

## End Game of China's Arms Export Strategy

Ron Matthews  
Chair, Defence Economics  
Centre for Defence Management and Leadership  
Cranfield University, Defence Academy of the UK

Xiaojuan Ping  
Researcher  
East Asian Institute  
National University of Singapore

There has recently been much debate in the media concerning China's arms export strategy. Is it really a success story? Or is it fake news, promoted by mischievous sinophiles? To reach a determination on these questions, three issues need to be explored: the nature and extent of the purported surge in demand for Chinese arms; the sources of that demand, highlighting the technological capability of the systems exported; and the factors driving that demand.

The first question is to establish whether there has been dramatic [growth](#) in China's arms exports, emulating the success of its broader commercial exports? Although the picture is not equivocal, there are signs that something is, indeed, happening. Chinese arms sales are [growing](#). Across 2012–16, they accounted for 6.2% of the global arms trade, up by an impressive 74% relative to the 3.8% recorded for 2007–11. In fact, over 2012–16, China's arms exports raced ahead of those from Germany, France and the UK, to become the world's 3<sup>rd</sup> biggest arms exporter. This is not a short-term aberration, but a long-term trend. Between 2000 and 2015, Chinese arms exports expanded 6.5 times. Last year, China shipped US\$2.1bn in arms, marginally behind France's US\$2.2bn, but well ahead of the UK's US\$1.4bn. While China's 2016 market share is well below that of the US at 33%, the gap is gradually closing with Russia (23%), and has disappeared altogether with France (6%), Germany (5.6%) and the UK (4.6%).

China's arms exports have been criticised for their lack of global appeal, given that in the last five years 72% of all Chinese arms exports went to just three countries: Pakistan, Bangladesh and Myanmar. Yet, the criticism is unfair. The fact is that dependence on a few core customers is not uncommon, affecting mature and 'new entrant' arms exporters, alike. Russia was the world's second biggest arms exporter across 2012–16, supplying arms to 51 recipients, but it depended on just four countries, India, Vietnam, China and Algeria, for 70% of those sales. Similarly, the world's sixth biggest arms exporter, the UK, exhibited almost exactly the same high export dependency ratio as those for China and Russia, with 71% of UK arms exports destined for Saudi Arabia, India and the US. In fact, Saudi Arabia accounted for a remarkable two-thirds of all UK defence sales across 2010–15.

What about the quality of demand for Chinese defence equipment? [Detractors](#) argue that China's weapons are only attractive to poorer nations, because its older weapons are cheaper. Whilst there is some truth in this argument, it needs

qualification. China has been successful in diversifying its customer base, and now exports arms to 55 countries worldwide, covering Asia, the Middle-East, Africa and Latin America. Many of the client states are, indeed, developing countries. For example, two-thirds of the countries situated in the world's poorest continent, Africa, procure weapon systems from China, and much of it is basic military equipment. However, [times are changing](#), and Chinese arms can no longer be characterised as relics from a bygone Soviet era. The PLA has been replacing old Soviet platforms with improved 'indigenous' models, and thus is exporting modernized platforms, including Type-99 MBTs, J-10 fighters and Yuan-class submarines (to Thailand, Myanmar, Bangladesh and Pakistan).

Additionally, the Chinese have adapted, innovated and engaged in systems integration in a determined bid to move up the technology ladder, developing, for instance, credible and competitive UAVs and anti-ship cruise missiles. Raised technological sophistication combined with relatively low procurement cost has led to increasingly cost-effective arms exports. Their attractiveness to more discerning buyers has been translated into a sales portfolio in which 25% of China's customers are now positioned in the upper middle/higher income country categories, including, for instance, Turkey, Saudi Arabia and the United Arab Emirates.

So, is there something different, something special that distinguishes China's arms export strategy from its Western counterparts? The answer is a resounding yes. First and foremost, Western strategists should be under no illusion that export revenue is not the primary goal, rather it is longer-term geo-political and strategic influence that is Beijing's end-game. The search for regional and global influence is the critical aim of Chinese economic diplomacy. It reflects a more narrowly focused aspect of Beijing's soft power framework, embracing foreign aid, foreign direct investment, overseas educational programmes, and, importantly, arms sales.

China's arms export 'model' is pre-determined and operates according to a carefully crafted strategy, based on three principles: promoting the legitimate self-defence capability of the recipient country; strengthening the peace, security and stability of that country and region; and non-interference in its internal affairs. Beijing's long-standing non-interference approach linked to arms sales rests on the view that a customer's political, military and human rights record lies outside the contractual arrangements. The 'no questions asked' policy attracts the opprobrium of Western states, but there is no disputing its effectiveness in selling guns and securing influence. The policy particularly appeals to 2<sup>nd</sup> and 3<sup>rd</sup> tier military states suffering excessive dependence on American or Russian weaponry. Chinese arms offer poorer states the opportunity to diversify arms sources, regain a degree of sovereignty over military capability, and thus reduce strategic vulnerability to arms embargoes.

The Chinese arms export model has several other significant features. From a Chinese strategic perspective, it leverages strong client-state relationships, and in the process bolsters Beijing's influence, particularly amongst contiguous states. It is no accident that China's arms sales to Pakistan, Sri Lanka, Bangladesh and

Myanmar indirectly act to contain the potential threat of Asia's other mega-power, India. Chinese arms are also competitively packaged. Pricing is low compared to Western models. Chinese drones, for example, [reportedly](#) cost 10-20% of the near-equivalent US version. Finally, China is amenable to technology transfer through defence offset, supporting client states to indigenise maintenance, repair and overhaul activities, and even component production.

In sum, China's arms export strategy has proved effective in taking market share from competitor nations, albeit that the US remains the dominant player. China has also begun to encroach into higher income markets, especially where technological sophistication is not required. There is a long-term strategy at work here, driven by diplomatic and geostrategic objectives, rather than commercial gain.

---



**DSPACE**

<https://dspace.org/>

## **The end game of China's arms export strategy**

**Matthews, Ron; Ping, Xiaojuan**

**2017-09-27**

ANU Press

<https://www.eastasiaforum.org/2017/09/27/the-end-game-of-chinas-arms-export-strategy/>

Ron Matthews and Xiaojuan Ping. The end game of China's arms export strategy. East Asia Forum Quarterly, September 2017