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## China's Defence Budget – The Trend of the Ascending Numbers

*By Amrita Jash*

### SYNOPSIS

*China's defence budget reflects the country's increasing military might and aspirations, with the 14th Five-Year Plan seeking to modernise the People's Liberation Army and bolster national security. Incremental and sustained defence spending, with targets like modernisation in 2027, 2035, and mid-century, demonstrates this commitment. The lack of transparency about China's real numbers raises concerns about its intentions, and therefore its increasing defence budget calls for caution.*

### COMMENTARY

#### China's Defence Budget 2024

On March 5, at the second session of the 14th National People's Congress (NPC), the People's Republic of China (PRC) issued a [draft defence budget of 1.67 trillion yuan](#) (about US\$231.36 bn) for the year 2024, with a substantial increase of 7.2 per cent from the 2023 numbers. There are two notable trends in this proposed budget.

First, after a 10.1 per cent rise in 2015, there has been a [steady single-digit annual increase in the defence budget](#): 7.6 per cent in 2016, 7 per cent in 2017, 8.1 per cent in 2018, 7.5 per cent in 2019, 6.6 per cent in 2020, 6.8 per cent in 2021, 7.1 per cent in 2022, and 7.2 per cent in 2023. Of which, the 2024 budget is the ninth consecutive single-digit increase, with the same percentage rise (7.2 per cent) as in 2023, and third in the row of above 7 per cent since 2022.

Second, [the incremental slowdown in China's economic growth](#) over time (5.2 per cent in 2023 and expected to drop to 4.2 per cent in 2024 with a further drop to 3.8 per cent by 2028), has failed to cast a shadow on defence spending. Contrastingly, it has only increased year-on-year.

Besides, China's defence budget also stands out in its global profile. As per [statistics](#), with a military budget of US\$224.79 bn in 2023, China stands second to the United States (US\$905.6 bn) and is over three times that of India's (US\$73.6 bn), more than four times that of Japan's (US\$49 bn) and almost 12 times that of Taiwan's (US\$18.9 bn).

China spends more than India, Japan, South Korea, and the Philippines combined, which are not just China's neighbours but with which China has territorial and maritime disputes.

Therefore, the PRC's ascending defence budget is a cause for worry. However, in Beijing's view, the numbers are "modest" as it is "transparent, reasonable and appropriate" and "far less than those of the United States" – whether as a percentage of GDP or total budget or in terms of per citizen or per service member expenditure.

In addition, China claims transparency based on its submission of military expenditure reports to the United Nations every year since 2007. For instance, the spokesman for the second session of the 14th NPC, [Lou Qinjian](#), stated:

*"In recent years, to better safeguard our sovereignty, security, and development interest, to meet the need of military transformation with Chinese characteristics, and to better perform China's international responsibilities and obligations as a major country, China has maintained reasonable and steady growth of its defence spending, consistent with its sound and steady economic and social development, to promote synchronized growth of defence capability and economic strength".*

### **The Ascending Numbers**

This brings us to the query: What explains the consistent PRC defence budget hike? The year-on-year increase can be explained in a three-fold perspective:

First, the rising budget is an outcome of Beijing's goal of improving the People's Liberation Army's (PLA) military preparedness and combat readiness, advancing the PLA's military capabilities, and improving the training – adhering to the PRC's military strategic guidelines of "winning informationised local wars".

With this agenda, China intends: to build a strong military that is commensurate with both its growing international standing and its national security and development interests; to close the gap between the PLA and the world's leading militaries; and to compensate for the deficiencies in Chinese military's capabilities to wage modern warfare.

Here, the military readiness of the PLA is linked to the reunification of Taiwan (contesting with the United States), the dispute in the East China Sea (contending with Japan), the competing claims in the South China Sea against Taiwan, Brunei, Malaysia, the Philippines and Vietnam, and fighting over boundary lines with India in the Himalayas.

Second, to fulfil the targets set by China's President Xi Jinping, which mainly comprise three key military goals to be achieved by the PLA for national rejuvenation. This

entails: military modernisation of the PLA is to be “basically completed” by 2035; PLA to be “fully transformed into world-class forces” by mid-century; and the centennial goal of building a modern military by 2027.

Third, keeping up with China’s 14th Five-Year Plan’s (2021-2025) agenda of making “significant strides in the modernisation of national defence and armed forces in the next five years”. This includes: the modernisation of military logistics and asset management systems, building of a modern weaponry and equipment management system, strengthening innovation in defence science and technology, training competent personnel in the new era, and promoting the overall high-quality development of the military. For instance, on 1 May, China’s third aircraft carrier, the electromagnetic catapult-equipped [Fujian](#) began its sea trials.

These three objectives are well-noted in the words of Chinese Defence Spokesperson [Senior Colonel Wu Qian](#), who at the second session of the 14th NPC, stated that the defence spending is:

*“to ensure that the modernisation process of national defence and the military is compatible with the national modernisation process, to comprehensively improve the strategic capabilities of defending national sovereignty, security and development interests, and to achieve the goals for the centenary of the PLA in 2027”.*

### **Building China’s Defence Industrial Base**

Apart from these three factors, what further explains the increasing defence budget is China’s growing defence industrial base. While China is most transparent about “personnel expenses”, it is least transparent about equipment spending, even the money allocated to R&D. According to *Xinhua*, in 2022, [China’s R&D spending jumped 7.7 per cent](#) at constant prices, higher than the 7 per cent R&D annual growth target set for the 14th Five-Year Plan period.

One of the major pockets for China’s defence expenditure is the production of military equipment. To support this claim, China today has the world’s biggest navy based on the count of ships and continues to expand its aircraft carrier fleet (as of 2022, the PLA Navy had two active carriers, the *Liaoning* and *Shandong*, with the third, *Fujian*, which started sea trials in 2024).

China stands alongside the United States and Russia in producing fifth-generation fighter jets as well as making rapid advancements in military capabilities in space. As per the [2023 US Department of Defense Annual Report](#), China now has about 500 nuclear warheads, and more are being produced to equip future delivery systems. In keeping with its modernisation objectives, China is expected to have more than 1,000 operable nuclear weapons by 2030, many of which will probably be “deployed at higher readiness levels”.

What further adds to the military modernisation is the PRC’s defence industry. From being an arms importer, today China is an exporter, ranking fourth in the world behind the US, Russia and France – accounting for 5.2 per cent of exports and 4.6 per cent of all [global arms purchases from 2018-2022](#). China’s arms production is in five key sectors: aerospace, electronics, land systems, nuclear and shipbuilding.

According to SIPRI's 2024 report, eight Chinese companies were listed in the Top 100, and three were in the top 10. The arms revenue of all eight totalled US\$108 bn (accounting for 18 per cent of the Top 100 arms revenue) – holding the second largest share of the total by a country, behind US companies.

Of these, the three most prominent Chinese arms manufacturers included: China North Industries Group Corporation (NORINCO), Aviation Industry Corporation of China (AVIC), and China South Industries Group Corporation (CSGC), ranked 7th, 8th and 21st in the Top 100.

The other Chinese companies include: Aero Engine Corporation of China (AECC), China Aerospace Science and Industry Corporation (CASIC), China Aerospace Science and Technology Corporation (CASC), China Electronics Technology Group Corporation (CETC), China State Shipbuilding Corporation (CSSC), China Academy of Engineering Physics (CAEP), and China National Nuclear Corporation (CNNC).

Unlike its disparity with the US, China enjoys an advantage in its defence industry over most countries, especially its neighbours, India and Japan.

A lack of transparency over China's "real" numbers calls for significant worry. There is a looming doubt over China's intentions, which has only worsened over the years with China's aggressive and assertive posture. Therefore, despite Beijing's justification, China's increasing defence budget only calls for caution.

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