

**CHINA'S NATIONAL PEOPLE'S
CONGRESS IN 2018: DEFENCE
BUDGET INCREASE AND
VETERAN AFFAIRS**

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Executive Summary

1. The recently concluded National People's Congress (NPC) session in China had approved a \$175 billion defence budget. The People's Liberation Army's (PLA) counter-corruption drive, restructuring and downsizing of the PLA, and tighter supervision all work towards waste reduction and more efficient use of defence spending.
2. The relatively successful civilian governance by party and government leadership has denied a major reason for the PLA to get involved in domestic politics, and enabled it to focus on perfecting its functional and technical expertise. This also contributes to more effective use of defence spending on military tasks.
3. Even though the PLA would lose extra-budgetary income due to the mandatory complete divestiture from business activities, the policy of civil-military integration should generate new non-budgetary investment that benefits the PLA.
4. Higher purchasing power of Chinese currency and regional nature of PLA goals also help to optimise the use of the defence budget.
5. The NPC session also approved the establishment of a Ministry of Veteran Affairs. Xi Jinping endorsed this policy for several reasons.
6. First, he wants to enhance political and social stability by mitigating and resolving the grievances of discharged veterans.
7. Second, by resolving the grievances of veterans, Xi wants to stabilise and enhance the morale of the active-duty PLA personnel as well as strengthen the aspirations of those who may want to join the PLA to serve the country.
8. Third, Xi wants to curry favour with the PLA to accumulate more political capital, demonstrating his insecurity in dealing with the PLA due to his lack of entrenched personal networks in the PLA.

9. Fourth, Xi may genuinely want to take good care of the welfare of veterans, which is consistent with his advocacy for more “fairness and justice”. Establishing a ministry-level authority dedicated to veteran affairs reflects high-level political support.
10. The new ministry would also centralise and integrate the responsibilities regarding discharge, placement and benefits of veterans that were traditionally delegated and dispersed to various PLA departments and civilian ministries and agencies.
11. Such a high-level, centralised authority in China implies resources can be more readily mobilised to alleviate implementation problems such as delay, inaction and buck-passing behaviour, or those associated with a decentralised policy structure.