the rest accounted for 38% or 6280. During the 2013-2018 period, the most significant source of weapons importers for SEA was Russia, which contributed up to 26% (US\$ 4347 million), then in succession, namely: the U.S.A. 18% (2908), China 8% (1377), France 5% (889) and Germany 5% (752).

The U.S.A. is the second largest source of weapons imports in the region. In 2013-2018, the number of the U.S.A. arms exports to the SEA was 2908, an increase of 6.75% from the previous period, 2724 (2007-2012). The SEA countries that are the destination of arms exports from the U.S.A. are Singapore, Indonesia, Thailand, Philippines, Brunei, Vietnam and Malaysia. The largest the U.S.A. arms importer is Singapore, which is: 1530 (2013-2018), although the figure is down from the previous figure, 2455 (2007-2012). In contrast, the minor the U.S.A. weapons importer is Malaysia, which only imports US\$ 27 million. Even that number dropped from the previous period, reaching US\$ 38 million. In addition to Singapore and Malaysia, all the U.S.A. weapons importers in the region have increased. With the highest increase, Indonesia went 1031.81% from US\$ 66 million to US\$ 747 million, followed by Thailand 211% from US\$ 76 million to 237 million. The Philippine increased by 153.93% from 89 million to 226 million. Brunei increased 100% from the previous period that did not import, then to 87 million. Likewise, Vietnam rose by 100% from those who never imported, then imported by 57 million. Besides China, the U.S.A. is the only one that experienced an increase in arms exports to the SEA even though the growth is still below China, which is 6.75% for the U.S.A. and 76.08 for China.

**Table 3.** USA Arms Export to SEA

Nia	SEA Countries	Million US\$		The shifting	
No		2007-2012	2013-2018	Million US\$	%
1	Singapore	2455	1530	-925	-37.67
2	Indonesia	66	747	681	1,031.81
3	Thailand	76	237	161	211.84
4	Philippines	89	226	137	153.93
5	Brunei	0	87	87	-
6	Viet Nam	0	54	54	-
7	Malaysia	38	27	-11	-28.94
	Total	2724	2908	184	6.75

Source: Importer/Exporter TIV Tables, <a href="http://armstrade.sipri.org/armstrade/page/values.php">http://armstrade.sipri.org/armstrade/page/values.php</a> (Analysed by author)

Table 4. China' arms transfer to SEA

No	Arms Transfer to SEA Countries	Million US\$		The Shifting	
		2007-2012	2013-2018	Million US\$	%
1	Myanmar	565	719	154	27.25
2	Thailand	34	290	256	752.00
3	Indonesia	81	260	179	220.00
4	Laos	22	69	47	213.00
5	Cambodia	75	39	-36	-48.00
6	Malaysia	5	0	-5	-100.00
	Total	782	1377	595	76.08

Source: Importer/Exporter TIV Tables, <a href="http://armstrade.sipri.org/armstrade/page/values.php">http://armstrade.sipri.org/armstrade/page/values.php</a>

### **Threats from Neighbours**

Sovereignty is the national interest of each country. As a national interest, sovereignty becomes a consideration with the main priorities a country fights for through its various policies. Therefore sovereignty (or specifically: maintaining borders) can also be used to explain the country's behaviour in increasing military expenditure. *First*, Thailand-Myanmar. Border conflicts between the two countries often occur. The high intensity of border conflict has made the policymakers of the two countries pay special attention to the issue. One form of attention can be seen from the increased expenditure of military. There was a jump in growth in Thailand's weapons expenditure of US\$ 868 million or 15.6% from US\$ 5552 million (2009) to US\$ 6420 million (2018). While on the other hand, Myanmar also has a large military expenditure for a measure of Myanmar's economic growth that is not as aggressive as its neighbors in the region. On the other hand, Myanmar military expenditure in 2018 is US\$ 3155 million, higher than before (SIPRI, 2022). The surge in military expenditure growth shows that the government has a perceived threat.

Second, Thailand also has conflict with Cambodia. Like Thailand, which increased its military expenditure, Cambodia also did it. Cambodia's military expenditure increased by 190.05% or US\$ 344 million, from 181 (2009) to 525 (2018) (SIPRI, 2022). *Third*, Malaysia -Singapore. The experience of Singapore's release from Malaysia instils suspicion that continues to influence relations between the two countries in the following periods. Ethnic differences are also difficult to deny being another variable that contributes to the mutual suspi-

cion between them. Two countries have been increasing their military expenditure. Course the border conflict is not the one reason.

Fourth, Philippines-Malaysia. The conflict between the two countries occurred because of Philippine claims over Sabah. Sub-national actors such as Mindanao community groups in Sabah and illegal immigrants from the Philippines often trigger tension between the two countries. This situation has been contributing to their increasing military expenditure. Although, those border conflicts in the region are not the only cause, but they have an important position as a consideration to increase military expenditure.

Fifth, Malaysia-Indonesia. Malaysia has been in a border conflict with Indonesia since at least 31 August 1957. Although, the issue has been successfully resolved, "problems between Malaysia and Indonesia emerged (again) after the publication of the New Map by the Malaysian government in the year 1980." (Bustami, Maksum and Yogyakarta, 2022). Since then the relationship between the two countries has been tested by the Sipadan-Ligitan Island dispute. Indonesian authorities claim to have found Malaysia has built a resort in Sipadan. From Indonesia's point of view, this is a violation of the previous agreement, in 1969. Indeed, there have been a several problems, such as the detention of Malaysian fishermen using the MV Banggi Island (11 July 1991). In the same month, a group of Indonesian security forces was charged with a meeting on Sipadan Island. This background made the two countries negotiate at least three times, namely in 1992, 1993 and 1994 which resulted, among other things, a new committee to replace the GBC, namely the Joint Working Group (JWG) which was specifically intended to deal with the Sipadan-Ligitan Island dispute.

On November 2, 1998, the two countries began filing the case with the ICJ. A series of IJC court hearings, in December 2002, have decided, Malaysia has the right to Sipadan-Ligitan Island. Indonesia also accepted the decision even though many regretted it. The results of negotiations on the ownership of Sipadan-Ligitan Island have raised many other problems in the form of overlapping claims. Among them are oil concessions which have caused tension in the Ambalat case. This case was repeated at least three times during President Yudhoyono's administration (2005, 2008 and 2009). However, only two cases, namely in 2005 and 2009, have disrupted relations between the two countries. Until now, negotiations regarding overlapping claims in the Ambalat Block are still ongoing. This is one of the important contexts behind the increase in weapons between the two countries.

Border conflicts in Southeast Asia have thus attracted the attention of policymakers to improve border security. It is no exaggeration to say that border conflicts are one of the reasons for increased military expenditure in this region. Furthermore, because border conflicts have been going on for the longest time since these countries became independent, ef-

forts to guarantee security at the borders have been made for a long time. The border conflicts are a permanent cause behind the increase in regional military expenditure and global security dynamics.

Security dynamics at the global and Southeast Asian levels are a context that is not only rational but also empirical for countries in this region to increase their military expenditure. China's assertiveness in the South China Sea is of course understood as a threat to countries that have shorelines in these waters, especially to Vietnam and the Philippines. In this context, the choice to increase military expenditure is quite rational. On the other hand, the increasing presence of the West through the AUKUS trilateral defense pact in the Indo-Pacific is widely understood as a response to China's strengthening influence in the region. In this context, countries such as Indonesia and Malaysia naturally feel threatened.

Meanwhile, at the regional level, the border conflicts that occurred between Thailand -Myanmar, Thailand-Cambodia or even Malaysia-Philippines also served as a rational and empirical context that permanently triggered the readiness of at least these countries to increase their respective arms expenditure. A number of these contexts create a self-help system, namely a situation where policymakers assume that those who can guarantee security for themselves are themselves through strengthening the military. The story of the military expenditure increase that occurred during the recession exactly reflects what Waltz said: "In any self-help system, units worry about their survival, and the conditions worry about their behavior" (Kenneth N. Waltz, 1979). In this situation, "...states seek to control what they depend on or to lessen the extent of their dependencies." (Kenneth N. Waltz, 1979) which in this case is evident from the increase in military expenditure even during a recession.

# The Linkage Between the U.S.A.-China Rivalry and the Increase in Military Expenditure in Each Country During a Recession

The data in Table 5 bellow, provides an overview of the shift in military spending as a percentage of Gross Domestic Product (GDP) in Southeast Asian countries from 2020 to 2021. The shift refers to the change or difference in military spending as a percentage of GDP between the two years. Based on the data presented, there are variations in shifts in military spending in Southeast Asian countries during this period. Some countries, such as Myanmar, have seen increases in military spending as a percentage of their GDP. In contrast, countries such as Brunei experienced significant reductions in their military spending. However, some countries have experienced slight changes or small shifts in their military spending, such as Malaysia, Singapore, and the Philippines. This suggests stability or minimal adjustment in the military spending priorities of these countries.

Generally, shifts in military spending can be influenced by various factors, including national defense policies, regional security, and economic conditions. An increase or decrease in military spending can reflect government policies in dealing with changing regional security dynamics and national interests. While the data in this table provides a brief overview, it is important to note that military spending is a complex issue and involves a wider range of factors. A more in-depth analysis is needed to understand the context and policies behind shifts in military spending in each Southeast Asian country.

**Table 5.** The Shifting of Military Expenditure by as percentage of gross domestic product

	<b>SEA Countries</b>	2020	2021	The shifting
1	Myanmar	2.95%	3.33%	0.38
2	Malaysia	1.01%	1.06%	0.05
3	Singapore	2.94%	2.98%	0.04
4	Philippines	1.01%	1.04%	0.03
5	Cambodia	2.45%	2.32%	-0.13
6	Thailand	1.46%	1.32%	-0.14
7	Indonesia	0.86%	0.70%	-0.16
8	Brunei	4.08%	3.26%	-0.82
9	Laos			
10	Viet Nam			

Source: "Military expenditure by country as percentage of gross domestic product, 2010-2021 © SIPRI 2022," <a href="https://milex.sipri.org/sipri">https://milex.sipri.org/sipri</a>

### Increase in Myanmar's Military Expenditure

The increase in Myanmar's spending budget cannot be separated from the U.S.A.-China rivalry. Myanmar faces security threats from regional tensions involving the two great powers. To maintain their military strength and protect national interests, Myanmar is increasing military spending as it faces an economic recession. The security dilemma is an important consideration for Myanmar. Myanmar has the potential to face interference or intervention especially because the Military Junta is a serious human rights violator. This situation makes Myanmar feel the need to strengthen its defense to reduce potential threats.

However, international variables are not the only factor contributing to the increase in Myanmar's military expenditure. Separatist movements that are active in several areas require a firm response from the government. Prolonged ethnic conflict and internal violence in several parts of Myanmar create an urgent need to maintain domestic security and stabil-

ity. On the other hand, terror attacks carried out by extremist groups require effective preventive measures and enhanced intelligence capabilities to protect society and state infrastructure. Including maritime security is very important for Myanmar which has a long coastline. Potential threats both from outside and within are the reason this country increases military expenditure.

### Malaysia Context

Likewise in the context of Malaysia, the U.S.A.-China rivalry has a significant impact on this country's military spending policy. Malaysia has strategic interests in the South China Sea, which is also an area of focus of tension between the two powers. As a country located near the contested territory, Malaysia feels the need to maintain regional stability and protect its national interests. Thus, increasing Malaysia's military spending in the context of the U.S.A.-China rivalry and economic recession is a rational and effective step to maintain regional stability, protect national interests, strengthen defense capabilities, maintain a balance of power, and provide deterrence against potential threats that may arise.

### Increasing Singapore's Military Expenditure

Singapore's behavior is very rational in increasing their military spending in the context of the U.S.A.-China rivalry and economic recession. Singapore's vulnerable geographical position as a crossroads of global trade routes makes it very aware of the importance of maritime security. In the face of tensions in the South China Sea, increasing military spending is a sensible step to strengthen the country's defense capabilities and protect maritime interests. In addition, as a country heavily dependent on imports of energy and natural resources, Singapore needs to secure its energy supply and demand channels. By increasing military spending, Singapore can strengthen its defense capabilities to protect supply lines and ensure the security of the nation's resources. As host to foreign military bases, including the United States, increased military spending also strengthens Singapore's role in maintaining regional stability and building security cooperation with its strategic partners. In addition, the increase in defense capabilities also gives Singapore a strong deterrent force and a better bargaining position in regional security negotiations. Overall, increasing Singapore's military spending is a sensible move to safeguard maritime security, ensure energy supply, play an important role in regional security, and enhance the country's deterrence capabilities.

### Philippine Military Expenditure

The increase in Philippine military spending in the context of the U.S.A.-China rivalry and recession can be seen as a rational action driven by several factors. *First*, the rivalry between the U.S.A. and China in the South China Sea has created security concerns in the

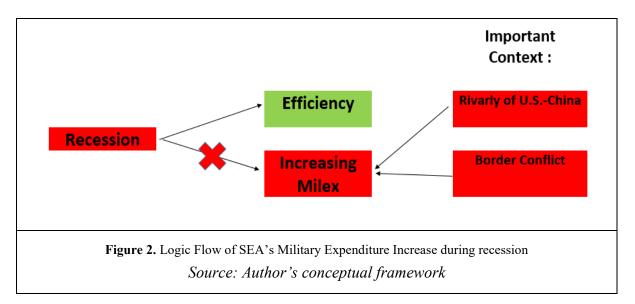
region. The Philippines, which has territorial claims in the area, feels the need to increase its defense capabilities in response to potential threats that may arise from these rivalries. In this situation, increasing military spending is a plausible strategy to enhance the defense capabilities of the Philippines and protect their national interests.

Second, despite facing an economic recession, the Philippines is aware of the importance of maintaining regional stability and national resilience. Despite the financial pressure, the country views increased military spending as a long-term investment to ensure security and stability. The Philippines is also faced with non-traditional security challenges, including terrorism and internal conflict. In facing this challenge, increased military spending can be used to enhance the Philippines' capability to counter these threats and maintain internal stability. Overall, the increase in Philippine military spending in the context of the U.S.A.-China rivalry and recession is a rational response to regional security concerns and efforts to maintain national stability. Although increased military spending may pose a financial burden, the Philippines views it as an important investment to ensure long-term stability amidst complex regional dynamics.

Although several countries have experienced a decline, in the long term it has increased. Cambodia experienced a decline in military spending from 2.45% to 2.32% of GDP between 2020 and 2021. This could be due to the impact of the economic recession which limited the allocation of resources to the defense sector. The U.S.A.-China rivalry may also play a role in Cambodia's military spending policies, with their close relationship with China influencing regional security dynamics.

Thailand experienced a decrease in military spending from 1.46% to 1.32% of GDP in the same period. This decline can be attributed to the economic pressures of the recession, in which resources were shifted to economic recovery rather than military defense. Rivalry between the U.S.A. and China can also influence Thailand's military spending policy, given their geographical proximity to China. Indonesia experienced a significant reduction in military spending from 0.86% to 0.70% of GDP. This decline could be caused by the Indonesian government's efforts to overcome the impact of the economic recession and allocate greater resources for national economic recovery. Nonetheless, the U.S.A.-China rivalry can also play a role in Indonesia's defense policy adjustments. Brunei also experienced a significant reduction in military spending from 4.08% to 3.26% of GDP. This decline can be explained by the economic recession which affected Brunei's ability to allocate resources to the defense sector. In addition, the U.S.A.-China rivalry may put security pressures on this small country, which may influence their military spending policies.

Despite facing recession and economic pressure, shifts in military spending in Cambodia, Thailand, Indonesia and Brunei reflect the government's efforts to maintain a balance between defense needs and economic recovery. Despite the decline in military spending, the U.S.A.-China rivalry still influences the dynamics of defense policy in the region, and these countries must face complex regional security challenges.



#### **CONCLUSION**

The increase of military expenditure in Southeast Asia during the recession cannot be separated from the context of security dynamics both at the global and regional levels. At the global level there is a power shift. The increasing influence of China in Southeast Asia which triggered the response of the AUKUS security cooperation pact, of course, created regional tensions. The structure of Realism reads the increase in regional weapons as a way for regional countries to create security guarantees for themselves (self-help systems). The increasing rivalry of external powers in Southeast Asia is also evident from the increasing of military transfer to this region. It is undeniable that the increase in weapons expenditure is also related to the increase in military imports.

Furthermore, conflicts and potential conflicts at the regional level also contribute to strengthening weapons expenditure. China's assertiveness in the South China Sea, including conflicts and potential border conflicts that occur on many borders between countries in the region, is of course a permanent setting that makes countries in this region always ready to defend their territory. It shows that the increase in military expenditure in this region is more due to responding to security dynamics at the global level, more specifically, the strengthening influence of the U.S.A. and China in the region.

A series of settings, both rivalries at the global level, as well as conflict dynamics at 2023©JIS–ISSN: 2548-4893. All rights reserved 142

the regional level are hard to deny influencing the increase in Southeast Asian weapons expenditure. The priority of increasing military expenditure during a recession shows the strong tension that has built up in the region as a result of external interventions besides conflict dynamics at the regional level. Furthermore, this study completes previous studies which generally relate military expenditure to economic variables using quantitative methods. Meanwhile, the study I conducted found the context behind the increase in Military Expenditure using qualitative methods. To further research, the researcher recommends a research question: what are the implications of increasing military expenditure on Southeast Asia security stability?

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