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THE MILITARY BALANCE

THE ANNUAL ASSESSMENT OF GLOBAL MILITARY CAPABILITIES AND DEFENCE ECONOMICS

Press Launch

REMARKS BY

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Welcome to the launch of *The Military Balance 2017*, the annual assessment of global military capabilities and defence economics from the IISS, and the simultaneous launch of our online database, the Military Balance+.

Joining me to answer your questions today are Dr Bastian Giegerich, James Hackett, Douglas Barrie, Brigadier Ben Barry, Nick Childs and Lucie Béraud-Sudreau.

There has been no reduction in the range and number of security challenges demanding the attention of policymakers. Conflict and insecurity continue in Africa, the Middle East and, in the case of Ukraine, in Europe too. North Korea still develops and tests its missile capabilities. More attacks in 2016 highlighted the challenge from transnational terrorists. More states are willing to take military action in pursuit of their national security objectives.

Meanwhile, the balance of global military spending continues to shift towards Asia.

From 2012 to 2016, real-terms defence spending across Asia grew by 5–6% each year. However, total global military spending in 2016 fell by 0.4% in real terms when compared to 2015, largely driven by reductions in the Middle East. The fall would have been larger were it not offset by increases in Asia. After overtaking Europe as the second largest defence spending region in 2012, Asia in 2016 spent 1.3 times more than Europe on defence when measured in constant 2010 US$.

Western military technological superiority, once taken for granted, is increasingly challenged. We now judge that in some capability areas, particularly in the air domain, China appears to be reaching near-parity with the West. Also, Beijing is now beginning to offer for export some of its modern military systems. Across the globe advanced military capabilities are spreading. There is a growing proliferation of lethality, and the increasing sophistication of these systems risks complicating Western states' military options.

CHINA

For years China was engaged primarily in the imitative manufacture of former Soviet-era or Russian systems. Now, however, it is apparent that in key areas China is shifting to the domestic research, development and manufacture of military systems, supported by sustained budget increases. Beijing's official budget is 1.8 times higher than those of South Korea and Japan combined and accounted for more than a third of Asia's total spend in 2016.

China's navy has developed and deployed more advanced capabilities. Work has started on building three Type-055 cruisers. At least 13 Type-052D multi-mission destroyers are in service or under construction and a growing number of China's modern surface combatants are being fitted with phased-array radars. Commissioning in 2016 of an additional three large replenishment ships indicates that China's navy is resolutely pursuing its blue water plans – as does China's nascent naval facility in Djibouti. China's Coast Guard is also receiving larger vessels and is now larger than some regional navies by overall fleet size.

In the air domain, China is now seen as the 'pacing threat' for the US. China's progress in research and development, and its improved military capabilities, mean that it is now the single most important driver for US defence developments.

This year's *Military Balance* assesses that China's air force has just introduced into service a highly capable short-range missile in a class only a handful of leading aerospace nations are able to develop. The introduction of this weapon – called the PL-10 – reflects the sustained and continuing investment China is making in air-launched guided weapons. Beijing will almost certainly be able to add increasingly capable air-to-air weapons to its inventory in the next few years.

These systems will be close to parity with similar Western weapons, while one of China's air-to-air missiles has no Western equivalent.

China is developing what could be the world's longest range air-to-air missile. Seen on exercise last year and estimated at near six metres in length, this developmental missile likely has the task of engaging large high-value and non-manoeuvring targets. With a lofted trajectory, an engagement range around 300km would appear feasible. When it enters service, this new system will hold at risk

large, high-value targets like tankers and AWACS aircraft, platforms that would traditionally safely loiter outside the range of current air-to-air weapons.

Not only is China producing more advanced systems. It is also starting to sell these abroad. Last year we noted how Chinese military exports to Africa were moving from the sale of Soviet-era designs to the export of systems designed in China.

This trend continues. China is now, however, also beginning to sell more advanced systems. The PL-10 missile, for instance, is being offered for export and would, if it proliferates, complicate the operations of any Western air force. China is also exporting armed UAVs, and Chinese-origin systems have been seen in Nigeria and Saudi Arabia. With China now selling abroad its armed UAVs, it is possible that states unable to procure Western systems may now be able to secure similar capability from non-Western sources.

RUSSIA

For states in Europe's east and north, however, Russia remains the principal security concern.

Russia's armed forces continue to benefit from renewed investment, with the continuing delivery of improved weapons as Moscow swaps old for new equipment. Russia's armed forces also retain significant strength in traditional competencies like armoured and electronic warfare and in capabilities like rocket artillery, which was used to devastating effect against Ukrainian forces at Zelenopillya in 2014.

IISS data shows that some Russian equipment outranges the missile and rocket artillery systems of NATO's most capable power, the US.

Much attention, however, has focused on the more advanced systems that Russia has displayed on home ground, such as in Kaliningrad, and abroad in the Syria campaign, where Russia has employed air-, sea- and submarine-launched cruise missiles.

Indeed, Russia is looking to distribute these weapons more widely, by integrating them onto a greater range of platforms. The *Kalibr* cruise missile, for instance, is being fitted to an array of Russian naval vessels – including an arctic patrol vessel. For Russia, this gives the potential to distribute an anti-access screen across its fleet, while also providing greater offensive power-projection capacity.

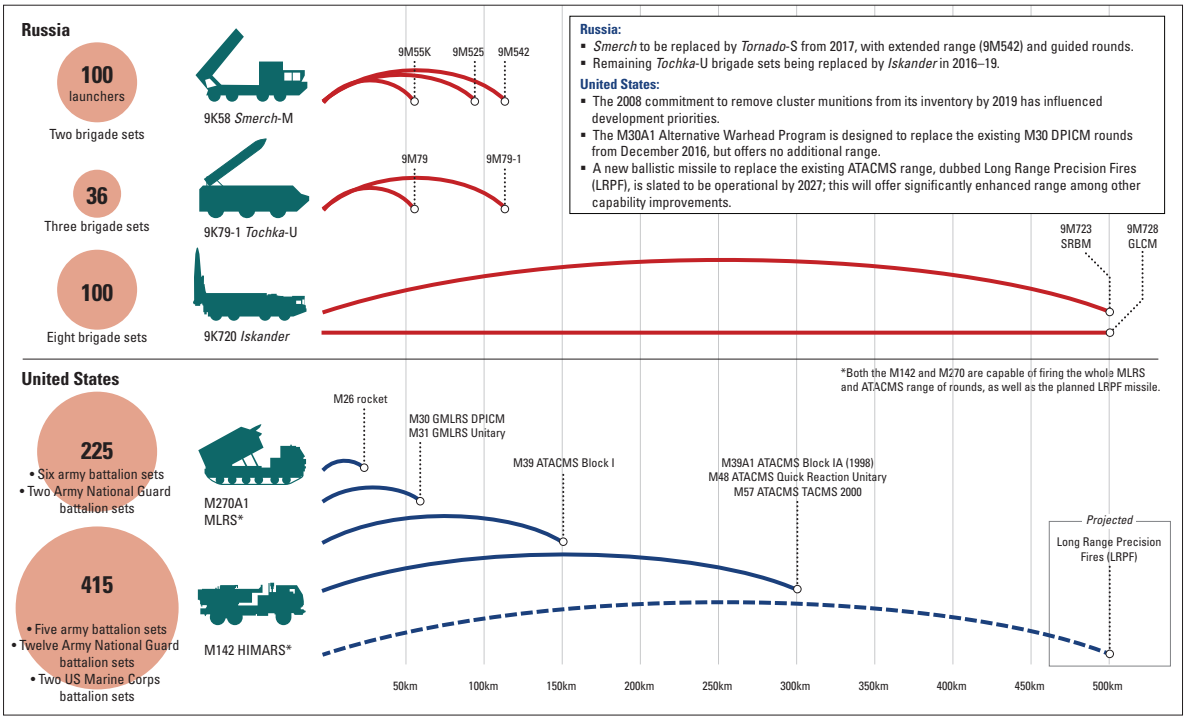
The majority of these systems, including *Kalibr* and most of its current combat-aircraft programmes, are based on upgrades of Soviet-era designs.

Maintaining Russia's recent progress in conventional military capabilities will depend on expensive renewal of its research and development efforts.

MORE CAPABLE WEAPONS, IN MORE PLACES

Over the years, Moscow's military systems have appeared in military inventories across the world, not just the ubiquitous small arms, tanks and armoured personnel carriers, but guided weapons too. With these weapons proliferating – and as other states have learned to make them for themselves – the gap has narrowed between the West and the rest in terms of global access to weapons and militarily-relevant high technology.

In the Asia-Pacific, China is not the only country integrating advanced missiles and launch systems. Vietnam has become the second Asian nation – after North Korea – to begin the indigenous final assembly of a missile based on the Russian 3M24 *Uran* anti-ship missile. And similar capabilities are now also in the hands of non-state actors, as seen last year when Houthi rebels in Yemen launched an anti-ship missile at a UAE-chartered ship in the Red



Sea. The deployed forces of Western states, and those of their partners, risk increasingly facing advanced offensive systems, in more places.

DEFENCE SPENDING

NATO is tomorrow convening its first defence ministerial since the inauguration of Donald Trump. If this meeting results in more nations saying that they will reach the 2% of GDP target, that is not necessarily the best result. A successful outcome would instead derive from greater focus on output, and NATO securing from its member states a commitment to address capability requirements more directly.

European states are already increasing their defence spending, although only gradually. While Europe was one of the three regions in the world where defence spending rose in 2015–16, European defence spending remains modest as a proportion of the continent's GDP.

In 2016, only two European NATO states, Greece and Estonia, met the aim to spend 2% of their GDP on defence, down from four European states that met this measure in 2015. The UK dipped slightly below this at 1.98%, as its economy grew faster in 2016 than its defence spending. Nonetheless, the UK remained the only European state in the world's top five defence spenders in 2016.

If all NATO European countries were in 2016 to have met this 2% of GDP target, their defence spending would have needed to rise by over 40%.

NATO's leaders should tomorrow be realistic, and question the utility of broad financial targets like the 2% goal. In some circumstances, spending 1% of GDP may be entirely adequate; in others, spending 3% may be insufficient. Instead of saying 'show me the money', NATO could more usefully be telling its members 'show me the capability'. Encouraging members to fund increased investment in operationally relevant capability has to be the order of the day.

NATO should instead focus on the other headline target from the Wales Summit – that allies should aim to spend 20% of their budget on new equipment, ensuring that their forces meet NATO guidelines for deployability.

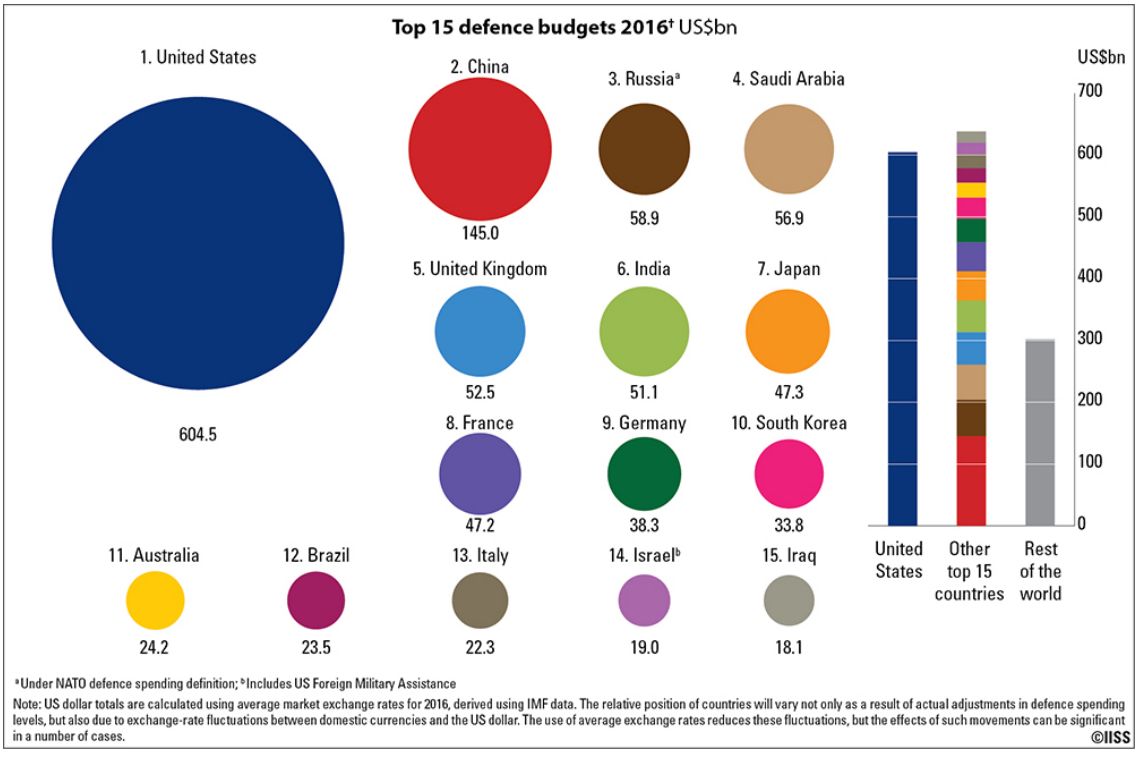
This is made more urgent because of the degree to which Western states have reduced their equipment and personnel numbers since the Cold War.

For instance, our data shows that active personnel totals fell across France, Germany, Italy and the UK from around 1.3 million in 1996 to 716,000 in 2016. Combat aircraft in the UK fell from 411 in 1992 to 207 in 2017. Although there are signs of a reversal of this trend, supported by modestly increasing budgets, the overall numbers now being bought remain low in comparison to inventories China and Russia.

CONCLUSION

The military challenges facing Western powers have increased over the past year. Military technologies continue to proliferate, and across the world more capable offensive weapons systems are being placed on more platforms. China's military progress highlights that Western dominance in the field of advanced weapons systems can no longer be taken for granted. An emerging threat for deployed Western forces is that with China looking to sell more abroad, they may confront more advanced military systems, in more places, and operated by a broader range of adversaries.

Were major Western states to be tested against these emerging capabilities they would look to utilise a qualitative edge, of the sort that results from operational experience, good training and sound doctrine. As such, this does not point to an immediate shift in global military power. The US



still spends the most, and retains the world's most powerful military forces.

Nonetheless, Western military systems are increasingly complex and costly, and there are also fewer of them. Taken together with a security environment that is progressively more uncertain, this would indicate that Western states, no matter how large, will in future be able to do less, less effectively, by acting on their own. It would argue for more cooperation between like-minded partners. So amid calls for greater burden sharing, NATO will need to refocus on spending targets that lead to real capability improvements, demonstrating its military utility to all and transforming to better tackle current and future security challenges in an increasingly contested operating environment, one that is now complicated by the proliferation of advanced weapons.

THE MILITARY BALANCE +

For over 50 years, *The Military Balance* book has provided the best publicly available facts and analysis on global defence issues. When objective facts are at a premium, our sober and authoritative data is more vital than ever, making today's launch of our Military Balance+ online database even more important. This interactive product is tremendously agile, allowing our facts and analysis to be searched in new ways, delivering nearly instant results for queries that might otherwise take days of research to answer correctly.

Over time we now can not only enrich the data sets we display, but also provide for continuous updates. This specially designed platform allows us to deliver in one place our analysis on defence policy, military organisations and equipment, defence economics and procurement, among other elements.

For instance, analysing our equipment holdings can allow subscribers to assess questions like which countries operate the F-16 combat aircraft, and how many of what variant each holds, or alternatively search multiple years of Military Balance data to discern that Russia and Eurasia, and Africa, were the only two regions where overall holdings of main battle tanks increased between 2014 and 2015.

For NATO states seeking to demonstrate the military value that European Alliance members can bring to the US, searching our system for mine-warfare vessels shows that in 2015 Germany had the largest number of these vessels in the Alliance, while the UK, with 16, had more dedicated assets than the US Navy with a number of these forward-deployed.

Our new database will allow rapid analysis of the organisation of individual armed forces. It also makes comparing military personnel numbers much easier, and much faster, as in this example where we compare personnel totals for the countries comprising the 'Northern Group'.

The defence-economics section allows subscribers to analyse the effect of Russia's economic difficulties on its military spending.

Russia's total military expenditure in 2016 decreased to US$58.9bn in nominal terms, down from $66.1bn in 2015. In addition, more defence-budget cuts have been announced for the coming years, as Russia's economy remains affected by lower energy prices and economic sanctions.

The Military Balance 2017 provides the best available public information on global military capabilities, trends and defence economics. The Military Balance+ takes this product to another level and I would invite you to afterwards try this database to see how it will help you in your work.