



**S. RAJARATNAM SCHOOL
OF INTERNATIONAL STUDIES**
A Graduate School of Nanyang Technological University

RSIS COMMENTARIES

RSIS Commentaries are intended to provide timely and, where appropriate, policy relevant background and analysis of contemporary developments. The views of the authors are their own and do not represent the official position of the S.Rajaratnam School of International Studies, NTU. These commentaries may be reproduced electronically or in print with prior permission from RSIS. Due recognition must be given to the author or authors and RSIS. Please email: RSISPublication@ntu.edu.sg or call (+65) 6790 6982 to speak to the Editor RSIS Commentaries, Yang Razali Kassim.

No. 202/2013 dated 30 October 2013

China as a Major Arms Exporter: Implications for Southeast Asia

By Richard A. Bitzinger

Synopsis

Predictions of China becoming a major exporter of advanced weapons systems may still be premature, as it faces considerable challenges in bringing competitive products to market. However, Beijing could eventually (although not anytime soon) succeed in expanding its arms sales globally, including to Southeast Asia, with implications for regional security.

Commentary

AN ARTICLE in the New York Times on 20 October 2013 highlighted China's emergence as a major exporter of advanced weapons systems. The global arms market has traditionally been dominated by a handful of mostly Western suppliers: the United States, Britain, France, Russia, and, increasingly, Israel.

Now, however, China appears to be mounting some serious competition to this cabal, with its ability to offer increasingly sophisticated weaponry at rock-bottom prices. According to the NYT, this catalogue includes Predator-like armed drones, air-defence systems similar in capabilities to the Patriot missile, and perhaps even stealth fighter jets.

Too soon for a victory lap?

China's recent successes as an arms exporter are impressive. It has consistently ranked among the top five arms sellers in recent years, averaging approximately US\$2 billion annually in arms deals. It has also expanded beyond its usual customer base of South Asian and African states and begun to penetrate new markets in Latin America and the Middle East. In particular, in recent years it has racked up large sales to Venezuela, Bolivia, and even NATO member Turkey, which in September agreed to buy the Chinese HQ-9 air-defence missile system - a deal potentially worth up to US\$4 billion.

Nevertheless, it may be premature to declare China a major new player in the high-end global arms business. China's position as an arms exporter remains tenuous, particularly when it comes to selling high-tech systems such as supersonic combat aircraft, submarines, and precision-guided weapons. In the first place, most of China's biggest arms sales are still to a handful of purchasers, particularly Pakistan and Bangladesh. These two countries alone accounted for nearly half of all Chinese arms exports in 2012, according to IHS Jane's reporting. In addition, it is not certain that China will be able to retain many of its new clients over the long run. Myanmar purchased large amounts of Chinese weaponry in the 1990s and early 2000s, but its buys have

tapered off significantly in recent years. Iran, too, used to be a major consumer of Chinese arms, but it has not placed a new order with Beijing in several years.

Moreover, despite offering a handful of competitive high-tech products – such as the HQ-9 SAM or the C-802 antiship cruise missile – most Chinese arms sales remain overwhelmingly at the low end of the spectrum. China still mainly exports relatively simple items like light armoured vehicles, artillery and mortar systems, patrol craft, and man-portable SAMs. One of its biggest sellers, the K-8 jet, is a relatively unsophisticated subsonic trainer and attack aircraft, suitable mainly for developing countries lacking the money or training to operate advanced fighter jets.

Many of China's more high-end weapons systems, such as the J-10 and JF-17 combat aircraft, have won few export orders. The JF-17, for example, has only been purchased by Pakistan (which is partnered with China in jointly producing the plane).

What is more significant about China's arms exports is what it is *not* selling – mainly transformational weapons such as precision-guided munitions, surveillance and reconnaissance systems, advanced combat systems, and most defence electronics. According to the NYT article, for example, Algeria is buying Chinese corvettes, but outfitting them with French radar and communications gear. China is also still far behind the West when it comes to stand-off land-attack weapons and armed drones.

ASEAN: Rising market for Chinese arms?

Despite these caveats to China's success as a weapons exporter, Beijing's growing presence in the global arms market could have an impact on arms acquisition decision-making within Southeast Asia. Many ASEAN nations already have acquired some Chinese weaponry. Myanmar, of course, has been China's largest customer in Southeast Asia, buying the K-8 trainer jet, armoured personnel carriers, and corvettes and frigates armed with antiship cruise missiles.

In addition, Cambodia and Malaysia have bought Chinese SAMs, Laos has acquired helicopters and light transport aircraft, and Timor-Leste has procured small patrol craft. Thailand recently bought two frigates from China, while Jakarta is not only purchasing Chinese SAMs and antiship cruise missiles, it has entered into several joint ventures with Beijing to help develop Indonesia's missile sector.

Beyond these purchases – many of which are still rather paltry – ASEAN states may feel increasingly pressured to purchase additional arms from Beijing in order to assuage growing Chinese power in Asia - and also to hedge against a possibly declining US presence in the region. That said, for most Southeast Asian nations, buying arms from China will still be more of a political decision than one borne out of sound military necessity, and some ASEAN member states – particularly Philippines, Singapore, and Vietnam – will likely *never* buy Chinese arms.

Future prospects for Chinese arms exports

Despite the challenge to China when it comes to exporting advanced arms, defence industries remain dynamic institutions, constantly adding to their capabilities and churning out better and better products. At the same time, the arms market is also highly fluid – new suppliers can and do break into this business. Consequently, while China may remain a niche arms supplier for some time to come, it will probably not remain so. It has many new products coming online within the next decade – the J-31 stealth fighter, for example – and these may yet prove to be winners for Beijing's arms export efforts over the long run.

China's gradual emergence as a major arms producer and exporter will naturally have broader implications for Southeast Asia. The injection of new, more capable Chinese weapons systems could, of course, have military repercussions for regional security. Beijing could become an alternative supplier of advanced weapons systems that Western countries might be reluctant to export; thus, Chinese arms could potentially upset the regional military balance.

In addition, China's willingness to sell all kinds of arms could inject a new, unpredictable variable into the ASEAN arms market, perhaps even setting off a regional arms race. Overall, as China becomes a purveyor of increasingly more sophisticated weaponry, it will likely become even more of a wildcard when it comes to regional security.

Richard A. Bitzinger is a Senior Fellow and Coordinator of the Military Transformations Programme at the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University. Formerly with the RAND

Corp. and the Asia-Pacific Centre for Security Studies, he has been writing on military and defence economic issues for more than 20 years.