

China's Military Development, Beyond the Numbers

By Andrew S. Erickson and Adam P. Liff

While reports warn of China's rising military budget and lack of transparency, numbers and hyped headlines often cloud the bigger picture.

Given China's rapid rise in all aspects of national power, as well as its reluctance to release specific details about many important aspects of its military spending, its annual budget announcement rightly attracts worldwide attention. [Last week, China revealed its projected 2013 official defense budget](#): 720.2 billion yuan (roughly \$US114 billion), a figure that continues a trend of nominal double-digit spending since 1989 (the lone exception: 2010).

Although China's limited transparency about specific defense budget line items matters, it shouldn't distract observers from seeing the bigger picture concerning China's military development:

The People's Liberation Army (PLA) increasingly has the resources, capabilities, and confidence to attempt to assert China's interests on its contested periphery, particularly in the Near Seas (Yellow, East, and South China Seas). This development has the potential to seriously challenge the interests of the U.S., its allies, and other partners in the region, as well as access to and security of a vital portion of the global commons—waters and airspace that all nations rely on for prosperity, yet which none own. *That's why the PLA's development matters so much to a Washington located halfway around the world.*

Yet beyond China's immediate periphery the actual impact of PLA spending growth overall may be far less impressive than the headline numbers suggest. The PLA would need far greater resources and capabilities to pursue high-intensity combat capabilities much further away from China's borders and the territory it claims. At least at present, Beijing is not prioritizing such capabilities. There's no need to wait for China to achieve full transparency to see this; manifest trends, properly interpreted, speak for themselves. Meanwhile, the development of lower-end capabilities useful for humanitarian assistance and disaster relief, as well as protection of sea lanes against non-state actors, bode well for the PLA's growing role in cooperative security. Hence, even as the Near Seas become more contested, there is significant potential to build on

nascent developments in more distant waters—where Beijing has no claims—and further cooperation among China, the U.S., and other nations.

These are the key characteristics of China’s military development. Properly understood, they can inform constructive responses in a challenging time. Misunderstood and conflated, they can confuse and inflame.

A case in point is commentary about China’s defense budget, a very important issue about which Chinese and foreign media coverage often produces more heat than light. On the one hand, Chinese media reports tend to summarily dismiss reasonable foreign (and some domestic) concerns about the limited transparency of China’s defense spending and rapid military development, failing to recognize the destabilizing effects that such opacity engenders unnecessarily, the potential threat that China’s increasingly capable military poses to its neighbors, and the fact that these neighbors have legitimate rights and interests of their own. Especially in the case of China’s official mouthpieces, there is severely limited room for alternative views or expressions of concern about recent developments and their external consequences; criticisms are routinely dismissed as allegedly insincere machinations of anti-China elements aimed at hyping a [“China threat theory”](#) for ulterior motives.

Conversely, foreign commentary on China’s defense spending sometimes presents an incomplete picture of reality, exaggerating some factors while overlooking others entirely and frequently missing the forest for the trees—and often some fairly non-representative trees at that. In particular, [some commentators](#) conflate rapid development of high-intensity military capabilities aimed primarily at enforcing longstanding irredentist territorial claims in the Near Seas with slower, lower-intensity(but still very expensive) development of platforms primarily useful in low-intensity missions far beyond China’s shores. [Other critics](#) employ inflammatory language that distracts and detracts.

Given all this noise, it’s important that in-depth research on China’s defense spending and military development enters into the policy discussion. [Our forthcoming article in the peer-](#)

[reviewed journal *The China Quarterly*](#) draws on several years of intensive research based on over 100 discrete Chinese-language sources, including various government and military publications, to explore related questions. The analysis below further synthesizes and supplements several of the key findings from this research.

Strategic Geography, Basic Trajectory, and Key Priorities

One crucial observation often absent from the commentary about China's military development is the simple reality that its defense planners face a complicated strategic calculus, owing largely to geography. Land borders with more than a dozen countries (including multiple nuclear powers), a string of island nations interposed between its eastern seaboard and the western Pacific and Indian Oceans, and ongoing island and/or maritime disputes with all of its maritime neighbors, coupled with decades of economic and military inferiority, have largely compelled China to maintain relatively limited, consistently-defined strategic objectives for most of the period since 1978.

[Since witnessing Operation Desert Storm in 1991](#), and directly experiencing the 1995-96 Taiwan Strait crises and the 1999 Belgrade Embassy bombing, Beijing has funded and built its military for the reasons it says it has: to compensate for past neglect—which meant that well into the 1990s the PLA consisted largely of obsolete 1950s-era Soviet military equipment and a bloated land army—that severely limited the PLA's ability to cope conventionally with even a moderately-capable adversary or project even minimal naval or air power beyond its land borders, even to assert its long-standing territorial and maritime claims a few miles offshore; and to take what its leaders see as China's rightful place as a great power with “a seat at the table” and commensurate regional suasion and global influence.

Despite its relative military inferiority throughout much of this period, by largely, if decreasingly, focusing on potential conflicts in the Near Seas, the PLA has rapidly exploited its geographical proximity and the vulnerabilities in potential adversaries' military technologies, achieving asymmetric capabilities that are disproportionately efficient in asserting its interests, even though its overall defense spending remains significantly less than that of the U.S. In the words of leading China scholar and former Deputy Assistant Secretary of State for East Asian and Pacific

Affairs Thomas Christensen, writing in 2001, this core focus has enabled the PLA to “[pose problems without catching up](#).” Over the past decade, continued rapid economic growth and technological development has facilitated military development that now far outpaces, and the acquisition of capabilities that in most cases are far out of proportion to, those of most of China’s neighbors—Russia and Japan, arguably, excepted.

In short, for most of the past two decades, China’s military development had mapped closely to a relatively limited set of basic objectives and, at least until its [disruptive assertiveness](#) post-2009—Beijing had played a mixed hand with remarkable effectiveness.

Proportional, Sustainable, and Increasingly Accurate

When compared to the overall size of its economy, China’s military spending is proportional to present objectives and sustainable, at least in the near- to medium-term. Even during the past decade of rapid increases to defense spending, the official defense budget has held steady at roughly 1.3-1.5 percent of GDP—when calculated based on high-end foreign estimates of actual total defense spending during the same period the figure still falls between 2 and 3 percent of GDP. [Although local government debt in China is a growing concern](#), up to this point—and in stark contrast to the fiscal situation in the United States and many other advanced economies—swelling tax revenues concomitant with surging GDP have allowed Beijing to increase (aggregate) spending on other government priorities *even faster* than the defense budget, a trend which hardly creates fertile ground for impassioned advocacy of cuts to defense spending. In fact, investment in China’s military development often is explicitly linked to furthering the Chinese leadership’s explicitly-stated objective of achieving the “[great rejuvenation of the Chinese nation](#),” [an abstract goal which nevertheless resonates powerfully](#), and emotionally, with much of the Chinese public, further buttressing popular support for investment in the military.

A Long and Increasingly Costly Road

[Yet despite remarkable progress](#) and while impressive in its own right, China’s rapid increases to its defense budget haven’t necessarily translated as smoothly into commensurate improvements

to actual warfighting capabilities as the headline-grabbing double-digit *nominal* figures might appear to suggest.

The PLA's development over the past 35 years has followed a tortuous path to reach its current conditions. A first step was Deng Xiaoping's abandonment of Mao's disastrous decades-long policies in the late 1970s, which went far toward freeing the PLA from ideological distraction. A second step was the reversal of neglect of the military during the 1980s, beginning with a long-delayed return to increases to defense spending in real terms in 1989. But to a large degree it was not until the latter half of the 1990s that a relative victory in the war against inflation run wild, coupled with Jiang Zemin's mandate that the PLA exit most commercial activities, resulted in China's defense spending growth beginning to pay significant dividends and the PLA finally being placed firmly on a path toward becoming a modern fighting force.

Yet even in the new millennium the actual impact of PLA spending growth may be far less impressive than the headline numbers suggest. First, after two decades of the PLA focusing like a laser on explicitly-defined strategic objectives and clearly-defined threats, a growing percentage of the defense budget pie appears to be devoted to big-ticket items that represent prestigious additions to round out a rising military power's portfolio but may offer an increasingly elusive bang for a much larger buck. Exhibit A is China's commissioning on September 25, 2012 of its first aircraft carrier, *Liaoning*. While even far less powerful navies have carriers of some sort, China had to start somewhere, and although *Liaoning* will be able to support a variety of peacetime missions in the near future, from a high-end warfare perspective *Liaoning* is likely to represent a far greater target than a targeter. Even U.S. carrier battle groups, which the U.S. has been operating for more than seven decades and which are far more advanced than anything China can hope to field anytime soon, [are increasingly criticized](#) as “big, expensive, vulnerable,”—even “irrelevant” to modern-day warfare.

Second, PLA funds are [wasted on corruption](#) and lavish functions to an extent that appear to make [last year's revelations](#) about profligacy at the U.S. General Services Administration look like amateur hour. These problems are so severe that in November 2012 Hu Jintao warned publicly that corruption poses an existential threat to the Party and the State, and his successor Xi Jinping is ordering improved adherence to regulations in precisely these areas.

Diminishing Bang for the Buck

To be sure, rapidly-increased spending has allowed the PLA to achieve significant capability improvements; and it should be noted that even the world's most advanced militaries are frequently on the receiving end of criticism concerning how resources are allocated. In the U.S., for example, one has only to consider recent discussions of mounting costs and potential limitations of the [Littoral Combat Ship](#) and [F-35](#). Yet even for China competing priorities impose limits on defense-related spending.

It must likewise be acknowledged that China still has a few remaining opportunities to increase efficiency that earlier-developing states generally seized long ago. Most recently, the announcement that a [unified coast guard](#) would finally be [established under the State Oceanic Administration](#) should improve coordination and reduce organizational redundancies. Moreover, by allowing civil maritime organizations to operate more effectively in the Near Seas, China's navy may have greater freedom to focus more beyond. Other options open to China that other militaries are unlikely or unable to emulate include reducing or eliminating its seven military regions with their large staffs and restructuring its fleets to develop a two-ocean (Pacific and Indian) navy. However, such large and obvious targets are now the exception rather than the rule. Just as laborers' migration from China's countryside to cities has furthered China's economic growth but is not unlimited, so too are areas for military restructuring.

On balance, as in so many other areas in China, progress achieved under today's steady budget growth and resource mobilization may not be matched in the future, especially if the rate of spending slows.

Diminishing Returns, Increasing Headwinds

Looking into the future, accelerating efforts to significantly improve high-intensity *combat* capabilities and missions beyond the Near Seas and pursuit of platforms and policies aimed explicitly at acquiring the trappings of a military great power simply cannot deliver concrete improvements to combat capabilities at anywhere near the same level of efficiency that China's

focus on the Near Seas has heretofore. In keeping with a larger contemporary Chinese pattern, rapid military development remains the envy of the world, but technology-intensive development and—with a few notable exceptions—innovation remain elusive. With respect to approaching the leading edge in military hardware with some degree of comprehensiveness, acquisition, indigenization, and emulation of foreign technologies may clear a path *toward* the leading edge, but the path disappears in brambles well short of the ultimate goal.

In short, China's previous "advantages" of being a late developer will evaporate progressively with distance, time, and level of ambition. Even if historical and other factors continue to stimulate Chinese efforts to become a military great power by capturing the imagination of the Chinese people and securing widespread domestic support; and even if leaders appeal to such a "[strong nation dream](#)" to distract the public from worsening domestic problems and thereby attempt to insulate defense from tightening government spending in coming years; technical factors will nevertheless tend to complicate and slow actual progress with respect to the development of high-end combat capabilities far from China.

Moreover, additional headwinds stem from proliferating domestic challenges that will likely impose claims on national spending priorities with which nebulous military objectives beyond the Near Seas will probably have greater difficulty competing. Especially salient are [the rapidly expanding demand for social spending](#) because of China's slowing birthrate and an aging society beset with rising expectations and rates of chronic diseases exacerbated by yet another area where China now ranks as a world-leader: [pollution](#). Coupled with the widely-predicted slowdown in China's economic growth rates over the next decade, Chinese leaders will face increasingly large opportunity costs and difficult trade-offs concerning defense spending. Rising income inequality, ethno-religious tensions in strategic borderlands, and the political system's uncertain future, have already caused China's leaders [to spend more on \(domestic\) "public security" than on the PLA](#). Domestic instability, already a primary concern of China's leaders, may worsen in the future—particularly if there is less economic growth to otherwise bolster the Communist Party's grip on power—and leaders may judge that public security spending requires still-greater investment.

Balance Sheet

Regardless of the headline numbers or specifics, China's present defense spending levels afford the PLA [high-end firepower in its neighborhood](#), posing growing potential challenges to its neighbors' interests and America's regional position. At the same time, however, today's PLA remains structured and equipped to pursue only lower-end operations further afield. And no matter how Beijing's goals expand or defense spending rises in the future, the PLA will be hard-pressed to assume an extra-regional role on a par with that of the U.S. military, whose extremely ambitious military posture is facilitated by multiple factors which China will probably never be able to replicate: developed, friendly neighbors with similar political systems; massive oceans on both sides; scores of allies and close security partners around the globe, as well as forward-deployed forces due to unique historical circumstances; abundant natural resources; and an innovative, highly-resilient and relatively young society that remains the world's most attractive destination for the best and brightest from around the world.

Accordingly, militaries operating nearby and far from China thus effectively face [different PLAs](#). While it deploys law enforcement and naval forces to assert its territorial and maritime claims close to home, China is also cooperating with the U.S. and other navies in the Far Seas (e.g., [Gulf of Aden antipiracy operations](#)). [China's Near Seas neighbors already feel increasingly threatened](#), while nations much further away have little to fear, and in fact may benefit significantly, from the PLA's growing involvement in cooperative security.

Dr. Andrew S. Erickson is an Associate Professor in the U.S. Naval War College's China Maritime Studies Institute (CMSI). Adam P. Liff is a Doctoral Candidate in Princeton University's Department of Politics. For further in-depth analysis by the authors of China's defense spending and its significance, an Accepted Manuscript (AM) version of their forthcoming peer-reviewed article in The China Quarterly can be downloaded [here](#).