

OpenVoiceNews

Transparent. Unbiased. Yours.

Taiwan Defense Budget to Reach 3 Percent of GDP

August 17, 2025

— Categories: Defence & Security



Download IPFS

Taiwan's Executive Yuan is preparing a defense budget for fiscal 2026 that would reach 3 percent of the country's gross domestic product, according to sources familiar with the plan. The Cabinet has proposed allocating around NT\$800 billion (US\$26.66 billion) for defense, a figure expected to exceed the 3 percent target when defense-related special budgets are included.

In comparison, Taiwan spent NT\$467.5 billion, or 2.45 percent of GDP, on defense this year, which includes mandatory spending and special budgets. Premier Cho Jung-tai presented a draft budget to President William Lai on Thursday, with a finalized version expected later this week.

The proposal is anticipated to be approved by the Executive Yuan on Thursday before being submitted to the legislature for review. Under the plan, the Ministry of National Defense (MND) would receive NT\$500 billion, making it the only ministry slated for a funding increase. Other ministries are expected to maintain zero growth in their budgets.

The increase in defense spending is intended to expand the proportion of volunteer service members and boost bonus pay for personnel serving in combat units. However, amendments to the Pay Act of the Armed Forces passed in June to increase military pay and allowances are not included in the MND's budget, as the Cabinet may still challenge the legislation in the Constitutional Court.

The budget also earmarks NT\$69.1 billion for the New Fighter Acquisition Program and the Air and Sea Combat Power Improvement Program, in addition to the main MND allocation. Another NT\$115 billion is planned for national resilience initiatives, alongside smaller amounts for miscellaneous projects.

Using NATO's methodology for calculating defense spending, which factors in coast guard budgets and veterans' pension funds, Taiwan's expenditures would surpass the 3 percent of GDP mark.

The move to raise defense spending follows comments from former U.S. President Donald Trump, who suggested Taiwan should allocate around 10 percent of its GDP for its armed forces and compensate the United States for protection against China. Under former President Tsai Ing-wen, Taiwan's defense budget rose steadily from NT\$365.8 billion in 2016 to NT\$606.8 billion last year but remained below the 3 percent of GDP target.

U.S. Undersecretary of Defense for Policy Elbridge Colby also noted in March that Taiwan's defense spending remains insufficient to counter China's threat. "As a proportion of GDP, it's well below 3 percent," Colby said. "I agree with President Trump that they should be more like 10 percent or at least something in that ballpark, really focused on their defense."

Premier Cho responded that Taiwan cannot currently spend 10 percent of GDP annually on defense, emphasizing the need for a balanced approach to national security funding.