

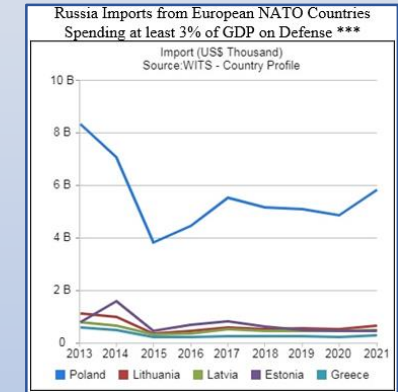
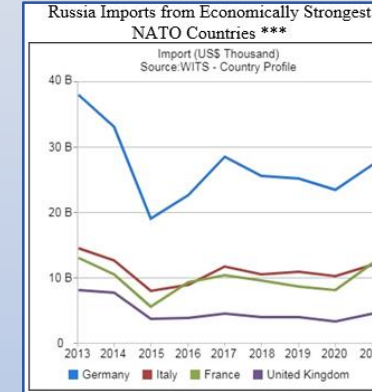
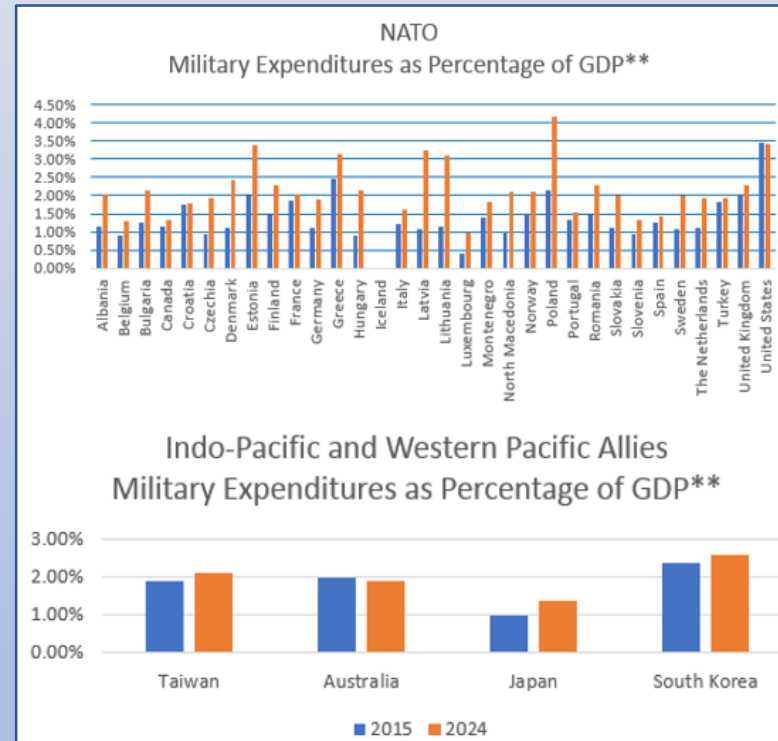
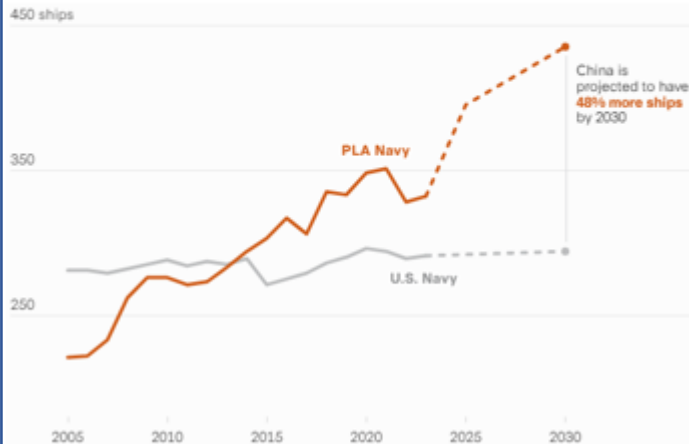
The South China Sea and the Global Economy

by Paul Jones

PUZZLE: In Europe, NATO has increased military expenditures to counter Russia's aggression. In the Indo-Pacific region, as China prepares to invade Taiwan in 2027, the allies have not increased defense spending.

RESEARCH QUESTION: Why haven't the Indo-Pacific allies increased military expenditures to counter China?

The Growth of the People's Liberation Army (PLA) Navy*



* <https://www.csis.org/analysis/chinas-military-10-charts>

** <https://www.sipri.org/databases/milex>

*** <https://wits.worldbank.org/CountryProfile/en/Country/CHN/StartYear/2013/EndYear/2023/TradeFlow/Import/Indicator/MPRT-TRD-VL/Partner/ALL/Product/Total#>

FINDING: Russia is not a large trading partner with NATO countries, so there is little economic risk with a military buildup. China, however, is a large trading partner in the Indo-Pacific region. Therefore, a military buildup could lead to trade retaliation or investment losses, so they do not react aggressively towards China.