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China's Arms Exports Conundrum Revisited

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SYNOPSIS

*Despite China's status as a major power, the country has struggled to catch up with the United States and Russia when it comes to selling major conventional weapons abroad. While this lacklustre sales record is due largely to the quality of Chinese arms, **LUKAS FIALA** also attributes it to the sectoral composition of China's defence industry and Beijing's specific approach to diplomatic and security partnerships. However, he believes the fallout of Russia's war in Ukraine may create new openings for China's defence exports in the future.*

COMMENTARY

Why, despite its status as the second largest economy globally, has China's arms industry not yet caught up with the United States or Russia when it comes to selling major conventional weapons abroad? According to Richard Bitzinger's recent commentary, China's comparatively small footprint in the global arms market is due primarily to the [quality of Chinese systems](#) and the ensuing lack of repeat customers. Yet, while technological sophistication certainly matters, the specific composition of China's defence sector and the unique nature of China's diplomatic partnerships should also be considered explanatory factors.

A Different Rationale

To begin with, the internal structure of China's defence sector renders profits from foreign arms sales an important but not outsized priority. Spin-off innovation – using military technology for civilian ends – incentivised state-owned enterprises (SOEs) in

the defence sector to venture into civilian industries to supplement revenues in times of declining defence expenditure after the revolutionary era.

While an uptick in orders from the People's Liberation Army (PLA) and structural reforms of the defence sector over the past two decades have since then flooded balance sheets with plenty of cash, defence SOEs continue to retain sizeable stakes in commercial industries. [Approximately two-thirds](#) of the defence industry's annual revenues are derived from civilian commercial operations, which include cars and household goods such as washing machines or refrigerators.

All this is not to say that foreign arms sales are insignificant from a financial standpoint, but to point out that this structural element has shaped the internationalisation of China's defence-industrial base – and thus the rationale for arms sales – in a way that is different from some of China's Western counterparts.

One example includes the involvement of defence SOEs in civilian infrastructure projects abroad. NORINCO, for instance, [has built elements](#) of the Iranian subway system and AVIC [has tied](#) transfers of military aircraft to lucrative construction contracts in Zambia. These approaches exhibit the integration of military and economic security objectives in China's defence diplomacy by linking arms sales and military-to-military relationships to lucrative, commercial infrastructure projects.



China's arms exporters have long pursued alternative strategies to their Russian and US counterparts. This includes the involvement of defence state-owned enterprises (SOEs) in civilian infrastructure projects abroad, as seen in the example of AVIC's relationship with Zambia and the transfer of Hongdu L-15 jets.

Image from Wikimedia Commons.

In contrast to Western understandings of security, which result in military alliances, Chinese defence diplomacy is thus supplemented with an economic security logic that supports the building of strategic partnerships. These practices reflect the nature of China's defence-industrial base as a transforming industry at the core of a rising power's development challenges.

Arms Sales and China's Strategic Partnerships

Apart from these internal dynamics, China has so far mostly shied away from articulating a coherent diplomatic framework to advance defence-industrial cooperation as part of a long-term security agenda. In contrast to the US alliance network, China has generally eschewed formal security commitments and defence ties with partner countries. While China's defence industry has long been a provider of low-end platforms and small arms to various governments across the Global South, Beijing has been cautious about connecting defence-industrial cooperation to its sizeable global economic and diplomatic presence.

In contrast to the codified treaty obligations that characterise the defence partnerships forged by its Western counterparts, China's global diplomatic posture [is built around](#) a partnership framework. The latter includes at least five different levels, ranging from cooperative partnerships that mostly focus on economic cooperation to strategic cooperative partnerships, which include security and defence cooperation. China sees these partnerships as situationally contingent frameworks to order bilateral relations for the benefit of Chinese interests – they do not amount to permanent alliances.

The absence of such long-term guarantees makes it harder, however, to develop and sustain arms trade relationships that commonly require trust and mutual understanding, especially when exports include technology transfers such as defence-industrial offsets or bind recipient countries to a certain set of technological standards, both of which can be observed within the United States' alliance ecosystem.

It is certainly true that Xi Jinping has overseen a wide-ranging institutionalisation of security and defence components in China's strategic partnerships as well as in several regional cooperation documents such as the [Forum on China-Africa Cooperation Action Plans](#). But perhaps with the exception of China's top-three importers – Pakistan, Bangladesh, and Myanmar – arms transfers have rarely been linked explicitly to China's partnership frameworks.

Xi's Belt and Road Initiative (BRI) is a case in point. While Chinese defence firms have begun to frame their international activities – including arms sales – as part of the BRI, the BRI's policy framework is too loose to amount to a causal factor in export or purchasing decisions and is more of a framing device for commercial activities in line with party-state interests in certain countries or regions.

In the absence of more institutionalised partnerships, it is likely that collective action problems will further hamstring Xi's ability to operationalise a coordinated arms sales strategy overseas in line with China's other security engagements, including military diplomacy and capacity building. The defence industry's considerable bureaucratic resistance to top-down reforms and the relative autarky of the military-industrial system as a bastion of the PLA will most likely continue to affect the extent to which Xi can shape the defence-industrial base's internationalisation into a longer-term strategy. The recent disappearance of China's defence minister, Li Shangfu, who was responsible for PLA procurement before taking up his ministerial post, has accordingly been interpreted as [demonstrating the limits](#) of Xi's authority over the military and the role of the procurement bureaucracy as one of the most corruption-prone parts of the armed forces.

A Window of Opportunity?

Despite the above challenges, China may yet face a series of unforeseen opportunities to bolster its position in the global arms market. In the context of Russia's war in Ukraine and ensuing domestic demand for military systems, the Russian defence-industrial base will hardly have the capability to keep up with demands from its global customer base. This could create new opportunities for Chinese firms as suppliers of last resort. NORINCO's recent decision [to open a new sales office](#) in Senegal to service potential clients in West Africa most likely reflects such a strategy.

However, Chinese firms will not be the only players trying to take advantage of this opportunity and will probably face competition from middle powers such as Turkey and regional rivals such as India in a race to occupy strategically valuable positions in the global arms market.

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