



Insisting on 5% GDP Spending on Defence Is Lazy Strategic Thinking

Bernard F.W. Loo



The authors' views are their own and do not represent the official position of the Institute of Defence and Strategic Studies of the S. Rajaratnam School of International Studies, NTU. These commentaries may be reproduced with prior permission from RSIS and due recognition to the authors and RSIS. Please email to Editor IDSS Paper at RSISPublications@ntu.edu.sg.

Insisting on 5% GDP Spending on Defence Is Lazy Strategic Thinking

Bernard F.W. Loo

SYNOPSIS

US Defense Secretary Pete Hegseth's call for Asian allies and partners to spend up to 5% of GDP on defence may be a wake-up call for countries in the region, but it is also reflective of poor strategic thinking.

COMMENTARY

At the recently concluded Shangri-La Dialogue, US Secretary of Defense Pete Hegseth insisted that Asia-Pacific allies and strategic partners of the United States will have to [increase defence spending to 5% of their respective gross domestic product \(GDP\)](#). Citing the example of NATO partners, many of whom have pledged to increase defence spending up to the target number, Hegseth argued that Asian countries faced with the “far more formidable threat of China” as well as North Korea will have to spend more, and bear a greater responsibility for the maintenance of regional stability and security.

The (Plausible) Necessity of Increased Defence Spending

At one level, it can be a net strategic positive for most countries in Asia to spend more on defence, to be more self-responsible when it comes to national security and regional stability.

The United States has, in the past, expressed frustrations with its Asian allies on this issue, even [accusing them of free-riding](#) on the security umbrella being provided. [Data from the Stockholm International Peace Research Institute \(SIPRI\)](#) indicates that Washington's past and present frustrations may not be entirely unwarranted. Japan maintained its unofficial 1% ceiling on defence spending until 2020, while South Korea

has, since 1990, steadily dropped its defence spending from 4% to between 2–3% of its GDP – despite facing, arguably, an existential threat from North Korea.

Other countries in Asia have, since 1990, been reducing the economic burden that their respective defence budgets impose. Since 1998, Indonesia's defence spending has dropped below the 1% mark, Malaysia has gone from over 2% in 1990 to just under 1% for the past eight years. Singapore's defence spending has consistently hovered between 3–5% of GDP, and only in 1998 and 1999 did it exceed 5%. Even Taiwan – arguably also facing an existential threat from China – saw its defence spending fall from 5.22% to as low as 1.74% in 2018.

That being said, it is worth remembering that while a number of countries in Asia have military organisations operating weapons systems that are at least fast approaching obsolescence – if not already long passed it – this is not a universal pattern. Japan, South Korea, and Singapore, for instance, have regularly modernised their military systems, particularly in the air and naval domains. Many countries in Southeast Asia have either acquired, or have expressed concrete interest in, advanced submarine capabilities. Australia has, of course, initiated a long-term project to acquire nuclear-powered submarines from the United States.

Admittedly, all countries must strike a balance when it comes to government spending, the “guns versus butter” debate. Monies spent on defence, however necessary, are finite resources that cannot be spent on education, healthcare, or infrastructure.

Nevertheless, a country's defence budget is an act of strategic communication. When a government decides to increase the burden that defence spending imposes on the country's economy, that government is, in effect, communicating deterrence to potential adversaries. To friends and allies, it is a message that the government is prepared to shoulder its share of the burden of maintaining regional security and stability. In that regard, 5% of a country's GDP may not seem like an unmanageable economic burden.

Numbers Can Lie

That said, relying solely on spending indicators is simplistic and, arguably, laziness in strategic thinking. Simply put, what matters more than how much a country spends on defence is how that money is spent. The money dedicated to defence spending has to be put to good use.

Increasing defence spending can lead to wastage of scarce financial resources. The phenomenon of “[gold-plating](#)” refers to the tendency to add needless complexity – almost always some new-fangled technological whizz-bang or doohickey – to weapons systems design. The [myth of the US\\$600 hammer](#) may be precisely that, a myth; still, it is a cautionary tale on the structural inefficiencies of defence spending that plague many military organisations.

Corruption in defence procurement has been a persistent problem for many countries. Since the Cold War ended and a so-called “peace dividend” emerged, defence industries worldwide have been saddled with what one [International Monetary Fund study](#) calls “idle capacities and huge fixed sunk costs”, forcing some defence

companies to “scout aggressively for markets abroad ... by, for instance, resorting to bribery”.

This is not mere speculation; there have been documented cases of corruption in defence procurement processes around the world. A quick Google search of “Pentagon procurement scandals” will reveal multiple instances where the United States Department of Defense mishandled procurement. Malaysia’s acquisition of the Scorpene submarine is [one such case](#). More recently, a number of [high-ranking Chinese defence officials](#) were dismissed from office on grounds of corruption. Even otherwise squeaky-clean Singapore [has not been immune to this problem](#).

Towards a Rational Model of Force Design and Defence Procurement

It is not how much a country spends on defence that truly matters, but what that spending actually procures for the country’s defence needs. This process begins with a cold, hard, and objective study of the country’s geostrategic environment – identifying the challenges and the challengers to its security requirements, and assessing the capability of its existing military organisation to address them.

That cold, hard, objective study is among the most difficult tasks strategic planners face. To begin with, the much-desired objectivity is often fleeting at best, if not elusive, or even illusory. A country’s geostrategic environment is not carved in stone; rather, it constantly evolves, even if that process of evolution is glacial in pace. What is needed today may become irrelevant tomorrow.

Furthermore, turf wars between the individual services within a military organisation are inescapable. Sometimes these turf wars are the result of human fallibility, petty jealousies, and blind allegiance to the needs and wants of one’s specific service. For much of the history of the United States Air Force, for instance, rumours of a “fighter mafia” or a “bomber mafia” allegedly skewed air force procurement decisions towards one or the other, rather than what was truly needed. But these turf wars are also inevitable, simply because one’s position shapes how one views the world. It is almost certain that a military organisation headed by a navy officer, for instance, will view naval shortfalls as the single most important gap that needs to be plugged most urgently.



The effectiveness of defence spending depends on how well it meets a country’s defence needs. Allies and partners can focus on developing niche capabilities that complement and address gaps in the US military, as the United States cannot handle all challenges alone.

Image source: Unsplash.

For the allies and strategic partners of the United States, what is needed is to ensure that their respective military organisations remain inter-operable with the United States military, seamlessly dovetailing with the types of military operations – both combat and non-combat – that will need to be conducted. While the United States military might be the behemoth, even it cannot do everything alone. Developing niche capabilities that address existing weaknesses in the United States military is an area where Asian allies and strategic partners can focus their spending.

The take-away is simply this: spend more, if necessary, but ensure that one spends wisely.

Bernard F.W. Loo is a Senior Fellow in the Military Studies Programme, Institute of Defence and Strategic Studies, Nanyang Technological University. He is the Editor of *IDSS Paper*.

Please share this publication with your friends. They can subscribe to RSIS publications by scanning the QR Code below.

