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CHAPTER 11

Between State and Market: The Political Economy of Chinese Arms Exports

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INTRODUCTION

China’s role as an armaments (arms) exporter has developed considerably over the past few decades. The country has evolved from a supplier of unsophisticated arms largely based on foreign designs to an exporter of much more capable equipment incorporating significant local design input. China’s international arms sales are increasing as its defense-industrial enterprises market and secure orders for their expanding range of products. While China’s arms export role remains secondary to that of a number of more established suppliers, its importance in the international arms market is increasing.

This chapter examines China’s developing arms export profile, including the political and economic basis of Chinese arms exports, their substance and potential, and China’s role as an arms exporter. Chinese arms exports cannot be analysed in isolation from key domestic and international trends. Hence, this study is situated in the context of China’s industrial development, which determines its arms export capacity, and in the context of its policy requirements, which determine the scope for arms exports. Chinese arms exports are being transformed by the structural transformation of Chinese industry and by strengthening economic imperatives. The common ground of state and market that characterizes China at the present time encourages and facilitates arms exports. Space limitations preclude detailing China’s extensive administrative reforms.
Likewise, the scope and pace of defense-industrial progress limit the utility of cataloguing the products or surveying the sectoral strengths of China's defense industry, much less forecasting developmental trends.

THE INDUSTRIAL FOUNDATIONS OF CHINESE ARMS EXPORTS

It is appropriate to approach Chinese arms exports in terms of its "defense economy" given the extent to which they are embedded in general industrial processes.\(^1\) China's development as an arms exporter has occurred in tandem with its industrial development, which has played a crucial role in determining the nature of the arms available for export. China's defense-industrial base has particular strengths and weaknesses that have not remained constant over time.

China emerged as an arms exporter during the Cold War. It began to export substantial quantities of locally produced arms after it succeeded in replacing and expanding upon the defense-industrial capabilities developed in the face of foreign aggression during the nineteenth century and added to by the Japanese.\(^2\) The level of damage inflicted during China's civil war and the Soviet Union's removal of Japanese industrial plant following World War II was such that there remained little to build upon; China had no option but to start afresh.

China's leaders pursued defense-industrial development from an early point in the history of the People's Republic. The importance of defense-related technological development was recognized in the Common Program of 1949 that served as the new regime's provisional constitution.\(^3\) Though the focus of Chinese policy has varied over time, defense-industrial development has remained an important objective.

China's post-civil war approach to defense-industrial development was sound. This was situated in the general reconstruction and development of Chinese industry and was pursued with the assistance of the Soviet Union, with which it enjoyed close relations after 1949. As well as providing material support crucial to China's efforts to develop defense-industrial capabilities far more comprehensive than those of the imperial and Nationalist periods, the Soviet Union provided a developmental model that was appropriate to China's defense requirements and its developing socialist economic system. The key features of this model were central planning, a highly centralized structure, state ownership of production and research and development (R&D) facilities, and a focus on supporting the local defense establishment. China's defense-industrial base was developed to meet the requirements of its People's Liberation Army (PLA), and state-owned enterprises (SOEs) were
responsible for all arms production, with R&D undertaken at state research institutes supported by academic institutions.\textsuperscript{4}

The attention devoted to defense-industrial autonomy by Chinese authorities is noteworthy. The development of autonomous capabilities did not constitute an immediate objective in China’s early efforts to establish a defense-industrial base after 1949. As well as presenting a daunting challenge given the state of its industrial base and the requirements of the PLA, China’s close political relationship with the Soviet Union rendered developing indigenous capabilities less pressing. The Soviet Union transferred substantial quantities of arms, including combat aircraft, armored vehicles, and naval vessels, although these generally were older and less capable models, some dating from World War II. As Sino-Soviet relations deteriorated in the late 1950s, however, there was increasing concern in China over defense-industrial autonomy.\textsuperscript{5}

The objective of defense-industrial autonomy assumed great importance from the early 1960s. China’s growing estrangement from the Soviet Union resulted in declining Soviet support, which ceased altogether by 1963. This had an adverse impact on China’s defense-industrial program, and the effect was exacerbated by the security threat now posed by the Soviet Union.\textsuperscript{6} China’s international isolation ruled out supplanting the Soviet Union as a source of arms, leaving the development of independent defense-industrial capabilities the only course open to Chinese authorities.

China’s negative experiences as an arms importer have had a lasting impact on its subsequent arms exports. In highlighting the perils of dependency, this has encouraged sustained attention to the objective of developing comprehensive defense-industrial capabilities. Chinese policy from the 1960s onward focused on developing independent capabilities for all categories of arms required by the PLA. Despite internal debates over the importance of modern arms to the defense of China, there was consensus on the importance of developing and sustaining autonomous arms R&D and production capabilities. This was reflected in the extent to which the defense-industrial base was shielded from the excesses of the Great Proletarian Cultural Revolution (1966–1976). China was effectively isolated in defense-industrial terms until warming relations with Western states in the late 1970s enabled the development of ties with foreign industry. Such contact that existed prior to this point was limited to the opportunistic examination of examples of foreign arms that were acquired through capture or provided by friendly states, for example, the Soviet MiG-23 fighters provided by Egypt.\textsuperscript{7} This was fortuitous in terms of China’s arms export capacity. Unlike most developing states, China succeeded in developing and sustaining a capacity to export a wide range of arms.
China's emergence as a significant arms exporter in the 1960s reflected its level of defense-industrial development. China demonstrated a capacity to supply a relatively wide range of arms, often in substantial quantities. In qualitative terms, Chinese arms were characterized by their inferiority relative to those available from other suppliers, often being obsolescent if not obsolete. This resulted from China's underdeveloped R&D capabilities; arms were largely copied or closely derived from the foreign designs to which China had access. At the same time, however, Chinese arms were serviceable and demonstrated sensible application of technology.

**CHINA'S DEFENSE-INDUSTRIAL EVOLUTION**

Though some features of its established model remain, China's defense-industrial sector has undergone a structural transformation since the late 1970s. China entered this period with defense-industrial capabilities that, while comprehensive, were not very advanced and were declining in qualitative terms relative to those of other major states. This state of affairs prompted Chinese authorities to initiate a program of defense-industrial development that has carried through to the present. It is noteworthy that China was quick to exploit the opportunities provided by warming relations in the early 1980s by dispatching technical missions abroad to garner arms-related technological insights.

The transformation of its defense-industrial base is largely the product of China's general program of post-Cultural Revolution economic reform, which has seen the introduction and progressive deepening of "market socialism." SOEs have been subject to the general process of commercialization under which firms are encouraged to be economically viable, though they still receive considerable state investment. This has driven attention to the basis of commercial success, including in terms of efficiency and competitiveness, and China's industrial landscape has been reorganized as a consequence. SOEs have far greater independence, with considerable scope to restructure their operations and develop collaborative relationships with each other and with foreign capability partners in the interest of commercial success.

The reorganization of the defense-industrial sector since the late 1990s has brought it decentralization and the development of two distinct "tiers" of defense-oriented SOEs. The backbone of China's defense industry is provided by the first tier of large conglomerates. Notable examples include the Aviation Industry Corporation of China (AVIC), China Aerospace Science and Industry Corporation (CASIC), China Aerospace Science and Technology Corporation, China North Industries Corporation (NORINCO), China Poly Group Corporation, China Shipbuilding
Industry Corporation (CSIC), China South Industries Group Corporation, and China State Shipbuilding Corporation (CSSC). The second tier comprises their subsidiaries, of which there are a large number. Interfirm relationships, including with the civil-oriented sector of industry, are closer and more complex than in the past. This transformation has been supported by extensive administrative reforms and a number of policy initiatives designed to encourage "spin-on" to the defense-industrial sector.\(^9\) Commercialization has meant that there is little practical distinction between defense SOEs and their private-sector counterparts.

One of the most conspicuous features of China's evolving defense-industrial landscape is the recent emergence of nonstate defense-industrial enterprises. While China's defense-industrial structure continues to be based around SOEs, the number of private defense firms is growing with official encouragement and support. The government has developed guidelines for private sector firms to engage in defense-related R&D and production, and announced in 2006 that it was prepared to subsidize private-sector arms production.\(^10\)

While China remains an archetypal techno-nationalist state, with defense-industrial protectionism resulting in far less exposure to globalizing influences than other prominent arms producers, its defense-industrial base is far less isolated than in the past. Many Chinese defense-industrial enterprises are integrated into transnational R&D and production processes. This is developing through interfirm collaborative arrangements, equity investments in foreign firms, and foreign investment in Chinese firms.\(^11\) These processes have been supported by the Chinese government. It has negotiated a number of international agreements covering interfirm collaboration in recent years, and China's 2010 defense white paper emphasizes the importance of international collaboration by defense enterprises and institutions.\(^12\)

The importance of defense-industrial transformation has been reinforced by the PLA's modernization program, which is generating advanced arms requirements. The focus of the defense-industrial sector in China remains on "security of supply" considerations for the PLA. The contribution of the transformative processes outlined previously to defense-industrial capability development helps to account for the level of official support. The importance of harnessing civil industry to the defense sector has been recognized since at least the mid-1980s, for example.\(^13\)

This also contributes to the willingness of Chinese authorities to moderate their defense-industrial autonomy requirements, despite the arms sanctions imposed by a number of states in 1989 after the Tiananmen Square Massacre. While defense-industrial autonomy remains important, China's less threatening security environment has provided space for authorities to exploit the opportunities provided by engaging foreign
industry and approach this as a long-term objective, which was the original intention of its "self-reliance" (zili gengshang) efforts. Foreign industry continues to provide crucial developmental benchmarks and support, with Chinese defense firms drawing on it for critical technological inputs and components. This is demonstrated by the Chinese practice of purchasing foreign arms from which advanced technologies may be derived. Tellingly, China produced only 95 of the 200 advanced Su-27 fighters contracted for before embarking on production of its reverse-engineered J-11, for example. This approach offers the path of least resistance in developing defense-industrial capabilities, but such practices remain a source of tension with states like Russia. Claims made in China and elsewhere related to China's independent development and production of advanced arms often must be regarded with some reserve.

A comprehensive national defense-industrial base remains important to Chinese authorities, but the current focus is on autonomous production, with little evident concern with technological sovereignty. The integration of Chinese defense firms into transnational industrial processes presents particular challenges and opportunities for Chinese authorities in light of their concerns but is managed so as to minimize the threat to autonomous arms production. This is manifest in the practice of producing most of the arms required by the PLA with foreign input largely limited to technology or selected components.

The structural transformation of China's defense-industrial base entails significant long-term implications, including in terms of arms exports. This is producing the sustained capability development reflected in the qualitative transformation in the arms available from Chinese industry. While there are important sectoral differences, China's defense-industrial base generally has progressed from a capacity to supply relatively inexpensive arms closely modeled on those of other states to a capacity to offer arms that are not state of the art but are relatively modern and competitively priced. This transformation is no small achievement for a state that for decades had a well-deserved reputation as having little capacity for anything beyond copying foreign designs. The importance attached to profitability has had a major impact on arms exports. As well as encouraging firms to export, this has helped to drive the development of newer generations of arms better suited to a wider range of export customers.

While a number of internal contradictions characterize China's defense-industrial model as a result of the tension between the requirements of autonomy and efficiency, China's defense-industrial base is well positioned to meet the needs of a range of export customers. The common ground of state and market produced by economic interests provides an environment conducive to the export efforts of Chinese industry. Arms exports constitute an important means of promoting commercial success
and are actively pursued by Chinese defense firms and supported by the state. This has provided the basis for increased Chinese arms exports.

CHINA AS AN ARMS EXPORTER

China's profile as an arms exporter has evolved considerably over time in conjunction with its defense-industrial development and changing policy requirements. China first exported arms in the early 1950s, when it supplied insurgents fighting French colonial forces in Indo-China. China transferred substantial quantities of small arms, artillery, vehicles, ammunition, and other items to the Viet Minh from 1950 to 1956. This involved the retransfer of arms previously acquired from a variety of sources, including arms captured during the Korean War. Regular exports of arms by China began only in the 1960s, when its political interests encouraged military support for friendly regimes.

China's defense-industrial development enabled the use of arms exports as a key facet of its "defense diplomacy," under which it sought to offset both the influence of the United States and that of the Soviet Union and to establish its revolutionary credentials following its break with the Soviet Union. China's newly capable defense industries made it possible for authorities to supplement the export of obsolete Soviet arms that were surplus to Chinese requirements with locally produced arms. If the arms that it was manufacturing and exporting were relatively unsophisticated, they were regarded by Chinese authorities as politically important until late in the Cold War.

China's willingness to provide arms at no or minimal cost during this period was a telling sign of the role of political objectives in its arms exports. Chinese arms were supplied largely to developing states, including Mali, North Korea, Sudan, Ta'anzania, and Zaire (now the Democratic Republic of Congo), but also to a few more developed states such as Albania and Romania. Arms were supplied to a number of revolutionary movements as well, most notably in Southeast Asia and Sub-Saharan Africa, but also in the Middle East. China even exported arms to states with which it had no diplomatic relations, such as Israel and Saudi Arabia. A number of the states receiving Chinese arms were hostile to the Soviet Union or the United States (in the case of Albania, both), while others offered important opportunities for promoting China's international position as a friend of the "Third World."

The nature of the arms exported by China during this period testified to its relatively underdeveloped defense-industrial capabilities. The focus on meeting the undemanding material requirements of the PLA, combined with the struggle to develop a capacity for the production of more advanced arms, determined the types and quality of arms that were
Table 11.1
Representative Chinese Arms Exported during the Cold War

<table>
<thead>
<tr>
<th>Equipment</th>
<th>Recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type 62 light tank</td>
<td>Albania, Bangladesh, Congo, North Korea, Mali, Sudan, Tanzania, Vietnam, Zaire</td>
</tr>
<tr>
<td>YW531 armored personnel carrier</td>
<td>Albania, Iraq, North Korea, Vietnam, Zaire, Zimbabwe</td>
</tr>
<tr>
<td>Type 54 howitzer</td>
<td>Bangladesh, Pakistan, Tanzania, Zimbabwe</td>
</tr>
<tr>
<td>Type 52 recoilless rifle</td>
<td>Burundi, Cameroon, Guinea-Bissau, Pakistan, Tanzania, Togo, Vietnam</td>
</tr>
<tr>
<td>Type 59 tank</td>
<td>Albania, Bangladesh, Cambodia, Congo, Iran, North Korea, Pakistan, Tanzania, Vietnam, Zambia, Zimbabwe</td>
</tr>
<tr>
<td>Type 63 multiple rocket launcher</td>
<td>Burkina Faso, Cambodia, Iran, North Korea, Vietnam, Zaire, Zimbabwe</td>
</tr>
<tr>
<td>Shanghai patrol craft</td>
<td>Albania, Bangladesh, Congo, Gambia, North Korea, Pakistan, Romania, Sierra Leone, Sri Lanka, Tanzania, Tunisia, Zaire</td>
</tr>
<tr>
<td>Huchwan torpedo boat</td>
<td>Albania, Pakistan, Romania</td>
</tr>
<tr>
<td>Fuqing support vessel</td>
<td>Pakistan</td>
</tr>
<tr>
<td>J-6 fighter</td>
<td>Bangladesh, North Korea, Pakistan, Tanzania, Zambia</td>
</tr>
</tbody>
</table>


available for export. Small arms and light weapons, including mortars and recoilless rifles, constituted the bulk of Chinese arms exports, though tanks and other armored vehicles, artillery, combat and support aircraft, and coastal naval vessels were supplied as well. In many cases, these were copies or derivatives of Soviet arms such as the BTR-152 armored personnel carrier (produced as the Type 56), S-75 (SA-2 Guideline) surface-to-air missile (produced as the HQ-2), and Romeo-class submarine (produced as the Type 033). (See Table 11.1.) The qualitative shortcomings of Chinese arms during this period were offset to some degree by China's capacity to supply them in substantial quantity and on short notice.

Despite its limitations, China was well received as an arms supplier. China helped to meet the arms requirements of a number of states, most of which were developing states. The developmental state of defense establishments in these countries generated requirements for relatively unsophisticated arms that could be absorbed without great difficulty, which China was well positioned to supply. The fact that many of the arms available from China were copied from foreign designs, most
notably from the Soviet Union but also the United States, facilitated their introduction into service in these states. The terms under which China provided arms proved highly attractive. As well as costing little, Chinese arms were appealing in another notable respect: they were provided without the political conditionality that accompanied arms transfers from a number of other Eastern and Western states. This was an important factor where political authorities sought to avoid becoming dependent on states that would use arms transfers as a means of political influence and leverage. In this respect, China’s defense diplomacy was considerably more subtle than that of its international rivals.

China was a secondary arms supplier during the Cold War compared to states such as the Soviet Union, the United States, the United Kingdom, and France, however, and its impact was mixed. Arms transfers from China did not prove decisive in any particular Cold War conflict, but they were important to efforts by political authorities in a number of states to ensure their security and to prosecute conflicts, and to efforts to achieve independence from colonial authorities. The impact of Chinese arms exports was greatest in supplementing those of the Soviet Union in Southeast Asia. The direct impact of Chinese arms exports outside of the developing world was minimal.

It is important to distinguish between Chinese arms exports during and following the Cold War. China’s approach to arms exports began to change toward the end of the Cold War. The political orientation of Chinese arms exports began to erode, and economic considerations assumed greater importance after Chinese policy entered a more moderate phase in the late 1970s following the end of the Cultural Revolution. This trend developed over the course of the 1980s, with the First Gulf War between Iran and Iraq seeing China export substantial quantities of arms to both sides as a means of generating revenue. Though the evolution of Chinese arms exports in terms of their substance and objective was gradual, their post–Cold War transformation has been remarkable.

**POST–COLD WAR CHINESE ARMS EXPORTS**

China’s development as an arms exporter following the Cold War has been impressive but not entirely linear in its trajectory. The early post–Cold War period saw China wane in importance as an arms exporter. China’s position gradually declined to that of a “supplier of last resort” to states like Zimbabwe as the increased availability of relatively inexpensive and often more advanced arms from former Eastern Bloc states, including the former republics of the Soviet Union, and from other states that had developed substantial arms inventories during the Cold War, rendered it less important. The end of the Cold War ultimately constituted
a watershed for China, facilitating the transformation of its arms transfer profile in qualitative as well as quantitative terms.

Chinese arms exports gradually recovered and now surpass previous levels. They rose to US$1,356 million in 2011 from a low of US$303 million in 2000. This trend was more the product of China's defense-industrial development and strengthening economic imperatives than the exhaustion of the Cold War arms inventories of other potential arms suppliers. A number of states possess unwanted reserves of arms from the Cold War even today.

The most striking feature of post-Cold War Chinese arms exports is their qualitative transformation. China continued to export some models of equipment that had been transferred during the Cold War for which there was a market—for example, the Type 69 tank and Type 54 howitzer—but its exports have been dominated by much more modern designs. China's aerospace sector has made the greatest progress, with aircraft such as the JF-17 Thunder fighter owing little to any existing foreign design. Its transformation as an arms exporter is manifest in the sophistication and diversity of the arms transferred, with China now exporting a far more comprehensive array of arms than was the case during the Cold War. China's extensive export portfolio now includes many categories of equipment that the country previously was in a poor position to supply, such as modern communications equipment, air defense radars, surface-to-air and antiship missiles, and major surface vessels, alongside the range of arms that it exported during the Cold War. China's capacity to meet more demanding arms requirements is a major factor in its export success. (An indication of China's capacity is provided in Table 11.2.)

It is important to note that charting Chinese arms exports is complicated by the lack of accurate details. For example, considerable confusion surrounds recent Chinese transfers of armored vehicles to Sub-Saharan African states that are variously reported by different sources. Particular difficulties attend identifying and quantifying Chinese defense-industrial support, the impact of which may not be apparent until well after it has been provided. Nonetheless, it is clear that Chinese arms exports continue to evolve as well as to expand.

Sales of complete arms continue to dominate Chinese arms exports. China occupies a particular niche in the international arms market at the present time where such arms are concerned, but this differs from the position it occupied during the Cold War. It is still the case that the arms available from Chinese state and nonstate enterprises generally do not represent the state of the art in their areas, but unlike the former case, they are relatively modern. Ingrained perceptions of Chinese arms as invariably obsolescent or obsolete persist, however. One feature of Chinese arms that has not changed is that they generally remain competitively priced.
### Table 11.2
Representative Chinese Arms Exports following the Cold War

<table>
<thead>
<tr>
<th>Item</th>
<th>Form of Transfer</th>
<th>Recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type 90 tank</td>
<td>Licensed production</td>
<td>Pakistan</td>
</tr>
<tr>
<td>WZ551 and WMZ551 armored personnel carriers</td>
<td>Direct sale</td>
<td>Argentina, Bosnia-Herzegovina, Chad, Gabor, Kenya, Nepal, Oman, Rwanda, Sri Lanka, Sudan, Tanzania, Thailand, Zambia</td>
</tr>
<tr>
<td>PLZ45 self-propelled artillery</td>
<td>Direct sale</td>
<td>Kuwait, Saudi Arabia</td>
</tr>
<tr>
<td>FN-6 surface-to-air missile</td>
<td>Direct sale</td>
<td>Malaysia</td>
</tr>
<tr>
<td>WS-1 multiple rocket launcher</td>
<td>Direct sale of WS-1 and design assistance for improved version</td>
<td>Thailand</td>
</tr>
<tr>
<td>K-8 Karakorum training/light strike aircraft</td>
<td>Direct sale, licensed co-production (Egypt and Pakistan only)</td>
<td>Bolivia, Egypt, Ghana, Morocco, Myanmar, Namibia, Sudan, Tanzania, Zambia, Zimbabwe</td>
</tr>
<tr>
<td>Z-9 helicopter</td>
<td>Direct sale</td>
<td>Bolivia, Kenya, Mali, Mauritania</td>
</tr>
<tr>
<td>Offshore patrol vessel (various classes)</td>
<td>Direct sale</td>
<td>Namibia, Nigeria</td>
</tr>
<tr>
<td>C-802 antiship missile</td>
<td>Direct sale (Algeria and Iran), licensed production (Indonesia)</td>
<td>Algeria, Indonesia, Iran</td>
</tr>
<tr>
<td>Support for small arms production facility</td>
<td>Technical support</td>
<td>Nigeria</td>
</tr>
</tbody>
</table>


The form of Chinese arms exports is evolving. Chinese arms exports increasingly involve the supply of equipment in a form that requires some level of industrial participation on the part of the recipient such as licensed or co-production. China also is emerging as an important source of defense-industrial support. This can involve the supply of arms components and technology to be used in local R&D and production programs, including the provision of specialist design assistance, as well as
support for developing defense-industrial facilities. A number of examples of the local production of Chinese arms are provided in Table 11.2. China has supplied items such as ship engines in support of production programs in developing states, including Bangladesh, and has supported missile development programs in Indonesia, Iran, Pakistan, and Turkey.\textsuperscript{23} China has a long-standing defense-industrial relationship with Pakistan that began quite modestly and has since developed into co-production of the JF-17 and collaborative R&D on the Chinese-led K-8 Karakorum training aircraft program.

China’s growing importance as a provider of defense-industrial support reflects both the evolution of China’s defense-industrial base, which enables it to provide forms of support that it was not able to in the past, and changing customer requirements. Political authorities in a growing number of developing states are approaching arms transfers as a catalyst for local defense or even general industrial development. China’s position on providing defense-industrial support contrasts sharply with that of other prominent suppliers, which are much more reluctant to transfer advanced arms-related technologies, particularly where weapon of mass destruction–capable delivery systems such as ballistic missiles are concerned. Chinese firms recognize the importance of technology transfers to a growing number of states and are prepared to offer “deeper industry collaboration” to secure export orders.\textsuperscript{26}

China now supplies arms to a far broader range of states than during the Cold War, including many states that have not traditionally operated Chinese arms. China has built on existing arms supply relationships dating back in some cases to the 1960s and has developed many new markets. This list of recipients includes states of diverse political and economic characteristics in Europe and South America as well as regions where China has been more active in the past. China is not in a position to challenge the dominance of more established suppliers in most export markets, but it is supplanting them in particular niches.

It is with respect to the developing states that China is most prominent as an arms exporter. China’s success in this section of the international arms market is attributable in large part to its capacity to provide arms and defense-industrial support that meet local requirements. It is fortuitous for China that its developing capabilities generally correspond to evolving customer demands. China’s success also is facilitated by its lack of conditionality compared to major Western arms exporters; its nonideological approach to arms exports following the Cold War enhances the attractiveness of Chinese arms, particularly where conflict situations and internal political conditions complicate efforts to procure arms from Western suppliers. While China’s apparent lack of principles in arms exports is overstated, they are less subject to noneconomic considerations than is the case with many other major arms suppliers. China generally
has not supported international arms sanctions, for example, those imposed on Sudan over its policies in Darfur.25

China’s approach to arms exports is a product of its policy priorities. Contemporary Chinese arms exports generally are regarded as state-driven. Many observers argue that arms exports are pursued with a view to attaining important political objectives such as enhancing China’s international position and offsetting the influence of the United States, as was the case during the Cold War.26 Others interpret Chinese arms transfers as a means of promoting economic security through securing access to the natural resources crucial to China’s sustained economic development.27 There are noteworthy examples of arms exports to states that are important in strategic terms, including Pakistan, and to states that are suppliers of crucial resources such as oil, including Iran and Sudan. However, this conventional wisdom offers what is at best a partial explanation of the motives underpinning Chinese arms exports.

The motives underlying Chinese arms exports are more complex than is commonly assumed. Political objectives in terms of enhancing China’s general international position are not entirely absent, with arms exports constituting one facet of contemporary Chinese defense diplomacy. China supplies limited quantities of arms to developing states as military assistance, alongside other forms of support such as training.28 In some cases, this involves refurbished arms that are surplus to the requirements of the PLA, but for the most part, these are arms that have been produced for export like the Y-12 transport aircraft donated to the Seychelles in 2011.29

The supply of arms on concessionary terms is very much the exception, however, and only occasionally do Chinese authorities seek to exploit the potential of arms exports as instruments of influence. Chinese arms exports correspond poorly to what might be termed the “classic” pattern whereby arms are transferred on very favorable terms in return for direct benefits such as preferential access to markets or resources or a policy change on the part of the recipient.30 There is a notable exception in the case of Pakistan, with which China has a well-established strategic relationship. Here, China has provided substantial quantities of arms and extensive defense-industrial support on very favorable terms over an extended period of time, which has facilitated the sustained development of Pakistan’s defense-industrial base. China undertook this role with the objective of developing Pakistan’s military capabilities and reinforcing political relations. Considerations stemming from the nature of China’s engagement of the international community at the present time temper the inclination to approach arms exports as an instrument for strategic competition.

It is crucial to consider the question of the drivers of Chinese arms exports in terms of the commercialization of its defense industry and the freedom of action accorded defense firms. Chinese arms exports are much
less state-driven than in the past. A strong commercial orientation predominates at the present time, with arms largely being supplied under commercial contracts. Chinese defense enterprises have assumed primary responsibility for marketing their wares to potential export customers, and in the interest of profitability, SOEs and private firms alike aggressively pursue export opportunities wherever these exist.\textsuperscript{31} Chinese firms have been exhibiting their products at foreign defense exhibitions since the early 1980s, and the Chinese government, which attaches great importance to export success, supports these efforts.\textsuperscript{32} The role of the state is largely indirect, with support generally limited to measures such as the provision of credit and training. The Chinese government does take a more proactive approach on occasion, however.\textsuperscript{33} The impact of the commercialization of Chinese arms exports is exacerbated by China’s less stringent arms export control regime, despite efforts to strengthen this since the late 1990s. This provides the scope for substantial arms exports without official sanction.\textsuperscript{34} The objectives of export success and those commonly assumed to drive Chinese arms exports are not necessarily mutually exclusive, but the evidence suggests that the latter are secondary determinants at this time.

**PROSPECTS AND CONCLUSION**

Chinese arms exports have not reached their full potential in quantitative or qualitative terms. China’s defense-industrial development is not likely to abate, with the result that Chinese enterprises can be expected to offer increasingly sophisticated products and defense-industrial support on the export market on competitive terms. China’s contribution to processes of military modernization, particularly in developing states, will potentially continue to grow as a consequence.

Chinese arms exports are facilitating processes of defense and defense-industrial development in a growing number of states. Chinese arms generally provide a more affordable alternative to arms from Western sources. While the arms available from Chinese industry tend not to push the technological envelope, they are relatively modern and are more readily available, though China has long been supplanted as a “supplier of last resort” by states such as Iran and North Korea. The ongoing development of China’s defense-industrial base and continued access to technologies and components from foreign sources will sustain China’s scope to fulfil this role, despite ingrained perceptions of the inferiority of Chinese arms compared to those available from other prominent suppliers. China’s provision of defense-industrial assistance has more far-reaching consequences over the long term. This is providing the basis for the development of defense-industrial capabilities in a growing number of states, as demonstrated by Pakistan’s successful progress from
producing relatively unsophisticated Chinese arms under license to undertaking advanced R&D in the aerospace field.

China’s growing technical capacity for arms exports must be balanced against the potential evolution of the policy environment, however. Chinese authorities are now more inclined to take political considerations into account in arms exports. Their response to allegations in 2011 that Chinese firms were discussing supplying arms to the embattled Libyan government was significant. The Chinese government was quick to point out that nothing had been agreed between Libya and the firms concerned, and it vowed to strengthen national export controls. This is a noteworthy shift given China’s long-established policy of nonintervention in the internal affairs of other states.

China continues to evolve as an arms exporter. The positive policy environment for arms exports resulting from political and economic synergies and its ongoing defense-industrial development provide considerable scope for an enhanced role in the international arms market. It must be considered whether the present lack of tension between political and economic objectives in Chinese arms exports will continue, however. There is scope for the politicization of Chinese arms exports. While there is no indication at the present time that Chinese authorities generally are inclined to approach arms exports as a vehicle for strategic competition, a policy shift of this nature at some point in the future cannot be ruled out and would encourage a substantial rise in arms exports in the interest of political influence and leverage.

NOTES


6. Ibid., 94.


31. See, for example, Jon Grevatt, "AVIC Woos Africa and Middle East with an Eye to Exports," *Jane's Defence Weekly* 47, no. 13 (March 31, 2010): 19.


