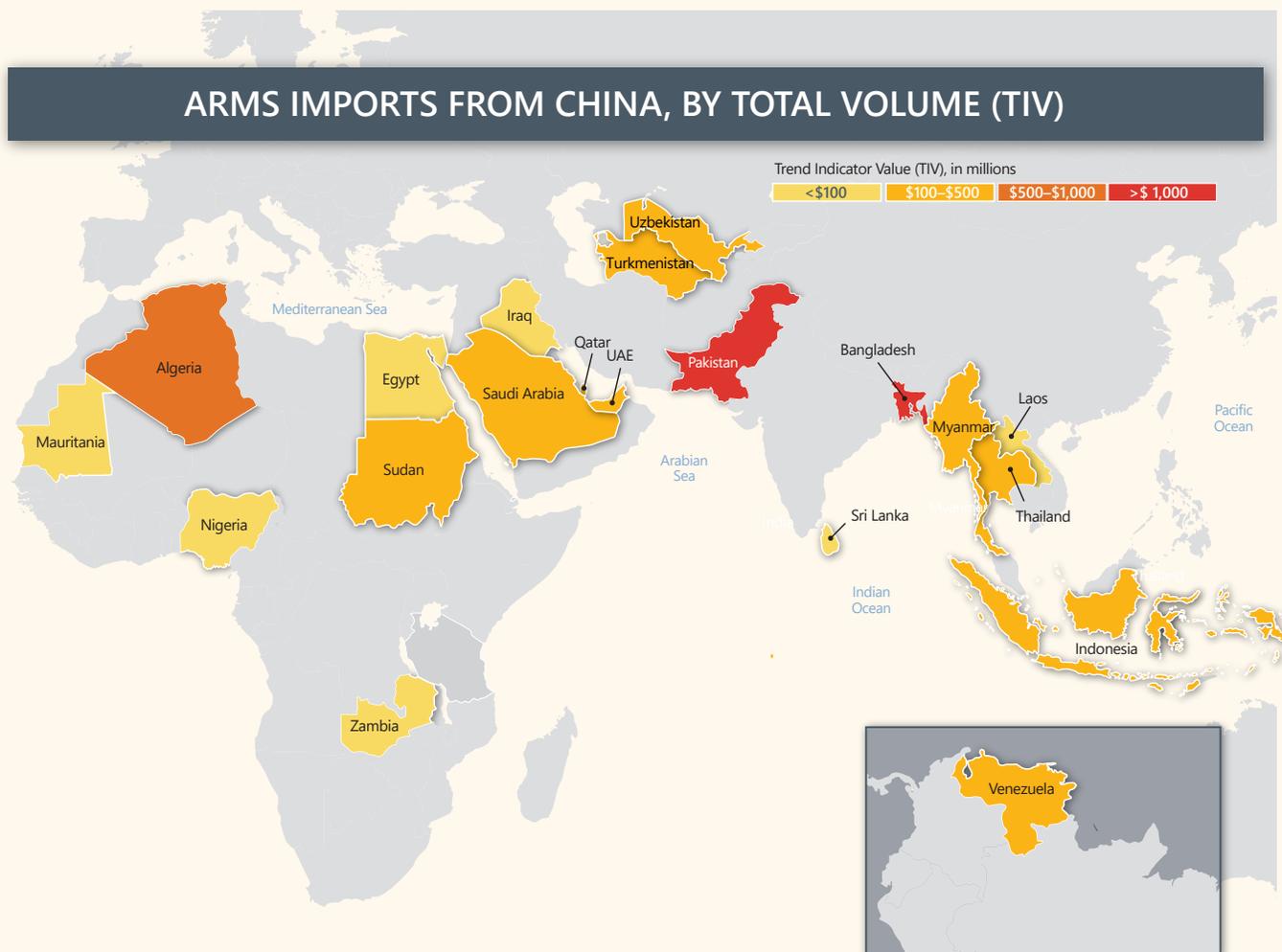


CHINA'S DEFENSE EXPORTS: SMALL VOLUME, BUT ROOM FOR GROWTH

CHINA IS A NICHE SUPPLIER OF WEAPONS SYSTEMS, BUT HAS THE CAPACITY TO EXPAND ITS ARMS EXPORTS SHOULD IT CHOOSE TO DO SO

- In terms of arms sales, the People's Republic of China (PRC) emphasizes affordability and less export control restrictions on recipient countries.
- China is the fifth largest global arms supplier, after the US, Russia, France, and Germany.
- Modernization of the People's Liberation Army (PLA) provides latent opportunities for expanding China's exports.

China's arms export recipients include a wide variety of countries across Asia, Africa, and the Middle East. Over 60 percent of China's arms sales go to South Asia: Pakistan (35 percent), Myanmar (18 percent), and Bangladesh (10 percent), based on SIPRI data.



CHINA'S ARMS EXPORTS ARE DRIVEN BY FOUR MAIN FACTORS:

TECHNOLOGICAL UPGRADING TO SUPPORT CHINA'S NATIONAL SECURITY

- As the PLA continues to modernize its own capabilities, the defense establishment has been able to produce a wider variety of platforms. Some of those weapons and equipment are now available for export.

DEFENSE SPENDING AND CIVILIAN-MILITARY INTEGRATION (CMI)

- CMI is a long-standing effort in China to encourage collaboration between civilian research organizations, the defense industrial SOEs, and the PLA.
 - CMI is an important initiative under Xi Jinping, which means that incentives to encourage collaboration are likely to continue or increase.

FEWER EXPORT CONTROL RESTRICTIONS

- Historically, China has been willing to sell arms to countries that face restrictions from the United States or Europe.
- China's recently passed an Export Control Law (2020) could bring China into alignment with multilateral export control regimes, but implementation of the law is not yet complete.

ARMS AFFORDABILITY

- Chinese arms remain cost effective for countries that do not necessarily have the capacity to build their own defense industrial base.



Trends to Watch:

- **Growth in China's shipbuilding sector:** Will China's major shipbuilders become a key supplier for countries that want to expand their naval and maritime capabilities?
- **Niche market growth:** China has been selling remotely piloted vehicles (RPVs) to clients in the Middle East that have not been able to purchase those systems from European partners or US. Surveillance and armed RPVs, missiles, and integrated air defense systems could see expanded growth in select markets.
- **Implementation of China's export control system:** The 2020 Export Control Law could change which systems are exported, either allowing for the sale of a wider variety of systems or bringing the PRC into compliance with multilateral export regimes. Either way, changes in the defense export system should be monitored.

HOWEVER, THE PRC ALSO FACES CONSTRAINTS IN EXPANDING ITS GLOBAL ARMS EXPORTS, TO INCLUDE:

Domestic Inefficiencies

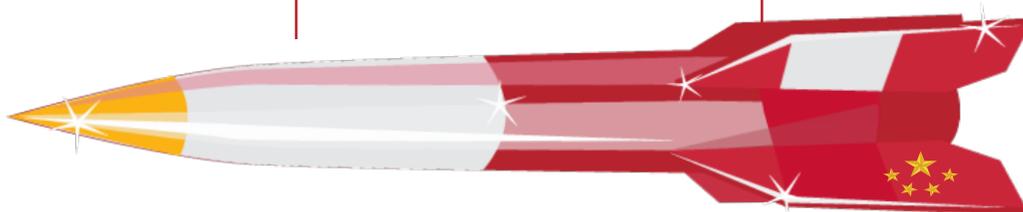
China's defense-related SOEs are less productive than peer competitor firms in Russia, South Korea, and the US.

Technological limitations

PLA modernization remains the priority for China's defense industrial base.

Geostrategic barriers

Many of China's arms clients are middle or low income states and are constrained by their domestic defense budgets.



For additional information please contact: chinastudies@cna.org

For additional CNA work on this topic, see: <https://www.cna.org/centers/cna/cip/economic-statecraft>