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The U.S. Needs to Respond to Growing Chinese Capabilities

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With the convening of the National People's Congress for its 2017 session, the Chinese government announced its intended spending plans for the coming year. This included the pronouncement that the budget for the People's Liberation Army (PLA) would rise by 7 percent.¹ This marks nearly a quarter century of consistent defense spending increases for the PLA, although it is also the second year that the PLA budget has risen by less than 10 percent.

Based on China's official defense budget for 2016 of 954 billion renminbi (roughly \$146.6 billion), this would mean that China plans on spending at least 1.021 trillion renminbi (\$148.2 billion). A Chinese Finance Ministry official reportedly estimated that China would spend some 1.0443 trillion renminbi (\$151.5 billion), an increase closer to 9 percent.² However, few analysts believe the absolute numbers given for Chinese defense spending, as it is not clear just what these figures include or exclude. Most Western estimates for Chinese defense spending are substantially higher.³

Growing Chinese Capabilities

Based on Chinese reporting, the rate of increase has clearly been slowing. This is not necessarily surprising, due to several factors.

China's Economy Appears to be Growing More Slowly. Official Chinese figures suggest that the Chinese economy last year grew at about 6.7 percent.⁴ While still robust, it is in the middle of the targeted range of 6.5 percent–7 percent, importantly marking a continuing trend of Chinese official growth below 8 percent. This trend, in turn, is likely due to a number of factors, including the aging of the Chinese population (where fewer young people are joining the work force annually) and a global economy that has not grown substantially.

China's Military Is Undergoing a Massive Reform and Shake-up. Three massive reform efforts were announced in December 2015, including the establishment of several new services, a reorganization of the military bureaucracy, and a transition from seven military regions to five war zones. These major structural changes are certain to have entailed reshuffling of bureaucracies as well as the need to establish new command structures. These reforms are in addition to a 300,000-man reduction that Xi Jinping announced in 2015.⁵ It is quite possible that the military needs time to digest these changes and reforms, allowing for a short-term slowing of the rate of growth in defense spending.

Nonetheless, China's defense spending is still *growing*, and 7 percent is robust. Some of this is almost certainly being devoted to hardware acquisition. Reports indicate the Chinese are building at least one aircraft carrier in their own dockyards, even as China's first carrier, the *Liaoning*, engages in its first live-fire exercises. Chinese pilots have meanwhile flown additional prototypes of the J-31, China's second fifth-generation fighter, while Chinese

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arms shows have displayed export versions of new Chinese unmanned aerial vehicles (UAVs).

As important, and more worrisome, is the announced increase in the PLA Navy's Naval Infantry, China's counterpart to the U.S. Marine Corps. From a force of 10,000 organized in two brigades, PLAN will reportedly expand this to 100,000 troops, organized into six brigades.⁶ Coupled with a steady growth in China's amphibious fleet, the PLA is clearly acquiring the ability to conduct more expeditionary operations. This is unlikely to be oriented towards global intervention, but is instead almost certainly focused on the East and South China Sea—with serious implications for U.S. friends and allies, including Japan and the Philippines.

China's growing defense dollars are not simply reflecting equipment modernization. The reforms have seen the elevation of both training and mobilization to the level of general departments in the expanded Central Military Commission which manages the overall PLA. The ongoing expanded defense budget suggests that there will be an effort to ensure that the modernizing PLA is properly trained in the use of its equipment and capable of sustaining operations in the event of a more protracted conflict.

U.S. Responses

As Secretary of State Rex Tillerson visits Japan, South Korea, and China in his first trip to Asia, and President Trump submits his first budget to Congress, the U.S. must recognize that the Chinese are posing an increasing challenge to the U.S. in terms of both hard and soft power. The ongoing growth of China's defense budget, and its extensive modernization effort, holds out the ugly potential that in a

few years, it will be the U.S., not the PRC, that will be the "near peer" competitor.

The U.S. should:

- **Reassure U.S. allies in concrete ways.** Secretary Tillerson's visit is presumably intended, in part, to reassure U.S. allies that the U.S. remains committed to regional security and stability. Some of the Administration's proposals will go a long way to this effect. For example, expanding the U.S. Navy will mean a greater ability to sustain presence without hollowing out the force. However, this needs to be accompanied by diplomatic and political steps. Prompt movement on a U.S.–Japan bilateral free trade agreement would be a welcome sign to the region that Washington will be an active player in regional developments. Increased coordination of defense efforts with local allies, including Japan and South Korea, in such new security domains as outer space and information space (including cyber) would also serve to underscore American commitment to regional security and stability.
- **Improve American military readiness.** To forestall the possibility of the U.S. falling behind China, a top priority must be to get American forces to a higher state of readiness. Reports that over half of all U.S. Marine Corps fighter aircraft and two-thirds of U.S. Navy strike aircraft are unable to fly means that the U.S. military cannot respond to a sudden crisis. Current forces must be made more ready, both in terms of operations and maintenance of its equipment and of personnel training. Proposed growth in the defense bud-

1. "Xinhua Insight: China to Raise 2017 Defense Budget by Around 7 Percent: Spokesperson," *Xinhuanet*, March 4, 2017, http://news.xinhuanet.com/english/2017-03/04/c_136102281.htm (accessed March 27, 2017).

2. "Finance Ministry: Defense Spending Will Exceed 1 Trillion Renminbi, An Increase of 7%," *Xinhuanet*, March 6, 2017, <http://news.qq.com/a/20170306/020268.htm> (accessed March 27, 2017).

3. "What Does China Really Spend on Its Military?" Center for Strategic and International Studies, undated, <http://chinapower.csis.org/military-spending/> (accessed March 27, 2017).

4. Kevin Yao and Xiaochong Zhang, "China Cuts Growth Goal, Puts Focus on Reform and 'Firewall' Against Risk," Reuters, March 6, 2017, <http://www.reuters.com/article/us-china-parliament-idUSKBN16C007?il=0> (accessed March 27, 2017).

5. Edward Wong, Jane Perlez, and Chris Buckley, "China Announces Cuts of 300,000 Troops at Military Parade Showing Its Might," *The New York Times*, September 2, 2015, https://www.nytimes.com/2015/09/03/world/asia/beijing-turns-into-ghost-town-as-it-gears-up-for-military-parade.html?_r=0 (accessed March 27, 2017).

6. Minnie Chan, "As Overseas Ambitions Expand, China Plans 400 Percent Increase to Marine Corps Numbers, Sources Say," *South China Morning Post*, March 13, 2017, <http://www.scmp.com/news/china/diplomacy-defence/article/2078245/overseas-ambitions-expand-china-plans-400pc-increase> (accessed March 27, 2017).

get is essential, but it must be sustained. The U.S. military did not wind up in its current maintenance hole in just one year—and one year will not see it completely recover.

- **Coordinate long-term security planning.** The history of conflict is filled with expectations of short wars—and the reality of long ones. For the U.S. and its allies, the past quarter century since the end of the Cold War has seen some of the longest wars in history (e.g., the nearly fifteen years in Afghanistan), but at relatively low intensity. As both Russia and China have shown a propensity for “hybrid” or “gray zone” warfare, defense and security planners must rethink what conflict means and how it is likely to be conducted. This should include a sharper focus on near-war situ-

ations (e.g., Crimea and the South China Sea), as well as the potential for more drawn-out conflicts. Revisiting mobilization requirements, even staging mobilization exercises, is something that has not occurred since the end of the Cold War, but should be considered as part of Deputy Secretary of Defense Robert Work’s focus on wargaming. Such activities would signal Beijing and Moscow that the course of any conflict will not be determined by them—an essential means of deterring aggression, whether hybrid or traditional.

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