

# China's military spending

## At the double

China's fast-growing defence budget worries its neighbours, but not every trend is in its favour

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ON THE first day of the annual session of the National People's Congress last week, China announced a defence budget for 2014 of \$132 billion, a generous increase of 12.2% on the year before. That was the official figure, though the real one may be 40% higher still. It set off a flurry of alarm among neighbouring countries. They see the relentless growth in China's military spending—double-digit increases almost every year for the past two decades, and now the biggest in three years—as going hand-in-hand with a determination to settle sovereignty disputes in its “near seas”, that is, the Yellow, East China and South China Seas, on China's own terms.

China's growing military capability inevitably causes concern. As it happened, only a day earlier the Pentagon had published a Quadrennial Defence Review that reflected the probability of flat or declining American defence spending over the next five years. China's military budget is only about a third the size of America's but, if present trends continue, the gap will quickly narrow. Certainly Japan, Vietnam and South Korea are raising their military expenditure in response to the Chinese military build-up, but China will still vastly outspend the combined efforts of all its maritime neighbours. Tensions are high with Japan over the Senkaku Islands (Japan controls the islands but China claims them, calling them the Diaoyu). In light of China's unilateral declaration in November of an “air defence identification zone” in the East China Sea, and bouts of provocative behaviour in maritime disputes with the Philippines and Vietnam, concerns are growing that China is eager to flex its new military muscle.

A great deal about what China spends on defence remains opaque. Yet that 12.2% headline figure needs to be seen in context. Some argue that with China's economic growth forecast at a steady 7.5% this year, military spending is now decisively outstripping growth in GDP. In fact, adjusted for inflation, the real increase comes down to 8.4%.

What is more, China may be experiencing higher inflation in defence than in the economy as a whole. In the past it has relied for strength on the sheer number of low-paid recruits to its armed forces. Now it must form a more professional and technically adept force. That means paying salaries to compete with those of skilled workers in civilian life, where wages have recently far outstripped inflation. Recruiting and retaining a cadre of capable non-commissioned officers has become a priority for the People's Liberation Army (PLA). The International Institute for Strategic Studies in London thinks that personnel costs absorb a third of the budget in China, compared with about 45% in India and at least 50% in America. A big cost advantage that China enjoyed is now being eroded.

Something similar may be happening with the new high-tech military hardware China is deploying. Over the past decade, the country has striven to bring once-obsolete forces up to the point where they would make a regional intervention by America on behalf of an ally (above all, Taiwan) too dangerous to undertake lightly. To that end it has invested heavily in cost-effective technologies that target weaknesses in the platforms on which America depends for projecting power in the Western Pacific, such as strike carrier groups, nearby bases and military satellites. A large part of China's military budget goes on increasingly long-range anti-ship, air-defence and land-attack missiles launched from shore-based batteries, land-based aircraft, guided-missile destroyers, fast patrol boats and submarines.

Naval modernisation has been especially vigorous. The PLA Navy (PLAN) now has around 190 "major combatants", vessels mostly designed and built in China. In terms of size, it is on course to overtake the American navy by 2020—though it will have at most only a couple of small aircraft-carriers by then, compared with America's 11 much larger ones. The aim is for the PLAN to dominate in contested territorial waters and to be able to push any hostile forces well beyond the "first island chain"—that is, beyond the Philippines, Taiwan and the Japanese archipelago.

However, the more China commits itself to sophisticated weapons systems, the more it dissipates the cost advantages of buying (and sometimes stealing) mature foreign technologies. Christopher Johnson at the Centre for Strategic and International Studies in Washington, DC, says that while China's different bits of hardware are now pretty good, the tricky bit is developing the software to make them all work together. The country has, for example, so far struggled to develop the targeting infrastructure to turn an anti-ship ballistic missile called the DF-21D into a real threat to American carriers. And while China is testing home-grown stealth fighters, replicating the communication, sensor and information systems that make America's F-35s so potent is another matter.

In one of the biggest military reforms for years, announced in January, China is now attempting to create a Western-style structure of joint command. But that may prove a long and painful undertaking, because Chinese forces suffer from a lack of any recent operational experience. And as China seeks to project power, Andrew Erickson of the US Naval War College and Adam Liff of Harvard's Belfer Centre predict it will find itself getting ever less bang for the buck. Developing the ability to wage war beyond its "immediate vicinity", they write, would require much bigger increases in military spending and "heavy investment in new platforms, weapons and related systems".

Then there is the tyranny of demography. While China may for some time be able to sustain the current rises in defence spending, before long its military ambitions will be curbed by a slowing economy and the demands of a rapidly ageing society for better pensions and health care. None of which means that neighbours are wrong to be worried. China has relatively weak command and control; it has senior commanders who lack experience of war but who are spoiling to show what their shiny new stuff can do; it chafes at unresolved claims and resents what it sees as encirclement by an American-led alliance. Hubris coupled with insecurity, says Mr Johnson, is a scary mix.