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China's Re-emergence as an Arms Dealer

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China has enjoyed considerable success recently in expanding its overseas arms sales. In particular, it has become a leading weapons supplier to African states. However, Chinese arms sales are still constrained by its small customer base (mainly poor and pariah countries) and by a dearth of sophisticated weapons that it can sell globally.

IS CHINA returning as a major player in the international arms market? According to data put out by the U.S. Congressional Research Service (CRS), in 2007 Beijing signed arms exports agreements worth US\$3.8 billion -- its highest sales figures in more than a decade. In recent years, Chinese overseas arms sales have averaged more than US\$2 billion a year, considerably higher than during the 1990s, when Beijing averaged less than US\$1 billion annually in arms exports. In fact, China has not enjoyed sales this large since the late 1980s, when it sold to both sides in the Iran-Iraq War. Its overseas arms agreements then approached US\$3 billion annually (in today's dollars).

China is now, on average, the world's fifth largest arms exporter, after the traditional leaders -- the United States, Russia, France, and the United Kingdom. In fact, in 2007 it was number four in terms of arms agreements, overtaking France.

Nearly all of China's arms transfers are to developing countries, and in this arena China has become a formidable competitor. In terms of arms *deliveries* to the developing world, Beijing was number three in 2007. Its largest markets are in Asia, the Middle East, and particularly Africa. In fact, during the period 2004-2007, *China was the single largest seller of arms to Africa*. Its major customers include Pakistan, Egypt, Myanmar, Iran, Zimbabwe, and Zambia.

A Tenuous Standing?

Nevertheless, China's current high standing in the global arms marketplace remains tenuous. In the first place, most of China's biggest arms sales are still to a handful of customers, particularly Pakistan. The 2007 figures were high because they counted a couple of big deals with Pakistan, such as for the JF-17 "Thunder" fighter jet, which Pakistan is co-producing with the Chinese. It is not certain, therefore, that China will be able to maintain such high levels of arms exports for the next several

years. For example, Myanmar *used* to be a big buyer of Chinese arms, but its purchases have tapered off significantly in recent years.

For the most part, China still sells mostly small arms and ancillary equipment, such as trucks, uniforms, and tents. The country's arms industry manufactures some impressive pieces of equipment, such as the C-802 antiship cruise missile (similar to the very effective French *Exocet*) and the K-8 jet trainer/light attack aircraft, but there have been few sales of these types of equipment lately. Overall, China can offer few advanced weapon systems that are technologically competitive on the global arms market, and its customers still remain basically the poor (African states) and the pariahs (Pakistan and Iran). Moreover, many of China's arms deals are mostly done at "friendship prices," which entails selling arms at a discount, either for political purposes (cementing alliances) or, increasingly, to secure links with oil-producing countries.

Future Big-Ticket Sales

For China to remain a leading arms exporter, it needs to come up with more competitive products. One big possibility for future significant overseas sales is China's new J-10 fighter jet. This aircraft is a cousin to the Israeli *Lavi* (upon which it is based) and roughly equivalent in capabilities to the US-built F-16C flown by the Republic of Singapore Air Force. The J-10 started development in the mid-1980s and finally entered production for the People's Liberation Army Air Force (PLAAF) about three or four years ago. It is certainly a vast improvement over the 1960s- and 1970s-era Chinese and Soviet fighters that have filled out the PLAAF for decades, although probably not as good as the Su-27 or (particularly) the Su-30s acquired from Russia.

There has in fact been considerable speculation that the Chinese might flood the global arms market with the J-10. This aircraft could be a good buy, as it would probably be offered at cut-rate prices, certainly below the F-16, the Swedish Gripen, and other smaller combat aircraft. Pakistan and especially Iran have been mentioned as prospective buyers.

Other marketable products include the C-701 short-range antiship cruise missile (already sold to Iran and, reportedly, Hizbollah), the FN-6 man-portable surface-to-air missile (exported to Sudan), and the KS-1A surface-to-air missile (sold to Malaysia).

That said, most Chinese weapons systems remain an unknown quantity. The J-10, for example, may be a very good aircraft, but its performance and reliability cannot be independently confirmed, and many countries may not wish to take a chance on it. Countries do not necessarily buy the cheapest weapon systems available – capabilities and effectiveness count, especially when it comes to military products. Many countries, given the choice, will still pay a premium price to get a premium product. For example, when Pakistan decided to acquire new submarines, it bought from France, not China, and while it is buying Chinese fighters, it is also purchasing F-16s from the US.

Even during the current global economic crisis, many potential buyers will still be hesitant to seriously consider Chinese weaponry more than they might normally, since they may have to live with these weapons for the next twenty to thirty years. Instead, these countries are more likely to delay any big-ticket arms purchases in general, and wait until the economy recovers – like most Asian countries did during the financial crisis in the late 1990s.

One product area where the Chinese do have a considerable edge is ballistic missile systems, such as the DF-11 and B-611 short-range ballistic missiles. The DF-11 (also known as the M-11) has been sold to Pakistan, while Turkey has acquired the B-611. Sales of longer-range missile systems, however, are restricted by the Missile Technology Control Regime (MTCR), which China has agreed to abide by.

The Future of Chinese Arms Sales

China is still extremely constrained when it comes to potential customers, the types of arms they may want to buy, and the types of arms it can sell. This is not to say that Beijing will not increasingly promote its arms on the global market, or that it will not score some coups when it comes to overseas sales. Certainly, expanding arms exports continues to be a key business strategy for Chinese defence firms – as much as it is for almost every arms manufacturer around the world.

Given the global overcapacity in armaments production and economic pressures to keep factories open and preserve jobs, everybody wants to get in on the arms-export business. But do not imagine the Chinese will soon be supplanting or joining the US and Western Europe as a large supplier of sophisticated arms.

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