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ASIAN ARMS RACE FEAR AS BEIJING RAISES

spending

- China 18% rise in military outlay is largest since 1995
- World's largest army to undergo modernisation

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Jonathan Watts in Beijing

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Chinese soldiers

International concerns about China's growing military power and a spiralling global arms race intensified yesterday when Beijing announced its biggest defence budget increase for more than 10 years.

Weeks after China stunned the world by test-firing its first anti-satellite missile, the government said it will increase spending by 17.8% this year.

The sharp rise - almost double the pace of economic growth - will be used to modernise the People's Liberation Army. With 2.3 million troops, the PLA has long been the world's biggest military force, but it is only in recent years that it has started to acquire sophisticated weaponry.

Extra spending on missile systems, electronic warfare and other hi-tech items will push up the declared budget to 350.9bn yuan (£23bn), an increase of 53bn yuan on 2006. Western defence analysts say the true figure could be two to three times that because so much defence spending is concealed.

Jiang Enzhu, spokesman for the National People's Congress, said that even with the increase China's military budget was less than a tenth of the Pentagon's. The US defence department has asked for \$481bn (£247bn) this year, not including operations in Iraq and Afghanistan.

"In recent years, China has steadily increased defence spending based on its economic development," Mr Jiang said. "China has neither the wherewithal nor the intention to enter into an arms race with any country, and China won't constitute a threat to any country."

Such assurances are unlikely to convince its near neighbours Japan and India. Both countries have increased their defence budgets in what is increasingly looking like an Asian arms race.

In the short term, however, it is Taiwan that has the most to fear from a Chinese military build-up. The island is viewed in Beijing as a renegade province. Hundreds of missiles are aimed across the strait and communist leaders have repeatedly warned that they are prepared to reunite the two sides by force if necessary.

The US, which is obliged to defend Taiwan in the event of a conflict, has repeatedly expressed concern about the power and secrecy of the Chinese military.

The US deputy secretary of state, John Negroponte, said China had failed to clarify its intentions. "I think the point we would make with respect to military spending and military acquisition of various types would be the point about transparency," he told a news conference in Beijing. "It's not so much the budget and the increases as much as it is understanding those questions better through dialogue and transparency."

Last month the US vice-president, Dick Cheney, said Beijing's military build-up and recent firing of a missile to destroy an old weather satellite were "not consistent with Beijing's stated goal of a peaceful rise".

Officials in Beijing have rebuffed such accusations. The commander of the PLA general logistics department, Liao Xilong, told the Xinhua news agency that the budget rise was needed at a time of international uncertainty.

"The present-day world is none too peaceful," he said, "and to protect national security, stability and territorial integrity we must suitably increase spending on military modernisation."