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Analysis of today
Assessment of tomorrow

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China's new military budget - Does it have the strength for a long arms race?

China will increase its military budget this year again, continuing the trend of significant expenditure on defence that has continued during Xi Jinping's rule.

Prior to the annual session of the National People's Congress, the country's rubber-stamp parliament, the government proposed to increase the military budget by 7.2% this year.

This has been a slight increase compared to 2022, when the military budget was increased by 7.1%. This growth trend has existed for a long time, so this year's military budget will be twice as large compared to ten years ago.

However, the growth of China's military budget has been single digit this year. The last time it was double-digit was in 2015.

Chinese officials have been trying to minimise their investment and increase military capabilities, in order to present them as lower than they really are.

There is widespread scepticism about officially published figures on defence investment, and it is believed that they are always higher than reported by Beijing.

According to the spokesperson of the National People's Congress, Wang Chao, this year's military budget is “relatively moderate with a reasonable growth rate”.

“China’s defence expenditure as a percentage of GDP has remained stable over the years. It remains basically stable, lower than the world average”, said Wang at a press conference during the annual session of the NPC.

Nuclear programme is a priority

With the growth of the military budget, China is saying that it wants to continue to develop its military capabilities in two directions. To modernise them with better equipment, weapons and training, and to adapt them to the growing security challenges in the world.

Takashi Kawakami, a professor of Takushoku University in Tokyo, said that China would probably give priority to its nuclear capability.

“As China strengthens the new area of cognitive warfare over Taiwan, I think it will also use the budget to build up its cyber and space capabilities, as well as its submarine forces to target undersea cables”, he said, according to AP.

At the same time, China is under pressure from international security circumstances to continue investing more in its military, primarily because of tensions over Taiwan and in the East Asian region, as China's main trade corridor.

The increase in the Chinese military budget needs to be linked to the risks posed to global security by the Russian aggression against Ukraine.

Beijing has been trying to monitor the growth of military budgets in neighbouring countries, primarily Japan, which has been following the path of a large increase in defence allocations, even doubling it.

GDP growth and spending on the military have been out of step

A key question that arises after the announcement of China's plans for investment in the military is whether this growth can keep up with the overall growth of the Chinese economy, or whether the two parameters have been out of step in the long term.

When the increase in the military budget was announced at the session of the National People's Congress, it was stated that this year's GDP growth is expected to be "about five percent".

For the second year in a row, China's defence spending has been outpacing the growth of the national economy. This represents a trend in which China's ambitions to modernise its army and to increase its participation in global

security flows do not go hand in hand with its economic power.

The new Chinese military budget is projected at about 224 billion USD, which is about four times less than the US military budget (858 billion USD).

With both countries viewing each other as major security rivals in the Pacific region and globally, the disparity in military capabilities has been pushing China into an uncertain arms race.

The expensive spiral of the arms race

The global economic outlook does not bode well for China's plans to increase military spending.

According to the IMF, inflation, an increase in interest rates, problems in supply chains, and particularly the expected continuation of the war in Ukraine, will cause the global economy to slow down from 3.4% growth last year to 2.9% in 2023.

Despite the expectation that it will raise growth to “about five percent" this year, the Chinese economy will suffer the consequences of its late exit from the lockdown in addition to the unfavourable global outlook.

All together, these have been difficult circumstances where China could expect a rapid recovery of its economy, and at the same time the expansion and modernisation of its military capabilities in order to achieve its ambitions, proclaimed during Xi's rule regarding its greater role in security issues, first of all in the Pacific and then globally.

If China enters a spiral of ever-increasing military capabilities (and ambitions), and it is likely that China will move in that direction, then it will inevitably have to adjust either its economic expectations or its strategic plans for greater regional and global influence.