The Costs of Militarized Rivalry with China: A First Estimate

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U.S.-China Competition as Militarized Rivalry

"The story of the 21st century is going to be about what happened between the U.S. and China," Secretary of State Marco Rubio said in March 2025, underscoring a rare point of bipartisan agreement.[2] Across the United States government and over several presidential administrations, a consensus has been reached: China's rising military and economic power make it a formidable threat to the U.S., and countering this threat must be the focus of U.S. foreign policy going forward.

This policy orientation brings with it significant costs, especially in the military domain. With China defined as the Department of Defense's (or "Department of War's") "pacing threat"—that is, the challenge that guides the development of strategy and decisions about spending —the Pentagon has over recent years looked for ways to increase its budget for acquisition of weapons and munitions it believes it needs to counter Beijing's formidable military capabilities.[3] Each of the military services has embarked on costly modernization programs, including upgrading old systems and purchasing new, more advanced weapons, and expanding defense infrastructure with the hope of increasing their ability to operate effectively in the Indo-Pacific theater. Investment in what the Pentagon calls "homeland defense," including President Donald Trump's Golden Dome missile defense project, have also accelerated, looking to counter China's growing stockpile of nuclear and conventional weapons capable of reaching the continental U.S. Spending on intelligence collection and military aid to allies in Asia only adds to the total bill, which rises every year.

The price tag on the U.S.-China militarized rivalry—defined here as *a long-running and antagonistic relationship between two states in which each side views the other as a security threat and whose disagreements might be settled by the threat or use of force*—is

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[2] U.S. Department of State, "Secretary of State Marc Rubio with Hugh Hewitt," press release, March, 19, 2025, https://www.state.gov/secretary-of-state-marco-rubio-with-hugh-hewitt/.

[3] Jim Haramone, "Defense Official Says Indo-Pacific Is the Priority Theater; China Is DOD's Pacing Challenge," *DOD News*, March 9, 2022, https://www.war.gov/News/News-Stories/Article/Article/2961183/defense-official-says-indo-pacific-is-the-priority-theater-china-is-dods-pacing/.

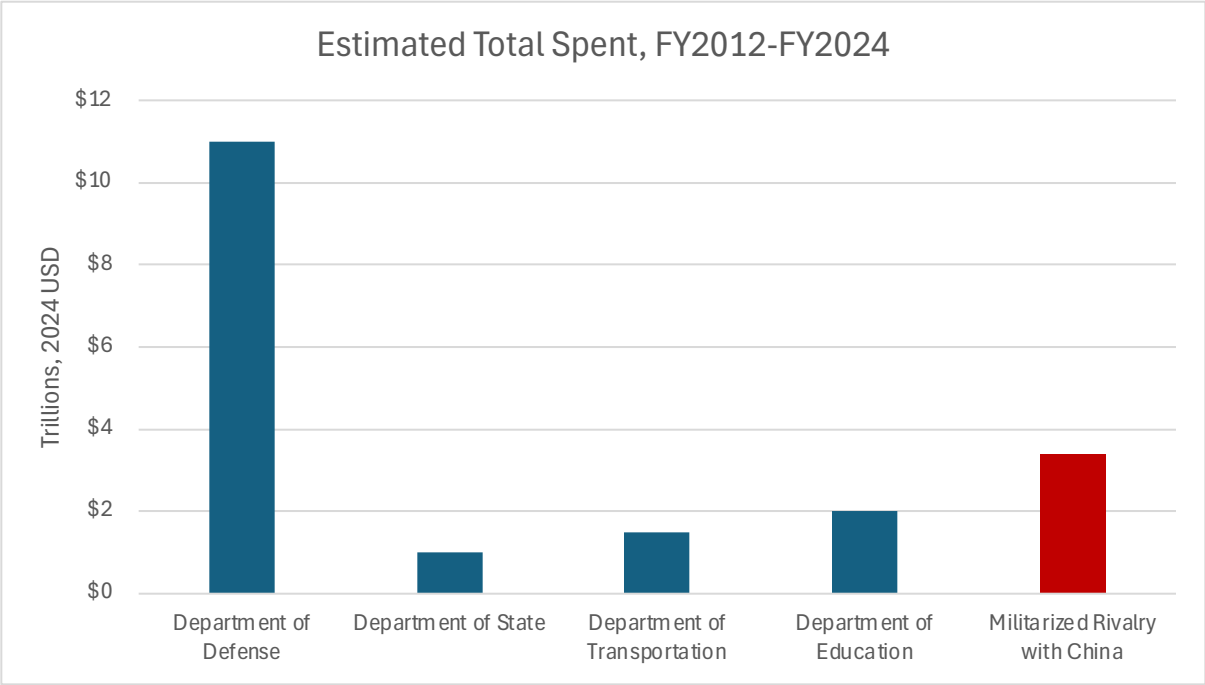
thus a large and growing one. But to date, no good estimates of what the U.S. spends on the military portion of its competition with China exist. Hawkish voices in Congress and the Pentagon frequently warn that the U.S. is not spending enough to deter or contain China in the military domain, but when pressed, no one can place a number on the total expenditures so far or what "enough" would look like.[4] The lack of a clear estimate is problematic, both for policymakers and the American public. Members of Congress, the Pentagon, and the White House cannot make good decisions about allocating future money toward U.S. competition or engagement with China without a clear accounting of how much they have already spent and where that money has gone. As urgently, American taxpayers deserve to have clear insight into what their hard-earned dollars are going to support, especially when the opportunity cost of foreign spending is so high and basic domestic needs, such as infrastructure repairs and disaster response, remain unmet.

This paper is a first cut at addressing this gap. It provides policymakers and the general public the first estimate of the amount the U.S. has spent competing with China in the military domain over the period between 2012 (following then-President Barack Obama's November 2011 announcement of his intention to "pivot" U.S. attention from the Middle East toward Asia in recognition of the growing military challenge presented by China) and 2024, the last full year of government spending at the time this paper was written. The analysis focuses on military spending, but also includes relevant expenditures by the intelligence agencies, Department of Homeland Security, Department of Energy, and the State Department. The estimate provided here is a best approximation of total spending focused on military competition with China but likely represents an undercount of the actual total due to conservative methodological decisions made throughout the analysis.

The paper finds that the U.S. government has spent about $3.4 trillion dollars (in 2024 USD) on its militarized rivalry with China between 2012-2024. This amounts to about $260 billion on average per year. The total is massive, comprising 5 percent of total federal expenditures over the 13-year period (totaling $74.7 trillion) and 14 percent of discretionary spending ($23 trillion). As a comparison, this amounts to about 3.5 times as much as cumulative State Department outlays over this same time period, almost twice as much as the federal government spent supporting domestic education, and 2.3 times as much as the total Department of Transportation outlays over this time period. It also accounts for about 30 percent of total defense spending between 2012 and 2024. This comparison is shown in Figure 1.

[4] Colin Clark, "At Shangri La, Senators Say US Must Boost Defense Spending in Showdown with China," *Breaking Defense*, May 31, 2024, https://breakingdefense.com/2024/05/at-shangri-la-senators-say-us-must-boost-defense-spending-in-showdown-with-china/.

Figure 1: Cost Comparisons, China's Militarized Rivalry vs. Major U.S. Federal Agencies



This report has five parts. First, it describes the U.S.-China militarized rivalry in more depth, including a discussion of the distinction between a militarized U.S.-China competition and one that is not militarized. Second, it presents the analysis and results, across military services, defense agencies, and other executive agencies. Third, it puts this cost estimate in context and discusses a range of other related costs not assessed in detail that deserve attention when thinking about the militarized rivalry. The conclusion offers next steps for improving and refining the analysis over time. The appendix describes the methodology used in this paper and its limitations in greater detail.

Examining Militarized Rivalries

U.S. concern about China's military power is growing, but it is most certainly not new. The first concerns about China's growing power and the potential threat it might pose to the U.S. and its close partners emerged during the Korean and Vietnam Wars, though at the time China's military capabilities were more limited, and the main U.S. concern was Chinese cooperation with the Soviet Union.

Following the end of the Cold War, events like the Taiwan Strait crisis in 1995-1996 changed how many U.S. policymakers viewed China and elicited growing concerns about its

military ambitions.[5] These concerns persisted even through the mid-2000s, when most of the U.S. national security community was focused on the ongoing wars in Iraq and Afghanistan. At the Shangri-La Dialogue in 2005, for instance, then-Secretary of Defense Donald Rumsfeld voiced alarm at China's rapid military buildup. "Since no nation threatens China, one must wonder: Why this growing investment? Why these continuing large and expanding arms purchases?"[6]

President Barack Obama was the first to consciously try to refocus U.S. foreign policy away from the wars in the Middle East and toward the Pacific in response to China's rise, a move that has come to be known as the "pivot to Asia." "Our enduring interests in the region demand our enduring presence in the region. The United States is a Pacific power, and we are here to stay," he declared in a speech to the Australian parliament in November 2011.[7] His announcement signaled a major change in U.S. foreign policy thinking, in which Asia came to be seen as the theater most central to U.S. long-term interests and China the country's main strategic competitor.

Obama's announcement brought some immediate changes, including a greater focus in the Pentagon on maritime and air capabilities that would be essential in a crisis in East Asia and renewed investment in U.S. regional military alliances. Obama's Trans-Pacific Partnership, which would have established a major free-trading zone in Asia that included the U.S. but not China, was a part of this (though in the end the U.S. government never joined).[8]

But there were competing priorities which created real constraints to any plan to reallocate military spending and resources toward Asia. U.S. military forces remained heavily engaged in the Middle East, both in fighting ISIS and continued operations in Afghanistan. Meanwhile in Europe, Russia's 2014 invasion of Ukraine created new concerns about the security of NATO's eastern flank and prompted new military deployments of U.S. army personnel to Europe.

The U.S.-China rivalry became even more militarized during Donald Trump's first administration. The National Defense Strategy (NDS), published in 2018, decisively reoriented the Pentagon's official narratives, and many resources, away from the

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[5] Eric Gomez, "Taiwan's Urgent Need for Asymmetric Defense," *Cato Institute*, November 14, 2023, https://www.cato.org/policy-analysis/taiwans-urgent-need-asymmetric-defense#chinas-growing-military-power; Kristen Gunness and Philip C. Saunders, "Averting Escalation and Avoiding War: Lessons from the 1995-1996 Taiwan Strait Crisis," *National Defense University Press*, 2022, https://ndupress.ndu.edu/Media/News/Article/3253814/averting-escalation-and-avoiding-war-lessons-from-the-19951996-taiwan-strait-cr/.

[6] The Associated Press, "Rumsfeld: China Buildup a Threat to Asia," *NBC News*, June 3, 2005, https://www.nbcnews.com/id/wbna8091198.

[7] The White House, "Remarks by President Obama to the Australian Parliament," speech, November 17, 2011, https://obamawhitehouse.archives.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament.

[8] The White House, "The Trans-Pacific Partnership," accessed December 8, 2025, https://obamawhitehouse.archives.gov/node/347756.

counterinsurgency wars of the post-9/11 era and toward great-power competition. The document articulated the perceived challenge from China in no uncertain terms. "China is leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to [its] advantage," the NDS explained before warning that China's goals included, "Indo-Pacific regional hegemony in the near term and displacement of the United States to achieve global preeminence in the future."[9] The Biden administration shared this basic assessment, writing in the 2022 National Security Strategy that China is, "the only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to advance that objective."[10]

As these warnings make clear, in the view of the U.S. policy community the competition between the U.S. and China encompasses military, economic, and diplomatic elements. However, of late, it is the competition over military power that has taken central stage. To a large extent, this is because it is military power that the U.S. has relied on most heavily to maintain and advance its position of global hegemony and its predominance across the Indo-Pacific region.

This is not to say that other types of competition are irrelevant. In the technology domain for instance, the U.S. and China are in a race to see who can innovate fastest and who can set global standards for emerging capabilities.[11] The two countries also battle in the economic domain, over market share and trade partners. But both the economic and technological domains also have a military dimension. Whichever country does best economically will have more resources to fund its military development and more industrial production to arm its soldiers. Whichever country excels technologically will have higher quality weapons and more advanced war and intelligence capabilities. Moreover, at least since the U.S. withdrew from the Transpacific Partnership trade deal, Washington has lacked a real economic strategy in the region. This, by default, has made the competition between the two powers increasingly militarized in nature, as the U.S. has doubled down on its reliance on hard power to secure its position in the region.

This of course begs the question: what would it look like for the U.S. to compete with China in a non-militarized way? After all, it seems unrealistic to expect that the world's two

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[9] Department of Defense, "Summary of the 2018 National Defense Strategy of the Unite States of America: Sharpening the American Military's Competitive Edge," https://media.defense.gov/2020/May/18/2002302061/-1/-1/1/2018-NATIONAL-DEFENSE-STRATEGY-SUMMARY.PDF.

[10] Jake Werner and Michael D. Swaine, "How Biden's New National Security Strategy Gets China Wrong," Quincy Institute, October 13, 2022, https://quincyinst.org/2022/10/13/how-bidens-new-national-security-strategy-gets-china-wrong/.

[11] Josh Chin and Ryan Knutson, "China and the U.S. Are in a Race for AI Supremacy," podcast, *Wall Street Journal*, December 2, 2025, https://www.wsj.com/podcasts/the-journal/china-and-the-us-are-in-a-race-for-ai-supremacy/bb7e82b5-c912-4ecd-9f24-8f332a4b7202?; U.S.-China Economic and Security Review Commission, "Chapter 3: U.S.-China Competition in Emerging Technologies," in *2024 Report to Congress*, 118 Cong. (2024), https://www.uscc.gov/sites/default/files/2024-11/Chapter_3--U.S.-China_Competition_in_Emerging_Technologies.pdf.

largest powers, the U.S. and China, would not compete at least to some degree. It is also reasonable for the U.S. to rely on some amount of military power to secure its interests in Asia, including most importantly access to key commercial trade routes.

One possible imagined future would be one of "competitive coexistence" or what some have termed a "cold peace" in which China would acknowledge that the U.S. would not fully withdraw from the Indo-Pacific region, and the U.S. would accept China as a military and geopolitical peer in the region.[12] The two powers would continue to compete economically and technologically but would accept a balancing approach in their military relationship. The U.S. would adopt a military posture minimally sufficient to safeguard its economic interests and maintain ties to treaty allies including Japan and the Philippines. This would include forces based primarily along the second island chain, in Northern Japan, with rotational presence in the Philippines and Australia along with a naval presence in the Philippine Sea East of Japan and near strategic chokepoints in Southeast Asia.[13] However, in all cases, U.S. allies would be expected to take a leading role in their own defense, meaning that U.S. forces would comprise primarily support and intelligence forces, rather than those trained for combat roles.

Such an approach to the region would not include a commitment to defend Taiwan and would dramatically reduce U.S. military requirements—the number of personnel, amount of materiel, number and size of overseas military bases, and money spent on training and military exercises. This "cold peace" strategy would not eliminate the risk of war between the U.S. and China but would be likely to reduce it, if only by cutting the potential for miscalculations and unintended escalation. As a result, it would also allow for a reduction in spending on munitions stockpiles and in other pricey military investments.

The best estimate of the cost of pursuing the U.S.-China relationship as a militarized rivalry would amount to the additional spending required to maintain the current, militarized strategy over and above the cost of the alternative "cold peace" strategy described above (there are also other opportunity costs and externalities to be included in any full accounting). Given ambiguities in the current defense budget, completing this calculation will be challenging but not impossible.

This paper takes a first step by estimating the first set of costs, that is, the price tag associated with the current approach to competition with China. It does so by assessing and estimating the total spending across government agencies over the 2012-2024 period attached to the U.S.-China militarized rivalry.

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[12] Andrew Byers and J. Tedford Tyler, "Can the US and China Forge a Cold Peace?" *Survival* 66, no. 6 (2024-5): 67-86.

[13] Jennifer Kavanagh and Dan Caldwell, "Aligning Global Military Posture with U.S. Interests," *Defense Priorities*, July 9, 2025, https://www.defensepriorities.org/explainers/aligning-global-military-posture-with-us-interests/.

Cost Estimates: Figures and Trends

This section presents estimates of the total cost of the militarized rivalry between the U.S. and China between 2012 and 2024.

As discussed, we use Obama's pivot to Asia, announced at the very end of 2011 (which coincides with the beginning of the 2012 fiscal year), as the starting point for this analysis. This date makes sense for a few reasons.

Although concerns about China's rise date back to the 1990s, until the end of Obama's first term, the thrust of U.S. foreign policy lay elsewhere—in Europe in the post-Cold War period and in the Middle East after 2001. Obama's "pivot to Asia" speech at the end of 2011 started to reorient U.S. foreign policy and added a new, heavily military focus to U.S. competition with China.[14] Although the so-called pivot was never as extensive or far-reaching as advocates hoped, it did have notable impacts on U.S. military strategy and budget allocations. In the Pentagon, for example, Obama's Deputy Secretary of Defense Robert Work (2014-2017) initiated the "Third Offset" to help reorient the Pentagon toward what came to be known as "great power competition," with new investments in advanced technology including artificial intelligence, directed energy, and hypersonics, while also pushing ahead with planning for the next generation of aircraft, submarines, and warships.[15]

Defense spending fell initially, under the terms of sequestration, but started rising again toward the end of Obama's second term. In Asia, the U.S. increased its military cooperation with Vietnam and the Philippines, invested heavily in its relationship with long-time ally Japan and military posture in Australia, increased military exercises across the region, and confronted China over its militarization of the South China Sea.[16] Most importantly, there was a growing consensus across the U.S. government that China's military power posed the most significant threat to U.S. over the long term.[17] This understanding became and remains a guiding force in U.S. policy toward China specifically and Asia in general and is a key feature of the militarized rivalry between the two countries.

Table 1 presents the total cost of the militarized rivalry between the U.S. and China between 2012 and 2024 (in 2024 USD): $3.4 trillion (in 2024 USD) or an average of about $260 billion per year. It also shows the components of this cost estimate and the amount in

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[14] Kenneth G. Lieberthal, "The American Pivot to Asia," *Brookings Institute*, December 21, 2011, https://www.brookings.edu/articles/the-american-pivot-to-asia/; "Barack Obama Says Asia-Pacific Is 'Top US Priority,'" *BBC*, November 17, 2011, https://www.bbc.com/news/world-asia-15715446.
[15] Gian Gentile, et al., "A History of the Third Offset, 2014-2018," RAND Corporation, 2021, https://www.rand.org/pubs/research_reports/RRA454-1.html
[16] Antony J. Blinken, "Obama Administration Policy in the Asia-Pacific," testimony before the House Foreign Affairs Committee, April 28, 2016, https://2009-2017.state.gov/s/d/2016d/256694.html.
[17] Greg Jaffe, "U.S. Model for a Future War Fans Tensions with China and inside Pentagon," *The Washington Post*, August 1, 2012, https://www.washingtonpost.com/world/national-security/us-model-for-a-future-war-fans-tensions-with-china-and-inside-pentagon/2012/08/01/gJQAC6F8PX_story.html.

2024 USD that each contributed to the total, in both dollars and percentage terms. The same information is displayed in a pie chart in Figure 2. Because the strategy used for estimating the cost is a conservative one, this is likely an underestimate of the true total. The total cost is also likely to keep rising, as the U.S.-China militarized rivalry continues to intensify. As Pentagon officials have said repeatedly, the rivalry with China continues to be the DoD's pacing threat, as indicated in recent Congressional testimony by Pentagon officials and notwithstanding the Trump administration's greater focus on the Western Hemisphere.

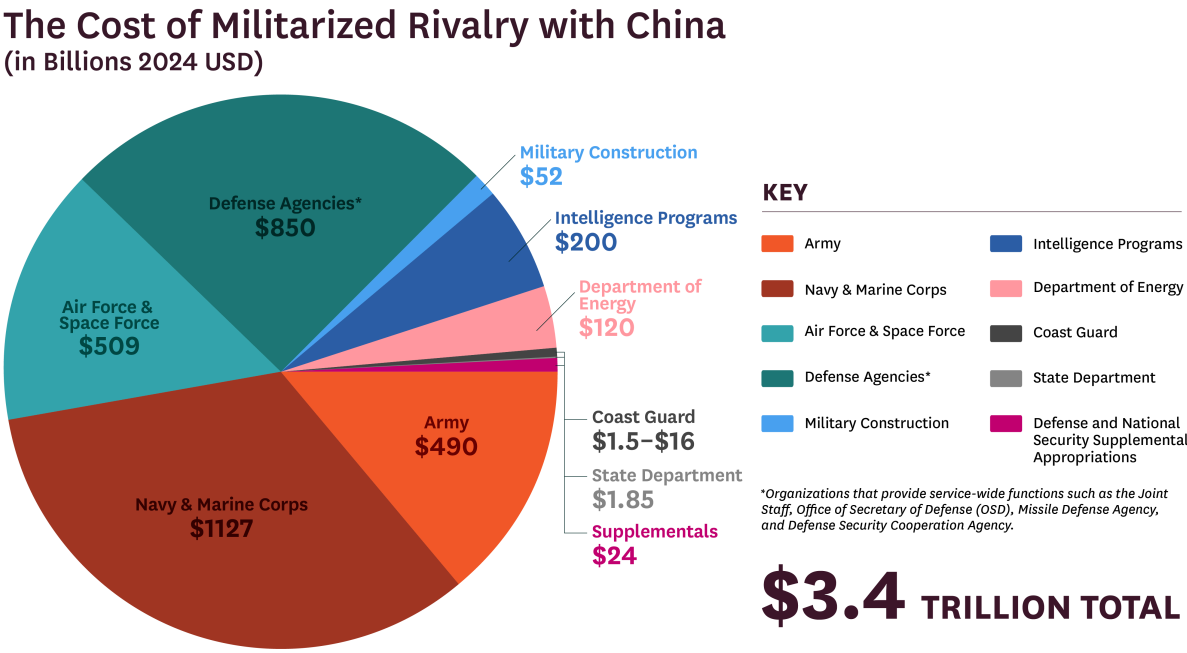
Table 1: The Costs of Militarized Rivalry, by Government Component

Component	**Cost (Billions 2024 USD)**	**Percent of Total Cost****	**Sources**
Army*	$490	14%	DoD Budgets
Navy & Marine Corps*	$1127	33%	DoD Budgets
Air Force & Space Force*	$509	15%	DoD Budgets
Defense Agencies*	$850	25%	DoD Budgets
Military Construction	$52	1.5%	DoD Budgets
Intelligence Programs	$200	6%	National and Military Intelligence Program Budgets
Department of Energy*	$120	3.5%	National Nuclear Security Organization Budget
Coast Guard*	$1.5 to $16	0.5%	Coast Guard Budget
State Department*	$1.85	0.1%	State Dept Budget
Supplementals	$24	0.7%	Defense Supplemental Appropriations
Total	$3390	100%	

** Estimates include a portion of total spending from the following categories: Procurement; Research, Development, Testing, Evaluation; Operations & Maintenance. Personnel costs are not included here.[18]*
***Totals may not add up to 100% due to rounding.*

[18] Personnel costs are excluded as the size of the military force is set by a range of factors. Outside of wartime, the threat environment has limited impact. In recent years, total force size has largely been a function of recruiting constraints rather than strategic policy decisions. An argument could be made for including personnel costs, but to stick with a conservative estimate, we exclude them here.

Figure 2: The Cost of Militarized Rivalry with China, by Component



The discussion that follows explains each row of Table 1, including a short summary of what is included and the portion of total costs that can be attributed to each individual line item.

Military Services and Defense Agencies

To estimate the total spending on military competition with China, we start with the military services and defense agencies—by far the largest contributors to the total cost estimate. In our estimate, we include a portion of all spending in three main budget categories: 1) procurement (purchase of weapons and military hardware); 2) research, development, testing, and evaluation (RDTE) (to develop new weapons and military hardware); and 3) operations and maintenance (O&M) (covers all the activities the U.S. military does, such as exercises, contingencies, and day to day business). We consider military construction separately below and exclude personnel costs, which we take as exogenous. This is a reasonable choice, given that even with a different approach to competing with China, U.S. military force structure and personnel levels would likely stay the same in the near and medium term. This is, however, a conservative decision—there are arguments in favor of including these costs—and its implications will be discussed in more detail in subsequent sections.

Deciding how much of each service and agency's spending to include is a consequential choice for the estimate but also a difficult one. The rationale is described in detail in the appendix but for context we provide a summary here.

At the high end, we could argue that since China is a global threat, all defense spending is aimed in some way at China. This would be an overestimate, however, even if it makes some intuitive sense. Alternatively, since the U.S. military focused its primary energies over the 2012-2024 period on three major theaters—the Middle East, Europe, and Asia—with some more limited effort devoted to "everything else" a more reasonable estimate would assume that about one-third of each service and agency's spending went toward Indo-Pacific activities of which the threat posed by China is the top focus.[19] This is not a perfect approximation as none of the military services evenly splits its investments across theaters. However, at least for the Air Force and the Army, it is probably pretty close.

Both services have a global role and activities spread across regions. The Army's activities in Asia have increased over time, especially since 2018, but they continue to be less extensive than its involvement in Europe and also the Middle East, where it has a large ground presence. It is unlikely, then, that more than 30 percent of the Army's spending is focused on military rivalry with China.

For the Air Force, much more of the service's strategic focus and spending is now focused on China than in the past, including developing the systems and strategies it needs to operate in the face of China's missile threats. However, the Air Force remains heavily involved in other theaters as well, with assets based rotationally and permanently in the Middle East and Europe. As a result, 30 percent of spending might be a low estimate for the Air Force, but that would be in keeping with the conservative estimation strategy of this report.

For the Navy, it makes sense to allocate something closer to 50 percent of spending to the military competition with China. The 30 percent estimate is almost certainly too low. Since Asia is largely a maritime theater, and the Chinese Navy is now the biggest in the world, China is the driver of most of the Navy's efforts to build more ships faster and to expand the size and tonnage of the current fleet. To be sure, the Navy has been forced in just the last year to deploy forces to the Middle East and Latin America in large numbers (though this is outside the time period considered here, 2012-2024). However, competition with China continues to dominate the Navy's planning, exercise, and spending decisions.

This approximation also makes sense for the Marine Corps as well at least for the early years of the time period 2012-2024. The focus on China and the Indo-Pacific theater is even more extreme for the Marines since 2021, however. After giving up its tanks and shifting its military force structure to optimize for the Indo-Pacific theater, the Marines have focused just about all of their spending on improving their ability to operate in Asia with an eye toward China, especially in Japan and the Philippines. In doing so, they have given up much of their utility in other theaters. After 2021, it is fair to allocate 100 percent of U.S. Marine Corps spending to China.

[19] Given the Trump administration's greater focus on the Western Hemisphere, a slightly different division of costs might be required if we wanted to extend the cost estimate into 2025 and beyond.

Finally, for the Defense Agencies (which are organizations that provide service-wide functions such as the Missile Defense Agency and the Defense Logistics Agency), we use the same 30 percent of spending that was applied for the Army and Air Force, with the rationale that their division of effort would match that of the services they support.

Using this methodology, contributions of military services (the Army, Air and Space Force, and Navy and Marine Corps) and the Defense Agencies (including for example, the Joint Staff, Office of Secretary of Defense (OSD), Missile Defense Agency, and Defense Security Cooperation Agency) to the total cost of the militarized rivalry is substantial.[20] Together, these costs amount to about 88 percent of all spending on military competition with China.

Of the three military services, the contribution of the Navy and Marines is greatest at 33 percent of the total, followed by the Air and Space Force and the Army at about 15 and 14 percent respectively. This makes sense. The Indo-Pacific is a maritime theater and operating effectively in Asia is a major priority for the Navy and Marine Corps. Naval operations in Asia focused on China are also extensive, from military exercises to freedom of navigation patrols. In Washington there is much focus on trying to stockpile munitions and building more advanced ships more quickly to keep pace with China's rise. That the Air and Space Force comprise the next largest portion of the total is also not that surprising. The U.S. has a large number of airbases in the Indo-Pacific region, including in Japan and South Korea, where the focus is on deterring Chinese aggression. Finally, the Army plays a smaller role in Asia generally, and in the rivalry with China especially, given the fact almost any U.S.-China contingency would involve only a very small role for ground forces in general.

Turning to the defense agencies, these together make up about 25 percent of the total cost of the militarized rivalry with China. Among the included organizations are the Office of Secretary of Defense, Joint Staff, and dozens of other offices agencies that support Pentagon operations. Though none are that large, the sheer number of groups included helps explain the size of these costs. The large contribution of the defense agencies to the overall cost of the U.S.-China militarized rivalry is a reminder of how expensive the simple operation and functioning of the Pentagon is.

The final military cost component includes the DoD Military Construction costs. These are a smaller but important part of the total expense of the U.S.-China militarized competition because this spending also comes with externalities, including environmental damage from new infrastructure and expansion of old bases and facilities. For this cost element, we include all Asia-specific spending, including spending at U.S. bases across the region and along the second island chain (Guam and Palau for example), and 50 percent of

[20] Costs for the military services and defense agencies come from a review of service and DoD budget documents, including overview briefings and justification books. These can be found at: https://comptroller.defense.gov/Budget-Materials/ or at the individual service financial management pages, see for example: https://www.asafm.army.mil/Budget-Materials/; https://www.saffm.hq.af.mil/FM-Resources/Budget/; https://www.secnav.navy.mil/fmc/Pages/FMB.aspx.

spending on other infrastructure investments, including costs to build new munitions factories and other similar construction which is very much focused on preparation for a potential future conflict with China (this amounts of 15 percent of DoD spending of this type).

These costs amount to about $52 billion, which is just about 1.5 percent of the total. However, it is worth noting that looking at these costs on a year-by-year basis reveals a sharp rise in cost per year toward the end of the time frame considered in this report. This reflects that U.S. effort in recent years to harden its basing and other infrastructure in the Indo-Pacific region.

Other Parts of the U.S. Government

We also account for the contributions from non-defense executive agencies, including intelligence, State Department and others. We report these from most to least sizeable.

The U.S. intelligence agency's spending is outlined each year in the classified Military and National Intelligence Programs (MIP and NIP). Because the intelligence community focuses on a wide range of threats to the U.S. of which China is only one and because much of what the intelligence agencies do is not purely military in nature, we include only 15 percent of these costs in our estimate. In short, if we assume, reasonably, that about one-third of the intelligence community's work is focused on China and only about half of that is allocated to military-focused activities and information, then 15 percent of total spending allocated to the militarized rivalry makes sense.

Applying this methodology suggests that the intelligence community has spent about $200 billion over the period 2012-2024 on the militarized rivalry with China, about 6 percent of the total.[21]

Next, we also need to account for costs related to the U.S. nuclear program not managed by the Pentagon. The DoD budget includes the cost of building new missile silos and purchasing new nuclear warheads to expand the U.S. arsenal or to replace aging system; developing more advanced nuclear weapons; and procuring the submarines and bomber aircraft that carry nuclear missiles. Those costs were accounted for above.

However, securing the U.S. nuclear stockpile and nuclear activities at U.S. national laboratories at Los Alamos and Livermore fall under the Department of Energy, specifically the National Nuclear Security Administration.[22] Because China is one of the two most important U.S. nuclear adversaries, as much as 50 percent of these costs might be allocated to the militarized rivalry with China. Some might argue that because China's nuclear

[21] "U.S. Intelligence Community Budget," Director of National Intelligence, accessed April 30, 2025, https://www.dni.gov/index.php/what-we-do/ic-budget.
[22] "Recent Budget Proposals," U.S. Department of Energy, accessed December 8, 2025, https://www.energy.gov/nnsa/budget.

capability is still much more limited than that of Russia, the total allocated to competition with China should be less than 50 percent. However, it is China's rapid military buildup that has most concerned military leaders of late and so it would be a mistake to underestimate how important a factor competition with China is in U.S. nuclear planning.

Using this approach, this component amounts to about $120 billion over the time period 2012-2024, or about 3.5 percent of the total cost of the militarized rivalry between the U.S. and China. Notably, these costs have risen rapidly in recent years, as the U.S. has begun investing more in modernizing and upgrading its aging nuclear stockpile and infrastructure, in part out of necessity, but also with an eye towards China.

The State Department's contribution is small, including primarily foreign military assistance programs to Asian allies and partners. Notably, this is not the total amount of spending at the State Department that goes toward competition with China in general, just the portion that we can say is allocated to the military competition. The total State Department contribution to the cost amounts to just $1.85 billion, about 0.1 percent of the total.[23]

Finally, we should account for the contribution of the Coast Guard which plays only a small role in the military competition with China, its duties being focused more directly on defense of U.S. ports and coastlines. For the upper bound, we include 10 percent of all costs each year, on the rationale that although the Coast Guard's focus is at home, if a crisis broke out, some portion of its assets would be redirected to protect shipping lanes or U.S. ports and other facilities. We could also scope the Coast Guard's role more narrowly and include only Coast Guard training activities with Asian partners and a portion of the Coast Guard Polar Cutter program which focuses on the Arctic, where China is one of many U.S. concerns. The difference between the two approaches in this case is about $14.5 billion over the period of interest—a large amount objectively but a very small amount given the size of the total cost estimate. No matter which is used, this amounts to no more than 0.5 percent of the total spending on the militarized U.S.-China rivalry.

Also included in the total figure is the cost contribution from the two relevant Congressional supplemental bills focused on national security issues, which amounts to about $24 billion, about 0.7 percent of the total cost of military competition over the time period 2012-2024.

Summary

Together, these costs add up to about $3.4 trillion spent on the U.S.-China militarized rivalry over the period 2012-2024, or an average of about $260 billion per year. Since military budgets have risen dramatically over this time period, costs in the early years were likely smaller than $260 billion while costs in later years are somewhat higher.

[23] This assessment is based on a review of State Department Budget documentation, 2012-2024 available at: https://www.state.gov/plans-performance-budget/international-affairs-budgets/.

Implications

Whether the price tag on the militarized rivalry is $3.4 trillion this number is so large that it is hard to really put it in context. How much is that exactly?

The best way to contextualize the cost is to consider what portion of total U.S. federal spending it comprises—in other words, how much of the government's total yearly outlays goes to this militarized rivalry? The answer is revealing. The cost of U.S. military competition with China averages about 5 percent of total federal government spending over the period considered.[24] It comprises an even greater share of discretionary federal spending, that is the total spending that excludes mandatory commitments like Social Security and Medicare. During the period 2012-2024, about 14 percent of discretionary spending can be associated with the militarized rivalry with China.[25]

We can also think about the cost of militarized rivalry in comparative terms. Already, with no end in sight, total spending on the militarized rivalry far exceeds the price tag of $2.3 trillion placed on the twenty-year war in Afghanistan (2001-2021), even though throughout the period 2012-2024, the U.S. and China have been at peace.[26] It's also 1.5 times as large as the lofty $2 trillion goal that Elon Musk set when he launched his Department of Government Efficiency drive.[27] He failed to come close to this total before leaving government but might have done better had he gone after spending on the militarized rivalry with the same energy he unleashed on U.S. foreign assistance programs.

Or we can consider what else $3.4 trillion could buy. One area where the U.S. badly needs additional investment is infrastructure. Trains in the U.S., for instance, are in considerably worse condition than trains in places like China and Japan. The Northeast Corridor Amtrak lines often shutdown in the summer, due to power failures caused by overheating. Replacing all the tracks from Boston to DC would cost about $120 billion. Installing a high-speed train line from San Francisco to Los Angeles in California would cost about $130 billion. Congress has been reluctant to fully fund these programs, citing the high price tag.[28] This is notable, since the militarized competition with China costs more than both mega-projects combined. Other major infrastructure overhauls would similarly cost much less than the U.S. States has spent on its military competition with China. Completely redoing the U.S. air traffic control system, for instance, is expected to cost $31.5 billion, while repairing all the bridges in the U.S. currently rated as being in poor condition is

[24] This assessment uses data from: https://www.statista.com/statistics/200397/outlays-of-the-us-government-since-fiscal-year-2000/.
[25] For total discretionary federal spending over time, see: https://www.congress.gov/crs-product/R48164
[26] Linda Bilmes, "The Long-Term Costs of United States Care for Veterans of the Afghanistan and Iraq Wars," Watson Institute, accessed December 8, 2025, https://watson.brown.edu/costsofwar/figures/2021/human-and-budgetary-costs-date-us-war-afghanistan-2001-2022.
[27] Dominik Lett, "DOGE Fell Short on Spending Cuts: Now Congress Must Lead," Cato Institute, April 23, 2025, https://www.cato.org/blog/doge-fell-short-spending-cuts-now-congress-must-lead.
[28] Minho Kim, "New Bullet Trains Misfire on Old U.S. Railroad Tracks," E&E News, September 5, 2023, https://www.eenews.net/articles/new-bullet-trains-misfire-on-old-u-s-railroad-tracks/#.

estimated to cost $319 billion. Together these two expenses comprise about 10 percent of the expense of the U.S. competition with China over the period 2012-2024.[29] The U.S. government is quite literally trading improved domestic infrastructure within the U.S. for the military infrastructure and weapons it is building up for military operations in Asia.

Providing tuition-free college education at public universities—a proposal made by the progressive left—would be more costly than improved trains. A "last dollar tuition-free" approach would fund the full tuition costs after grant and scholarship aid is applied (excluding room and board). This would cost about $30 billion the first year and $40 billion on average per year over the following decade. That would be about $400 billion per decade, so the United States could fund about 85 years of tuition-free college education for all U.S. college goers what it has already spent on the militarized rivalry with China. Improving the overall U.S. education-level could in the end be a more powerful way to increase U.S. competitiveness than spending on the military.[30]

As a final example, the cost to provide housing to every homeless person in the country is estimated to be between $11 billion and $30 billion, depending on the approach the government took (e.g., just housing or housing and food).[31] Certainly, there is a debate to be had about the right level of social service programs like this one, but either way, it is clear that the extra defense spending associated with the militarized rivalry with China could be used to shore up the gaps in the social safety net.

In addition to monetary costs, there are other externalities, not included here, that are worth keeping in mind. At least three are worth mentioning specifically. First, there are environmental costs associated with military activities. These include not just greenhouse gases from military emissions, but the destruction caused by new construction at bases and new live fire missile tests conducted on land and at sea. Damage to coral reefs, fragile ecosystems, and rare species are likely already underway.[32] These are not costs borne by the U.S. primarily, or at least not only, but they are still costs of the militarized rivalry that will increase as escalation continues.

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[29] Robert S. Kirk and William J. Mallet, "Highway Bridges: Conditions, Funding Programs, and Issues for Congress," congressional report, July 25, 2022, https://www.congress.gov/crs-product/R47194; Alexandra Skores, "Air Traffic Control Overhaul to Cost $31.5 Billion, Transportation Secretary Tells Congress," CNN, July 16, 2025, https://www.cnn.com/2025/07/16/us/atc-overhaul-cost#:~:text=FAA%20overhaul%20to%20cost%20$31.5%20billion%2C%20transportation%20secretary%20tells%20Congress%20%7C%20CNN.

[30] Melanie Hanson, "How Much Would Free College Cost?" Education Data Initiative, February 15, 2025, https://educationdata.org/how-much-would-free-college-cost#:~:text=Report%20Highlights.,current%20federal%20student%20aid%20budget.

[31] Rob Moore, "What Would It Cost To End Homelessness in America?" Scioto Analysis, January 16, 2024, https://www.sciotoanalysis.com/news/2024/1/16/what-would-it-cost-to-end-homelessness-in-america.

[32] Neta C. Crawford, "Pentagon Fuel Use, Climate Change, and the Costs of War," Watson Institute, November 13, 2019, https://costsofwar.watson.brown.edu/paper/pentagon-fuel-use-climate-change-and-costs-war.

Second, there is the added risk of war which militarized rivalry imposes. Militarized rivalries tend to produce arms races and escalation spirals.[33] The U.S. increases its military spending to build more bases and accumulate more weapons, driving China to do the same.[34] As the two countries move up the escalation ladder and become more and more lethally armed, the risk of war increases and the consequences of any potential war worsen. Especially relevant in the case of the U.S.-China rivalry is the risk of nuclear war, given that both countries have advanced nuclear arsenals. Just as fearsome, however, are the costs of a major conventional war. Simulations of a potential future U.S.-China war over Taiwan suggest such a conflict would result in the loss of tens of thousands of lives, dozens of warships, and possibly hundreds of aircraft while incurring economic costs of at least $10 trillion.[35] A region-wide war could have even worse consequences.

Third, there are the opportunity costs, foregone investment and expenditure on other public goods that might hold more benefit for the population as a whole. These costs are often forgotten or left out of analyses that consider the consequences of military competition and military spending in general. But this is a mistake as opportunity costs can accumulate over the long-run in unexpected ways. These include some of the items mentioned above: improved infrastructure, better or cheaper schools, stronger social services, tax cuts, or reducing national debt. Not every American will prefer all of these programs to military spending, but on net, there are certainly other uses of dollars currently spent on the militarized rivalry.

The bottom line is that the militarized rivalry with China absorbs significant resources every year, about $260 billion per year (in 2024 dollars) since 2012, using the conservative approach here. But what about the returns? Is the military spending keeping Americans safe? The answer is unclear and given the huge sum invested, it should be a top concern for policymakers and taxpayers.

The U.S. fears Chinese military expansion because it threatens U.S. dominance in Asia, but China does not pose an immediate security threat to the continental United States or to Alaska and Hawaii (or even U.S. territories in the South Pacific).[36] Moreover, even a China that expanded to be the preeminent military power in its region—something that is a long way off and may, in fact, be entirely out of China's reach militarily given the region's

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[33] Susan G. Sample, "Arms Races and Dispute Escalation: Resolving the Debate," *Journal of Peace Research* 34, no. 1 (1997): 7-22.
[34] Stacie Goddard, "Good to Know: The Spiral vs. Deterrence Model in International Relations," Good Authority, January 29, 2024, https://goodauthority.org/news/good-to-know-spiral-and-deterrence-in-international-conflicts/.
[35] Mark F. Cancian, Matthew Cancian, and Eric Heginbotham, "The First Battle of the Next War: Wargaming a Chinese Invasion of Taiwan," Center for Strategic and International Studies, January 9, 2023, https://www.csis.org/analysis/first-battle-next-war-wargaming-chinese-invasion-taiwan; Jennifer Welch et al., "Xi, Biden and the $10 Trillion Cost of War over Taiwan," Bloomberg, January 9, 2024, https://www.bloomberg.com/news/features/2024-01-09/if-china-invades-taiwan-it-would-cost-world-economy-10-trillion.
[36] The White House, *National Security Strategy of the United States of America,* November 2025, https://www.whitehouse.gov/wp-content/uploads/2025/12/2025-National-Security-Strategy.pdf.

geography—would not pose an existential threat to U.S. physical security or economic interests, even if it would pose certain strategic challenges for the U.S.[37]

At the same time, for all its spending, there is little evidence that the Pentagon's current approach is having the desired effect. China's military is growing at an increasing rate and its military activities in Asia are expanding, not shrinking.[38] Some suggest that the problem is that the Pentagon has not been doing enough, that the answer is more hard power in the region and more spending, rather than less, but this recommendation rings hollow in the absence of an evidence-based justification that spending so far has moved the needle in a positive direction. It seems equally likely that more spending on the militarized rivalry has in fact driven China to build up its own military more quickly and worsened relations between the two countries, thereby increasing the risk of war.[39] All this spending may be leaving Americans worse off both financially and in terms of true safety or security.

Conclusion

The $3.4 trillion estimate for the cost of U.S.-China militarized competition offers a good starting point for analysts and policymakers concerned about the current trajectory of competition with China. It provides a baseline, conservative estimate to underscore the tremendous sums already invested in the U.S. competition with China and the need for rethinking future strategy. Before additional money is allocated, for instance, it would make sense to review the efficacy of what has already been expended to address questions about where more funds are actually needed and where sufficient money has already been allocated. The estimate in this paper also provides analysts a tool to raise awareness about total spending on the militarized competition with China with the general public and promote accountability for policymakers arguing for still more funding at the expense of social service programs, infrastructure, and more.

However, because the number provided here is only an estimate, more work will be needed to refine the analysis presented in this paper. This could include digging more deeply into the military budget documents to try to more precisely disentangle China-related spending from other spending. Additionally, the estimate could be expanded and refined by mining other manifestations of the militarized rivalry in agency budgets not examined here, for example Commerce or Treasury. Other types of spending, for instance

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[37] Andrew Nathan and John Torpey, "The China Threat Is Not Existential, But It Is Significant. With Andrew Nathan," CUNY Graduate Center, April 25, 2022, https://www.gc.cuny.edu/news/china-threat-not-existential-it-significant-andrew-nathan#:~:text; Stephen M. Walt, "Hedging on Hegemony: The Realist Debate over How to Respond to China," *International Security* 49, no. 4 (2025): 37-70.

[38] U.S. Department of Defense, *Military and Security Developments Involving the People's Republic of China 2024*, report to Congress, accessed December 8, 2025, https://media.defense.gov/2024/Dec/18/2003615520/-1/-1/0/MILITARY-AND-SECURITY-DEVELOPMENTS-INVOLVING-THE-PEOPLES-REPUBLIC-OF-CHINA-2024.PDF.

[39] Lyle Goldstein, *Meeting China Halfway: How to Defuse the Emerging US-China Rivalry* (Georgetown University Press, 2015).

the cost to enforce defense-related export controls or government spending on development of dual use technologies, could be added.

Appendix: Measurement Strategy & Methodology

This paper focuses on the U.S.-China militarized rivalry, so accounts narrowly for military and military-related expenditures, including those by the Department of Defense, relevant costs from the intelligence agencies, oversight of the U.S. nuclear stockpile governed by the Department of Energy, some spending by the U.S. Coast Guard, and military assistance allocated by the State Department. The paper tries to account for all U.S. spending on U.S. competition with China (inside and outside DoD) over the period under consideration, 2012-2024. It does not include the associated costs of government investment in artificial intelligence or other emerging technologies that occur in the private sector, the cost of export controls imposed on those technologies, or the price tag associated with commercial infrastructure development, though these things may also have relevance to militarized competition. The estimate also excludes the interest costs associated with continued government deficits. Today, annual interest payments on the government debt are as large as the $1 trillion U.S. defense budget and yet the U.S. continues to pour money into the military, incurring more debt each year.[40] A truly comprehensive accounting of the cost of militarized rivalry would also include the interest costs associated with military spending that adds to the national debt.

The approach to assessing the cost of militarized rivalry outlined here has a number of limitations. Most importantly, it is inexact. The method proposed offers only a rough estimate of what the U.S. has spent on its military competition with China over the 2012-2024 time period and includes many assumptions that are discussed in detail in the remainder of this paper.

However, the estimate provided in this paper remains useful. It offers an initial assessment of the total spending on the military competition with China between 2012 and 2024. In other words, it estimates how much the military spends on a yearly basis on its militarized approach to the U.S.-China rivalry, filling a gap where nothing currently exists. In that sense, it is an important starting point for future analysis and refinement. It gives a sense of the enormity of the total cost and because a conservative approach was taken in generating total expenses, it is almost certainly an underestimate. What remains to be calculated is the cost of alternative strategies, or a non-militarized rivalry, with China. Such an alternative would not exclude all military activities, but it would include a much smaller U.S. military footprint focused on securing U.S. access to key trade routes in Asia, most notably through the Philippine Sea (East of Japan) and at key maritime chokepoints in southeast Asia and providing limited support to key treaty allies like Japan.

[40] "Interest Expense and Average Interest Rates on the National Debt FY 2010-FYTD 2026," *Fiscal Data,* November 30, 2025, https://fiscaldata.treasury.gov/interest-expense-avg-interest-rates/.

Producing this second estimate will be challenging, however, given the lack of transparency and complexities of the DoD's budget and budgeting process. This same lack of transparency will complicate efforts to offer a more precise estimate of the costs of the U.S. military competition with China. In other words, estimating the cost to the U.S. of its militarized rivalry with China is simply hard to do and any estimate will be limited in its accuracy.

This appendix offers additional details on the methodological approach and measurement strategies used to generate the cost estimates included in this report.

Cost Categories to Include

The primary driver of costs in the militarized rivalry with China come from the DoD budget, including the military services and defense agencies. This assessment aims to offer a conservative estimate, so it tries to exclude costs that are only indirectly associated with the U.S.-China militarized rivalry. Some observers might argue that because competing with China is the Pentagon's top focus and because China has been broadly defined as a global threat, all defense spending is at least tangentially related to the militarized rivalry. After all, if challenging Iran in the Middle East and pushing back against Russia in Europe is somehow related to the challenge of "deterring Chinese aggression," as many in Congress and the Washington, DC foreign policy space assert, then all military spending is at least indirectly aimed at China.[41]

This characterization is overly broad, however, and not all that helpful if our goal is to understand with more fidelity what the U.S. is spending on its military competition with China. Certainly, the task of separating spending that should be included from spending that should not be is challenging one, given that very few military investments are made with only one theater in mind. Still, making some distinctions should be possible. It would be misleading, for instance, to suggest that all U.S. Army spending is driven by the militarized rivalry with China, given that the Army continues to invest in heavy ground vehicles, artillery platforms, and ground-launched munitions that may have limited applicability in Asia (outside of South Korea), a primarily maritime and air theater. The Navy and the Air Force also have global missions. They may be very focused on the challenge China presents in Asia, but they are also conducting military exercises and sometimes kinetic activities like recent campaigns against the Houthis in Yemen or the airstrikes launched on Iran in Operation Midnight Hammer in June 2025.

This section discusses the costs that are included in the estimates provided in this paper and how the cost estimates were produced.

<u>Military Services</u>

[41] *2024 Report of the Commission on the National Defense Strategy* (RAND, 2024), www.rand.org/nsrd/projects/NDS-commission.

The costs from the military services make up the largest portion of U.S. spending on its militarized rivalry with China. It is useful to think about which categories of spending should be included for each of the military services. Each service budget has five primary categories: 1) military personnel that includes the cost of servicemember salaries and benefits; 2) military construction, which covers the cost of base repairs and improvements as well as the construction of new military infrastructure such as runways, ports, ammunition manufacturing facilities, etc; 3) research, development, testing, and evaluation (RDTE) that pays for development of new technologies and the testing and improvement of new weapons systems; 4) procurement which pays for the purchase of new weapons and military hardware; and, 5) operations and maintenance (O&M) which covers the cost of military training, basic daily operations, maintenance and upkeep of military equipment, and multilateral exercises, among other items.[42]

Of these, this report excludes military personnel costs from its assessment of the costs of militarized rivalry with China. Though personnel deployed overseas, including to military bases in Asia, sometimes earn special pay for being separated from family members, these costs are marginal compared to their overall salary and benefits which would be incurred no matter where they are based. Of course, if a change in military strategy and a reduced focus on the so-called "China threat" allowed for cuts to total U.S. military force structure, this would drive cost savings. In this case, some portion of personnel costs should be included in the cost estimate.

However, the process of figuring out the "right" size for the U.S. military assuming a narrower definition of threats would be a challenging one, worth its own paper. For the purpose of this analysis, we assume that the military's overall size is exogenous. This is not unreasonable. A review of the changes in the U.S. military's size over time suggests that total number of personnel is quite resistant to changes in strategy and even to assessments of external threats and adjusts only slowly and as a result of a myriad of factors, beyond the global threat picture. Even as the militarized rivalry with China has heated up, overall personnel numbers across military services have dropped as the "Global War on Terror" ended and recruiting challenges have forced all services to accept lower numbers. In other words, it is not clear that even in the absence of the U.S.-China militarized rivalry, today's military would be radically smaller than it is today.[43]

Portions of spending on 1) procurement—2) operations and maintenance (O&M) and 3) research, development, testing, and evaluation (RDTE), 4) military construction—are included as they are the categories where costs of the militarized rivalry between the

[42] "Budget Basics: National Defense," *Peter G. Peterson Foundation*, September 9, 2025, https://www.pgpf.org/article/budget-explainer-national-defense/.

[43] As an excursion, we considered how much including personnel costs would change the cost estimate if we take a conservative approach to estimating these costs and assume that about a third of the U.S. military's total manpower is focused primarily on tasks associated with the military competition with China, then this would add about $700 billion to the total cost of the militarized rivalry. There are reasons this estimate might be too high, including the inelasticity of military personnel demand to the threat environment in peacetime. However, if included this would raise our total cost estimate to $3.7 to 4.8 trillion.

U.S. and China are most likely to appear. We include only the base budget costs, not costs incurred in "overseas contingency operations" (OCO) accounts, used heavily by the military services through 2022. Ostensibly, these accounts were intended to cover the costs of contingency operations in Iraq and Afghanistan, though they later included funding for activities under Operation Atlantic Resolve in Europe as well.[44] We exclude these costs because they were never explicitly authorized for China-related expenses.

However, the decision to exclude OCO is once again a conservative choice. While in the early days of the wars in Iraq and Afghanistan OCO may have been strictly focused on contingency operations, in later years the services used this off-budget mechanism to give them extra flexibility, shoving everything possible into the OCO request to make more space in their base budget request.[45] In this way, OCO allowed the services to spend much more on China-related activities in the 2010s than they might have otherwise. Still, to stay true to our conservative methodology, we leave OCO spending out.

The "Pacific Deterrence Initiative" which some have likened to OCO spending, on the other hand, is just base budget money, packaged into a portfolio that can assuage Congress's desire to see more effort allocated to China, as such it is already included in the estimate. It is not supplemental funding.[46]

The question of how much spending in each of these categories to allocate to the militarized rivalry is a challenging one. The simplest way to make this determination would be to say that the military focuses its efforts on three theaters—Asia, Europe, and the Middle East—and then has a smaller number of activities aimed "everywhere else." It would be reasonable to estimate that about 30 percent of total spending is focused on military competition with China. Though this is a rough approximation it is probably about right for the Army and the Air Force.

The Air Force has a global mission with Asia as a major and growing area of focus. Air Force assets are currently more evenly distributed across the globe than naval assets, with about equal numbers of fighter squadrons in Asia and Europe and a rotating air presence in the Middle East. Over recent years, the Air Force's focus on the China threat has grown. China is the primary motivation for its new F-47 aircraft, its B-21 bomber, and its "agile combat employment" (ACE) military strategy. Notably, while Air Force presence in Europe is decreasing and air forces based in the Middle East are mostly rotational, there are currently no planned reductions to Air Force presence in Asia.[47] In fact, the footprint of the

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[44] "What Are Overseas Contingency Operations?" *Peter G. Peterson Foundation*, October 7, 2020, https://www.pgpf.org/article/what-are-overseas-contingency-operations/.
[45] Danny Vinik, "Can Trump End Washington's Biggest Budget Gimmick?" *Politico*, December 29, 2016, https://www.politico.com/agenda/story/2016/12/can-trump-end-washingtons-biggest-budget-gimmick-000263/.
[46] Luke A. Nicastro, "The Pacific Deterrence Initiative," *U.S. Congress*, https://www.congress.gov/crs-product/IF12303.
[47] Stefano D'Urso, "U.S. Air Force Plans to Withdraw F-15E Strike Eagles from RAF Lakenheath," *The Aviationist*, May 21, 2025, https://theaviationist.com/2025/05/21/usaf-plans-withdraw-f-15e-lakenheath/.

U.S. Air Force in Japan and South Korea typically meets or exceeds the total in Europe and Middle East (where most presence is rotational). The Air Force has also invested heavily in munitions and advanced technologies like hypersonics with an eye specifically toward China. The Air Force now encompasses Space Force, whose activities are heavily focused on concern about China's growing space presence and eroding U.S. dominance. An argument could be made for including more than 30 percent of the Air Force's costs in an estimate on spending allocated to military competition with China. But since we aim to provide a conservative estimate, we will stick with 30 percent but acknowledge it likely undercounts the total.

Of all the services, the Army is perhaps the least focused on China and operations in the Indo-Pacific theater, and with good reason. The Army is a land force, built for ground warfare. Any contingency against China will have little use for the Army's tanks and heavy ground vehicles as well as much of its artillery (though these things might be more useful in the unlikely event of a conventional conflict on the Korean Peninsula). Even as the other services increasingly shifted their focus to the Indo-Pacific and competition with China, the Army, for a time, remained largely focused on the perceived threat from Russia, which invaded Ukraine for the first time in 2014. The Army was not unaware of the growing challenges in Asia, but up through 2017, Pentagon planning documents continued to task the Army with focusing first on Russia and only secondarily on China.[48] This started to change in 2018, when the Pentagon adopted China as the pacing threat and it became clear to Army leaders that if it wanted to stay relevant and fight effectively for funding, the Army would need to refocus the service on the Indo-Pacific theater.

This shift to an Indo-Pacific orientation was most obvious in the Army's massive modernization effort, which included a number of capabilities geared primarily toward the Asia-Pacific theater, including ground-based missiles and Army watercraft.[49] Although the Army maintains a large forward military presence in Europe and some activities in the Middle East, its focus on Asia and operations to counter China continue to expand. Many of the Army's most expensive procurement programs including its ground-based and hypersonic missiles, air defense systems, and even some of its armored vehicle programs are geared toward operating in the Indo-Pacific theater, including especially in Japan and the Philippines, with an eye toward countering China.

Still, despite growing interest in increasing its role in Asia, the vast majority of the Army's effort remains concentrated on Europe and the Middle East.[50] In this context,

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[48] Sohrab Ahmari, "Commander of US Army in Europe Sees Russia Mobilizing for War," *Atlantic Council,* February 9, 2015, https://www.atlanticcouncil.org/blogs/natosource/commander-of-us-army-in-europe-sees-russia-mobilizing-for-war/; Mark Perry, "The U.S. Army's War over Russia," *Politico*, May 12, 2016, https://www.politico.com/magazine/story/2016/05/army-internal-fight-russia-defense-budget-213885/.
[49] U.S. Army, *2019 Army Modernization Strategy: Investing in the Future,* accessed December 8, 2025, https://www.usarpac.army.mil/Portals/113/PDF%20Files/2019_army_modernization_strategy_final.pdf?ver=-_Oh23XuHOewM94XwLz0Rw%3D%3D&timestamp=1669926984938.
[50] Assessment drawn from Army Budget Overview Briefings, 2012-2024, available at: https://www.asafm.army.mil/Budget-Materials/.

allocating 30 percent of Army spending to the militarized competition with China seems reasonable.

For the Navy and Marine Corps, however, the 30 percent estimate is almost certainly too low. For these services, the Indo-Pacific theater is a primary—if not the primary—focus. To be sure the service is a global one, but it has limited presence in Europe, with most of its operations focused in the Middle East (including the Mediterranean) and Asia (though most recently the U.S. Navy has deployed a substantial portion of its forces into the Western Hemisphere). Asia is the only theater where the U.S. has a permanently stationed carrier strike group, numerous homeported submarines, and the region where the Navy conducts most of its military exercises and freedom of navigation operations.[51] It is also home to a Marine Corps air wing, and a rotational carrier strike group is also often based in the region, making it the only region to have two aircraft carriers routinely present during peacetime. The Navy also operates in the Middle East, of course, and has been playing a bigger role in the waters around Central and South America. Other than 5 destroyers currently based at Rota (Spain), however, the U.S. Navy plays a much more limited role in Europe.[52] When it comes to procurement and research spending, China and operations in the Indo-Pacific theater are the focus. The Navy's emphasis on shipbuilding, its new submarine and destroyer projects, its increased acquisition of aircraft and munitions, are all moves taken with China in mind.

Given all this, when assessing what portion of the Navy's budget currently goes towards operations, procurement, and development efforts aimed at countering China, 50 percent seems like a reasonable and conservative estimate.

The Marines are considered part of the Navy so can be treated similarly, at least through 2021. At that point, the Marine Corps underwent a significant shift in their force structure and strategy, from being a force with global missions to one focused narrowly on operating in the Indo-Pacific theater and specifically on missions to counter China. The service shed its tanks and heavy artillery and adopted a new "littoral regiment" force design to allow it to operate more effectively in the littoral spaces in Asia and specifically against China.[53] Asia is now the only theater where the Marines have a large forward presence and it is the focus of their military training and investments. For the 2021-2024 period, then, it is fair to suggest that 100 percent of the Marine Corps' spending is focused on the militarized rivalry with China, as the service has consciously deprioritized other theaters to make itself more relevant in the competition against China and in doing so also limited its ability to operate as extensively in theaters outside of Asia.

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[51] Jonathan Masters, "Sea Power: The U.S. Navy and Foreign Policy," *Council on Foreign Relations*, June 12, 2024, https://www.cfr.org/backgrounder/sea-power-us-navy-and-foreign-policy#chapter-title-0-5.
[52] "U.S. Naval Forces Europe and Africa/ U.S. Sixth Fleet," accessed December 9, 2025, https://www.c6f.navy.mil/.
[53] U.S. Department of the Navy, *Force Design 2030: Annual Update* (2023), https://www.marines.mil/Portals/1/Docs/Force_Design_2030_Annual_Update_June_2023.pdf.

Finally, there is the question of the last military budget category: military construction. We can break DoD spending on military construction into several subcategories.[54] First, there is military construction in Asia. One hundred percent of this funding should be allocated to the militarized rivalry with China, as the DoD is clear about this purpose and rationale in budget justifications. Even spending on the Korean Peninsula can be considered broadly as aimed at the challenge presented by China. At this point, even for military personnel located in South Korea, it is China that looms largest. North Korea's conventional military capabilities could be overwhelmed with some ease without Chinese backing and with a one-war military, the U.S. now values South Korea most for its strategic location if a war with China were to begin. The percent of military construction that is allocated to Asia has risen over time, from about 10 percent of total military construction spending in 2012 to about 25 percent in 2024.

Second, there is military construction in other theaters (e.g., the Middle East) that can be excluded. Third, there is military construction inside the U.S. that is aimed at improving military bases and quality of life for soldiers, such as building new barracks or dining halls. This, too, can be excluded.

Fourth, there is military construction within the U.S. that supports defense production, such as ammunition factories or shipyards. This last category accounts for about 30 percent of total military construction spending.[55] This build up is intended to support the U.S. military broadly, across theaters and possible contingencies. However, the narrative around these events suggests that the focus of this spending is not equally distributed. Preparing for the threats posed by China and to a lesser extent Russia are the most frequently cited rationales for why these investments are essential to U.S. national security. Moreover, with China defined as the pacing threat, it makes sense to assign about of 50 percent of this last category (or 15 percent of the total military construction budget) of spending to the militarized rivalry on the rationale that as the U.S. military builds its military capabilities it is focused first on China and secondarily on Russia, and then to a much lesser extent on any other adversaries.[56]

In total, then, somewhere between 25 and 40 percent of the DoD's total military spending per year depending on the year (half of the munitions/shipyards spending plus the total Asia-specific funding).

"Defense-Wide" Spending

[54] Assessment based on a review of DoD's Military Construction Budget documentation, 2012-2024, available at: "The U.S. Army's War Over Russia", *Politico*, May 12, 2026, https://www.politico.com/magazine/story/2016/05/army-internal-fight-russia-defense-budget-213885/
[55] Ibid.
[56] U.S. Department of War, "Background Briefing on FY 2026 Defense Budget," June 26, 2025, https://www.defense.gov/News/Transcripts/Transcript/Article/4228828/background-briefing-on-fy-2026-defense-budget/.

With the military services accounted for, the next step is to assess the contribution of the "defense-wide" spending accounts to the overall price tag of the militarized rivalry. Included among the defense-wide accounts are the defense agencies as well as the Joint Staff and Office of the Secretary of Defense. Many of these agencies have quite small budgets compared to the military services but they are still worth including. Their funding tends to fall in the same basic accounts—O&M, procurement, RDTE, personnel, and military construction though not all agencies have spending in all categories in all years. We once again exclude personnel costs though these tend to be much smaller for the defense agencies than the military services given their much smaller sizes.

Not all defense-wide accounts are directly related to the militarized rivalry with China. Some functions like the Defense Information Security Agency, the Defense Contract Management Authority, and the Defense Auditing Agency have roles that would continue unchanged with or without the U.S. militarized rivalry with China (in other words, like the costs of personnel we can consider these exogenous). It is not clear that the U.S.-China rivalry has increased or altered the scope of nature of their role. Moreover, their budgets are small, so excluding them has minor implications for the total. Other agencies, such as the Defense Threat Reduction Agency and Missile Defense Agency, play key roles in the militarized rivalry and have seen the scope of their task and their funding stream increase as the focus on China has accelerated.

Table 2 below lists the agencies and other defense-wide accounts included and excluded in our accounting of the total. For those included, we assign 30 percent of total spending to the militarized rivalry to match the allocations by service. The defense agencies support the military services and the broader operations of the Defense Department so it makes sense that their contribution to the total spending on competition with China should be calibrated to that of the services on average. From this perspective, the 30 percent estimate is a sort of lowest common denominator.

Though some of these agencies have funds allocated across multiple categories—procurement, O&M, RDTE, etc.—many have most of their budget allocated within a single category. For most, small total budgets make distinctions between spending categories less important than for the military services. Not listed here are the defense agencies included in the intelligence community budgets (e.g., Defense Intelligence Agency). Those are addressed separately below.

Table 2: Defense Agencies Included (at 30% of Spending) and Excluded in the Report's Total Estimate

Included	CYBERCOM
	Defense Counterintelligence and security agency
	Defense Logistics Agency
	Defense Threat Reduction Agency (& Cooperative Threat Reduction)
	Missile Defense Agency
	Office of Secretary of Defense
	Special Operations Command
	Defense Security Cooperation Agency
	The Joint Staff
	Defense Advanced Research and Production Agency
	Chemical and Biological Defense Programs
	Operational Test and Evaluation
	Space Development Agency
Excluded (Selected)	Office of Inspector General
	Defense Media Activity
	Dept. of Defense Education Agency
	Defense Acquisition University
	Civil Military Programs
	Defense Contract Auditing Agency
	Defense Contract Management Agency
	Defense Legal Service Agency
	Defense Information Services Agency
	Defense Human Resources Activity
	Washington Headquarters Services
	Defense Technical Information Center

In addition to funding included in regular DoD appropriations (the "base budget"), we include two national security supplementals passed in 2023 and 2024 that include money allocated outside of the regular appropriations process, either directly to China-related military activities or to projects that have China as a key driver or motivation, The two bills included in our accounting of the costs of militarized rivalry are the 2024 national security supplemental that went to support Ukraine, Israel, and U.S. allies and partners in Asia and some money attached to the 2023 continuing resolution focused on submarine construction. Unlike OCO funding, these two bills include money that is directly linked to the militarized rivalry with China.

The 2023 continuing resolution contained about $6 billion for submarine construction. Although we can assume the primary motivation for this spending was probably China, we attach just 50 percent of this $6 billion to the militarized rivalry, because submarines do have a global mission making it hard to localize their spending in one region or another. [57] The 2024 national security supplemental was considerably larger, and included military aid for Ukraine, Israel, and other U.S. partners as well as funding to expand U.S. munitions and shipbuilding. We assign 100 percent of military aid to Taiwan, Japan, and other Asian countries to the militarized rivalry and 50 percent of spending on the expansion of defense production capacity and munitions replacement, which was intended not only to replace weapons sent to Ukraine, but to bolster the U.S. defense industrial base for a possible future conflict (including especially with China). Of the $60 billion total bill, we allocate $21 billion to the militarized rivalry with China, or about a third of the total supplemental bill.[58]

Spending Outside the Pentagon Budget

Since the focus of this report is on the militarized rivalry with China, we also need to include costs of military competition that are spent outside of the defense budget. Four additional sources warrant some consideration: spending by the intelligence agencies, the Department of Homeland Security, the Department of Energy, and the State Department.

First, there are the budgets of the agencies in the intelligence community, which include the National Security Agency and the Defense Intelligence Agency along with the National Reconnaissance Organization and others. Though not all intelligence work is focused on military capabilities or activities, intelligence gathering and analysis do play a major role in the militarized rivalry with China. The U.S. relies on the intelligence agencies to gather information on China's military capabilities, planning, and leadership. Among

[57] Further Continuing Appropriations and Other Extensions Act, 2024, Pub. L. No. 118-22, https://www.congress.gov/bill/118th-congress/house-bill/6363#:~:text=It%20is%20known%20as%20a,expires%20on%20November%2017%2C%202023.
[58] Cameron M. Keys, "FY2024 National Security Supplemental Funding: Defense Appropriations," *U.S. Congress*, April 25, 2024, https://www.congress.gov/crs-product/IN12274; Elizabeth Hoffman, Jaehyun Han, and Shivani Vakharia, "The Path Ahead for Supplemental Security Assistance: Ukraine and Israel in the Balance," *Center for Strategic and International Studies*, April 15, 2024, https://www.csis.org/analysis/path-ahead-supplemental-security-assistance-ukraine-and-israel-balance.

intelligence collection targets, China ranks near the top, according to statements made by the Director of National Intelligence under the Obama, Biden, and Trump administrations.[59]

Since both the National Intelligence Program and the Military Intelligence Program are classified, it is hard to break down these two budgets with any fidelity. Instead, we make two sets of simplifying assumptions. For starters, it seems reasonable to estimate that the intelligence community spends about 30 percent of its time focused on China or China-related challenges, similar to the military services and assuming that intelligence activities are focused on the three major theaters (Asia, Middle East, Europe). Consecutive administrations have defined China as the top threat to the U.S. and the top national security priority. To be sure, challenges in Ukraine and the Middle East have challenged the ability of intelligence agencies to focus on China as much as they might like, but what public reporting exists on the intelligence agencies and their priorities suggest that significant institutional energy is focused on Beijing and its operations in Asia. Under Bill Burns, former Central Intelligence Agency director, for example, changes to the agency's organizational structure were made to support an expanded focus on China.[60] This might vary across agencies, being 50 percent for the Defense Intelligence or Central Intelligence Agency and something less for the Federal Bureau of Investigation which has a more domestically focused mission.

Second, we assume across the intelligence community only some of this China-related spending is focused on military activities. Agencies like the Defense Intelligence Agency or the National Security Agency are heavily military in their focus, but the intelligence directorates in the State Department, the Department of Homeland Security, or the Department of Energy may have a range of priorities beyond military matters. To address this additional uncertainty, we estimate that 50 percent of China-focused spending across the intelligence community is military-related. This is a rough estimate but likely a fair one, given the focus on China's military buildup as the core of its threat to the U.S. Even the State Department and the Department of Energy consider China's military rise in its analysis and policymaking, especially given China's civil-military fusion approach which merges civilian and military industries.

In total, we assign 15 percent of intelligence spending in the Military and National Intelligence Programs to the militarized rivalry with China.

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[59] "DNI Haines Opening Statement as Delivered on the 2024 Annual Threat Assessment of the U.S. Intelligence Community," *Office of the Director of National Intelligence*, March 11, 2024, https://www.dni.gov/index.php/newsroom/congressional-testimonies/congressional-testimonies-2024/3798-dni-haines-opening-statement-as-delivered-on-the-2024-annual-threat-assessment-of-the-u-s-intelligence-community?highlight=WyJzIiwiJ3MiXQ==; "DNI Gabbard Opening Statement for the SSCI as Prepared on the 2025 Annual Threat Assessment of the U.S. Intelligence Community," *Office of the Director of National Intelligence*, March 25, 2025, https://www.dni.gov/index.php/newsroom/congressional-testimonies/congressional-testimonies-2025/4059-ata-opening-statement-as-prepared.

[60] Julian E. Barnes, "C.I.A. Reorganization to Place New Focus on China," *New York Times*, October 7, 2021, https://www.nytimes.com/2021/10/07/us/politics/cia-reorganization-china.html.

Unlike spending on intelligence activities, most of the Department of Homeland Security (DHS) budget should be excluded from a conservative estimate of the cost of militarized rivalry. Though the DHS mission might focus on China in some ways, most activities are not military in nature.

The Coast Guard, however, constitutes an important exception. Most of the Coast Guard's mission is not focused on competing with China. Its primary mission is protecting U.S. ports, coastlines, and waterways from a range of threats, including smugglers and natural disasters.[61] The Coast Guard would play a role in any contingency that involved threats to the continental United States or Hawaii or Alaska, but a direct attack on the U.S. by China is not a likely scenario or one the Coast Guard spends a lot of time preparing for. However, the Coast Guard's mission does overlap with the U.S.-China militarized rivalry in a few ways. First, its role in Asia, such as working and training alongside the coast guard forces of allies and partners, is growing rapidly. These activities are often paid for through DHS and DoD operations accounts.[62] Second, the push to match or counter China's growing role in the Arctic often implicates the U.S. Coast Guard as one of the only parts of the U.S. military that can operate in Arctic waters. This mission may incur procurement, operations, and sustainment costs.[63]

A conservative estimate of the Coast Guard's contribution to cost of militarized rivalry could take one of two forms. The most conservative approach would be to limit costs included to those two cases above, the Polar Ice Cutter program and Coast Guard operations in Asia. We could include 100 percent of the cost of the latter activity and 50 percent of the cost of the former, under the rationale that U.S. military activities in the Arctic are motivated primarily by concerns about adversarial encroachment by Russia and China (economic activities may have a different rationale).

A somewhat less conservative approach would assert that the Coast Guard may not play a day-to-day role in the U.S.-China militarized rivalry, but in the event of a war with China, many of the Coast Guard's assets would be shifted to focus on the China threat, either protecting U.S. shipping or supporting U.S. Navy forces, and so their peacetime activities act to prepare them for that. Under this approach, we might allocate some percentage of the Coast Guard's overall budget. Choosing what portion to allocate is challenging, but it would certainly be less than 10 percent, given the nature of the Coast Guard's current activities. We can use this as the upper bound on the Coast Guard's contribution and the more conservative approach as the lower bound.

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[61] "Coast Guard Missions," *United States Coast Guard*, accessed December 8, 2025, https://www.gocoastguard.com/about/missions.
"Activities Far East (FEACT)," *U.S. Coast Guard: Pacific Area*, accessed April 30, 2025, https://www.pacificarea.uscg.mil/Our-Organization/District-14/D14-Units/Activities-Far-East-FEACT/. /
[63] Abbie Tingstad et al., "Identifying Potential Gaps in U.S. Coast Guard Arctic Capabilities," *RAND*, 2018, https://www.rand.org/pubs/research_reports/RR2310.html.

The reality is regardless of which approach is used, the Coast Guard with a budget of about $10 billion a year is not going to be a major driver of the cost of militarized rivalry—the difference between the two approaches is likely on the order of $10-20 billion over the 2012-2024 period—a rounding error given the amount of Pentagon spending in other categories.

Turning the to the State Department, because this agency focuses on diplomacy, most of its spending—even that oriented toward competing with China—does not contribute directly to the military competition between the two countries. Within the State Department budget there is one exception, however, specifically the money that goes to the Foreign Military Financing (FMF) Program that provides funding for U.S. allies to purchase U.S. weapons. Most FMF is allocated by statute, and much of it goes to U.S. partners in the Middle East.[64] However, in recent years, the State Department budget has included an increasing amount of additional FMF for countries in Asia. This funding is included in our cost estimate in its entirety. Congress also authorized up to $1 billion in presidential drawdown authority (weapons taken out of U.S. stockpiles and provided to allies) specifically for Taiwan, but the Biden administration used only $345 million of that in the period 2012-2024.[65] We include that here with the State Department estimate in FY 2023. The rest of the State Department's budget, however, is not focused on *military* competition with China and can be excluded.

Finally, the Department of Energy currently manages security, maintenance, and reliability of the U.S. nuclear stockpile and works to counter nuclear proliferation, tasks that fall to the National Nuclear Security Administration.[66] Given that at present the U.S. has two main nuclear adversaries, China and Russia, it seems fair to allocate as much as half the spending of this agency to the militarized rivalry, especially since it is the expansion of China's nuclear arsenal that has motivated a broader discussion in the U.S. about the need to diversify and expand the U.S. nuclear portfolio. Though the rest of the Department of Energy's activities might also be focused to some extent on the rivalry with China, they are not strictly military in nature, so we exclude them here.

Table 3 summarizes the components included in the estimated cost of the U.S.-China militarized rivalry.

[64] U.S. Department of State, "What We Do: Office of Security Assistance, Bureau of Political-Military Affairs," accessed December 8, 2025, https://www.state.gov/about-us-office-of-security-assistance/.
[65] Mark F. Cancian and Bonny Lin, "A New Mechanism for an Old Policy: The United States Uses Drawdown Authority to Support Taiwan," Center for Strategic and International Studies, August 2, 2023, https://www.csis.org/analysis/new-mechanism-old-policy-united-states-uses-drawdown-authority-support-taiwan; Thomas Shattuck, "Assessing Joe Biden's Long (and Complicated) Taiwan Legacy," Global Taiwan, February 5, 2025, https://globaltaiwan.org/2025/02/assessing-joe-bidens-long-and-complicated-taiwan-legacy/.
[66] U.S. Department of Energy, "Budget," accessed December 8, 2025, https://www.energy.gov/nnsa/budget; U.S. Department of Energy, "Missions," accessed December 8, 2025, https://www.energy.gov/nnsa/missions.

Table 3: Spending Categories and Allocations

Spending category	**Years**	**Percent of Total**
Army O&M, Procurement, RDTE (base)	2012-2024	30
Navy O&M, Procurement, RDTE (base)	2012-2024	50
Air Force O&M, Procurement, RDTE (base)	2012-2024	30
Space Force O&M, Procurement, RDTE*	2021-2024	30
Marine Corps O&M, Procurement, RDTE (base)	2012-2020 2021-2024	50 100
DoD Military Construction • In Asia • Homeland Defense & Defense Manufacturing	2012-2024	 100 50
Defense Agencies (curated list, see Table 2)	2012-2024	30
Defense supplementals	2023 2024	50 30
Military and National Intelligence Programs	2012-2024	15
State Department • Foreign Military Financing to Asia • Presidential Drawdown Authority uses on Taiwan	 2012-2024 2023	 100 100
National Nuclear Security Agency (Dept of Energy)	2012-2024	50
Coast Guard • Operations with allies and partners in Asia • Ice Cutter Program (procurement, sustainment) • Percentage of total	2012-2024	 100 50 10

*Never received OCO funding.

Alternative Approaches

Given the limitations of the approach used here, outlined previously in this report and this section, we should consider alternatives for future analysis.

One alternative approach would be to use a method more similar to that employed in analyses of the cost of the "Global War on Terror," that is, separating the base budget from spending on overseas contingencies.[67] This would be harder in the case of the militarized rivalry with China because there is no overseas contingency account focused on China.[68] Applying this approach would require defining a baseline level of spending and expected trend for total China-related spending using pre-2012 level projections in the Five Year Defense Plan and then looking to the budgets and spending of the military services and other agencies for increases above that trend line that can be attributed to the militarized rivalry with China. The process would require looking through the DoD budget program by program and year by year and would force an analyst to separate increases driven by the militarized rivalry from increases caused by other factors, including other crises, technical challenges in acquisition programs, and all the things that drive Pentagon budgets up unexpectedly. This method would offer an estimate not of total spending on the militarized rivalry but instead an estimate of "excess" spending beyond what might be considered legitimate for national security purposes, as defined by the pre-2012 baseline. Such an estimate, once produced, would be a valuable window into how the Pentagon's increased focus on China has driven up costs beyond what was expected before the U.S.-China rivalry became truly militarized, but it would be subject to high degrees of uncertainty and subjective judgement.

The second alternative approach, referenced in the main report as a next step to this analysis, would similarly estimate excess spending, but would come at the question from a different angle. Rather than starting with the DoD budget, it would start at the strategic level, defining in broad terms the set of required missions and activities that the U.S. must conduct in Asia to protect "vital national interests." This would constitute an estimate of what a non-militarized rivalry with China would look like. The cost of this alternative strategy would include the expenses associated with the force structure and weapons needed to support the strategy's implementation both in peace time and in the event of any contingency. This total cost would then be compared to what the Pentagon (and other agencies) spend resourcing the current military competition with China, including the current posture and the much larger set of contingencies the Pentagon currently prepares for (an estimate of which is provided in this paper). The delta would be the excess spending due to the "militarized rivalry."

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[67] Neta C. Crawford, "The U.S. Budgetary Cost of the Post-9/11 Wars," *Costs of War, Watson School of International and Public Affairs, Brown University,* September 1, 2021, https://costsofwar.watson.brown.edu/paper/us-budgetary-costs-post-911-wars

[68] As noted, the Pacific Deterrence Initiative is a package of base budget spending assigned to deterring China mostly for the optics. It is not extra or additional money allocated on top of regular spending as was done during the "Global War on Terror" or the comparable European Deterrence Imitative.

This approach makes the most sense theoretically but is probably the most challenging to implement in practice. To implement this methodology, an analyst would need to define the "right" China strategy and assign resources to it—including things like satellite capacity, numbers of ships, and required munitions—assess the cost of each of these items and then refine the estimate produced here of how much of the current budget is allocated toward the more expansive China strategy. Given the lack of transparency in the DoD budget documents these tasks will be very difficult. In addition to all the uncertainty these judgements would introduce into the estimate, this approach would also depend heavily on how an analyst defined the alternative strategy and associated "right amount" of spending on China, that is, the amount required to support a non-militarized rivalry that adequately defends U.S. interests. Ultimately, this would be a subjective decision and the debate over these issues could distract from any cost estimate that the method produced.

The bottom line is that it is hard to estimate the cost of the militarized rivalry, no matter the approach, and any estimate is likely to be subject to high degrees of uncertainty. The two alternative approaches discussed are more complex than the simple one used in this paper but not clearly better. Moreover, given the dearth of any useful estimate at this point, an approach that can produce a reasonable number as a starting point for future work will be of substantial value to policymakers and analysts alike.