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## CHINA'S MILITARY BUDGET IN THE CURRENT FISCAL

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The Chinese government in the current fiscal has increased its budget allocation towards the military by 7.6 percent that is to about 954 billion Yuan or \$ 146 billion in real terms.<sup>1</sup> This has raised a lot of eyebrows, with one section seeing it as a reduction in the military allocation due to the current economic downturn faced by the Chinese economy, while for others it has been a cause for concern as a result of China's continued rise. The latter group that sees this as a rise is concerned with the continued annual increase in China's military budget, questioning the need for this and sees it as a possible threat to regional as well as global security.

The first group that sees this as a reduction rather than an increase in China's military budget argues that China's defence expenditure is guided by the principle that is in-line with the demands of national defence and economic development. They further argue that defence development should be subordinate to the country's overall economic development, and

that the former should be coordinated with the latter. Hence, from 1978 to 1987, as the nation shifted its focus to economic development, China's national defence received a low priority. However, since the 1990's, as China's economy began to pick up pace and began to grow in double digits, its defence budget also saw a growth in double digits. Taking this argument into consideration it can be seen that for the last five years, that is from 2011-2015, there has been a double digit increase in China's military budget, with an increase of 10.1 percent in 2015. This year, as a result of a lower economic growth of under seven percent in the last fiscal, it resulted in a direct proportional reduction in the military budget.

The economic slowdown that China is currently facing would have an impact on its military modernisation. The fall in the growth of its military budget is a clear indication of the negative impact of the economic slowdown. In the long run if China's economy does not pick up



then it could have a larger implication, such as dissent within the PLA. The current military reform that is underway, apart from other things, is also aimed at removing corruption that has crept into the PLA and also to ensure that the PLA remains loyal to the Chinese Communist Party. This would ensure that any kind of national dissent that may arise from the economic turmoil – if not contained in the near future – would be countered by the CPC through the PLA.

The second group which sees this as a rise rather than a fall in the budget sees the budget in terms of its monetary value which is close to US \$ 150 billion. It is clear that the increase in the budget would go to the People's Liberation Army (PLA) Navy, PLAAF and its newly established forces- the PLA Rocket Force and the PLA Strategic Support Forces. This could be assumed since the Chinese government is already cutting down the size of the PLA Army by 300,000 as declared last September. Therefore, its focus would be more towards equipping its forces with the high-tech support systems enabling them to become more combat ready, lethal, and to be able to work as a cohesive unit. There would also be a further naval expansion into the disputed South China Sea and possibly the East. This is a major concern as it would cause a major tidal shift in the current geo-political balance of the region and the globe at large.

If we look at China's expenditure on national defence it broadly falls into three major categories: personal expenses that include, pay, food and clothing of military and non-military personnel; cost for maintenance of activities such as military training, construction and maintenance of facilities and running expenses; and lastly, cost for equipment which includes research and experimentation, procurement, maintenance, transportation and storage.<sup>2</sup> Sam Perlo-Freeman of the Stockholm International Peace Research Institute also agrees on the three categorisations of China's military budget. However, according to him the official government defence budget covers only a proportion of China's total military spending; and hence, it lacks transparency.<sup>3</sup> The exact amount of its military budget that goes into research and development, if disclosed, could well run into a much higher figure than the official budget amount laid out in the public domain. China's military expenditure as a percentage of GDP since 2001 has remained over two percent, which is still below the world level of 2.3 percent. Hence, it becomes essential not to indulge on the numbers, rather, the focus should be on the emerging trends of the last few years where we are witnessing a more assertive China whose PLA is moving from just a land centric force towards a modern war winning force.

*(Disclaimer: The views and opinions expressed in this article are those of the author and do not necessarily reflect the position of the Centre for Air Power Studies [CAPS])*

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**Notes**

<sup>1</sup> “China announces 7.6 pct defence budget rise, lowest in six years”, *Ministry of National Defense*, March 5, 2016, [http://eng.mod.gov.cn/DefenseNews/2016-03/05/content\\_4646083.htm](http://eng.mod.gov.cn/DefenseNews/2016-03/05/content_4646083.htm), accessed on March 11, 2016.

<sup>2</sup> “China’s Defense Budget”, *Global Security .org*, <http://www.globalsecurity.org/military/world/China/budget.htm>, accessed on March 8, 2016.

<sup>3</sup> Sam Perlo-Freeman, “Deciphering China’s latest defence budget figures”, *Stockholm International Peace Research Institute*, March, 2014, <http://www.Sipri.org/media/newsletter/essay/perlo-freeman-mar-2013>, accessed on March 11, 2016.

