

## [The Tortuous Sino-Russian Arms Trade](#)

The history of Russian-Chinese relations are full of turnarounds and mutual distrust, even disdain at times. A century of unequal treaties between the two countries, resulting in Russia's encroachment on China's sovereignty and ideological tensions dating back to the 1960s, have left deep marks on the consciences of policymakers on both sides.

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BY ASSOC. PROF. RICHARD ROUSSEAU | JUNE 08, 2012

Numerous spats and breaks in diplomatic relations occurred in the 20th century. Since the fall of the Soviet Union, though, Moscow and Beijing have gradually improved their relations, as evidenced by the creation of the Shanghai Cooperation Organization in 2001, of which Russia and China are founding members, and the signing of the Treaty of Good Neighborliness, Friendship and Cooperation, also in 2001. In economic, cultural and political spheres, relations have never been better than they are now.

Officials from both countries have developed a "strategic partnership" based on strong bilateral and multilateral cooperation in many fields. Military cooperation has taken center stage in this relationship, which is characterized by three main aspects: 1) politico-military cooperation through meetings of senior officials, especially defense ministers and chiefs of staff; 2) joint military maneuvers and training; 3) sales of military equipment and licensed technology transfer from Russia to China.

Of these three aspects, the most important is the arms trade, even though in recent years a significant drop in Russian military equipment exports to China has been observed, which has in turn affected the "strategic partnership".

It is estimated that between 1991, the year the Soviet Union collapsed, and 2010 over 90 percent of the heavy conventional weapons imported into China came from Russia. During this period the People's Republic of China (PRC) purchased a wide range of modern Russian weapons, including Su-27 fighters, Su-30 transport aircraft, Mi-17 helicopters, Kilo class diesel-electric submarines of the designated Project 636 and 877E types and *Sovremenny* class destroyers (anti-surface warships), to name but a few. Since 2005, however, arms trade watchers have noted an unprecedented decline in these orders, and this trend does not seem to be abating. Recent sales data demonstrates that this form of Sino-Russian cooperation has yet to return to previous levels. The reasons for this lie in a number of events that have taken place in the two countries in recent years.

During the last decade of the twentieth century and early years of the current century, China, in order to ensure that its armed forces are adequately equipped to fulfill their aspirations, has had no other choice but to import military equipment from abroad, mainly due to the underdevelopment of its own domestic defense industry. Russia was the obvious preferred supplier, not only because it had a well-developed arms industry of its own but also because it was willing to export at a time when the United States and the European Union (EU) had imposed an arms embargo on Beijing in the aftermath of the Tiananmen Square massacre of April 1989.

This embargo created a windfall for Russian companies. They quickly became dependent on the Chinese market. High-end and heavy weapons started to stream to China, and within a few years China had managed to obtain significant quantities of Russian technology through buying complete weapons systems, obtaining licenses to manufacture Russian weapons on Chinese soil, importing Russian components intended to help Chinese manufacturers assemble their own weapons and by sending technicians to Russia for training. China's need for weapons even drove it, in some cases, to industrial espionage. In this fashion, the PRC was able to modernize its armed forces in a short period of time and, above all, develop a serious domestic arms industry, making the country increasingly independent of Russian supplies. The so-called "new leap forward" in the military industry was especially apparent in the production of advanced aircraft and surface platform systems; so that China can now boast that some of its armaments are equal to those available from any other global supplier.

The Russian authorities, concerned by the rapid emergence of the Chinese military industry, have in recent years limited the volume of weapons exports to China (the resultant loss of revenues being offset by a boost in arms exports to India. Policymakers in Moscow are also much more cautious nowadays when negotiating deals with China to manufacture military equipment under license, as this enables the Chinese to acquire the expertise to produce their own high-grade arms. Russia's new approach is not only due to worries about the emergence of counterfeit, knock off military products and weapons technology theft but also because of the ever-growing geopolitical competition it faces from China.

The acquisition and assimilation of Russian military technology have given China's defense industries the ways and means to compete successfully in what was previously Russian markets (principally in developing countries). This head-on competition may in the long run compromise the very existence of various sectors of the Russian defense industry.

The ability and willingness of Russian companies to provide the PRC with equipment and technology, combined with the already-mentioned practice of technology theft and industrial espionage, have raised many flags in Russia about a number of issues: 1) the current level of Russian military technology; 2) the quality of Russian exports; 3) the level and prospects in terms of arms trade relations with India. All these factors come together and play a crucial role in the volatile and politically-charged arms market, where the price and quality of products, the level of political relations between buyers and sellers and the terms of engagement between the parties are critical concerns.

Competition from other major arms manufacturers – principally EU countries and Israel – constitutes more worry for Russian domestic producers. Even though Russia is the world's second largest exporter of military equipment, in technical terms its products lag behind those of its competitors in many ways, which forces Chinese policymakers to look elsewhere for the most advanced military devices. Despite the continuation of the post-Tiananmen Square embargo on the export of military equipment, EU countries are now allowed to sell to China so-called dual-use technologies which can be used (and in fact are) for both civilian and military purposes. The level of these exports, though not high (in 2009 total EU arms exports to China were worth only 58 million euros), indicates that there are opportunities for developing greater trade cooperation between China and Europe. This constitutes a warning to Russia that, to some extent, changes in commercial relations and defense cooperation between Beijing and Brussels are possible, and even probable, in the not-so-distant future.

Competition from former Soviet bloc countries also prejudices Sino-Russian cooperation. Ukraine, for example, supplies the Chinese arms industry with tanks, missiles, aircraft and helicopters; it also conducts combat training exercises for the Chinese military. The most noteworthy example of trade between these countries was the sale by Ukraine in 1998 of an unfinished Soviet *Varyag* multipurpose aircraft carrier, which has since been customized by the People's Liberation Army Navy for "scientific research, carrying out tests and training."

The purchase of four *Zubr-class* heavy-duty air-cushion landing ships (hovercraft) from Ukraine is another important deal that has precluded the signing of similar contracts with Russian companies. For the period 2010-2012 Ukraine's export of weapons to China totaled 1.2 billion euros, a rapid increase if one considers that China purchased only 1.5 billion euros worth of such equipment from Ukraine in the entire period 2002-2009.

In addition, Chinese policymakers' increasing frustration with the poor quality of the equipment and components imported from Russia, continuous delays in deliveries and breaches of contract in terms of deviations from the originally agreed prices account for the recent decline in arms trade and close defense cooperation. Although Russian industry representatives are fully aware of these problems, efforts to improve the export system have fallen short.

Since they have the financial resources, Russians weapons manufacturers could resolve this collection of shortcomings and reduce the number of defective products by making direct investments in plants located in China. Such closer cooperation would achieve much in converting the overall uneasy relationship between the two countries into a genuinely "strategic partnership," but this has not yet occurred.

Another issue affecting Russo-Chinese relations is the evolution now taking place in the decades-old Russia-India interaction. Chinese experts often point out the disparity in military trade dealings between Russia, China and India –accusing Moscow of selling a higher volume of modern equipment to New Delhi than to China, a fact which creates tension between the three countries. However, this Chinese discontent with Russia stems in reality from many other factors, mutual suspicion deriving from the Sino-Soviet border conflicts of 1969 being the most prominent amongst these. Most Russian policymakers and experts on China consider an armed conflict between the two countries highly unlikely. Nevertheless, the threat of Chinese aggression continues to play a major role in the Kremlin's strategic projections. India remains one of Russia's most trusted partners in the arms trade and, most importantly, there has never been an armed conflict between these two countries. The level of trust in this relationship is best demonstrated not by the quantity of weapons sales but by their talks on reinforcing cooperation in the high-technology sector. Joint projects, such as the development of fifth-generation fighter and multi-role transport aircraft, reflect the growing importance of the Indo-Russian relationship, which beyond reasonable doubt hinders cooperation between China and Russia in this area.

In recent years Russia has also vented irritation over China's counterfeiting and thefts of high-tech components. The Russian media has intensified longstanding accusations that some systems produced in China are basically knock offs of Russian ones. Such purported behavior has led to the introduction in Russia of new provisions relating to the protection of intellectual property in the arms manufacturing sector. Only time will tell how the new laws will work in practice, though. The most glaring example of disregard for intellectual property rights was the case of the J-11B fighter, a single-seat, twin-engine jet fighter produced by the *Shenyang* Aircraft Corporation, which Russia

officially declared to be based on the Russian *Sukhoi Su-27* in April 2008. Despite these disputes, many signs point to a willingness by both parties to settle their differences. For instance, 2008 brought an agreement on intellectual property rights between the two countries, and in 2009 negotiations on an agreement with China on copyright protection for Kalashnikov assault rifles began.

Weapons sales competition in foreign markets has also begun to affect cooperation between China and Russia. There is a widespread belief that China will play an increasingly important role in the export of weapons systems to Asian, African and Latin American countries. In the event that the PRC manages to offer military equipment on better terms than Russia does, many states will then choose Chinese products over less competitive ones from Russian companies. Such a change would have an extremely negative long term impact on Russian-Chinese relations.

The modernization of the defense industry is one of the main goals of the PRC's current (2011-2015) five-year development plan. Among the many objectives set out in the plan are a 15% increase in industrial and military capacity, the promotion of scientific innovation and the integration of military and civilian industries to quickly enhance China's military capabilities. Such goals, quite achievable given the continuing economic rise of China, are also a sizeable threat to continuing military cooperation between China and Russia.

All things considered, is a continuation of the current trend of decline in arms trade between China and Russia inevitable? The Chinese defense industry is still not modern or innovative enough to produce many of the needed weapons and systems on its own, as it lacks, for instance, the technologically-advanced components required to build combat aircraft and submarines – the supply of these is heavily dependent on Russia. Technological backwardness is noticeably pronounced amongst Chinese engine manufacturers, who egregiously need help from more experienced producers.

Russia is likely to remain the main supplier to China of certain types of more advanced equipment and technology: long-range transport planes, airborne tankers and modern naval missile ground-to-air systems, to name but a few. Also, one must not overlook Russia's continued willingness to supply top-level – and very expensive – armaments. Although sales of advanced products, such as the new state-of-the-art S-400 surface-to-air missile defense system or the components of the fifth-generation stealth fighter jet PAK-FA, are extremely unlikely at present, perhaps at some time in the not-too-distant future such transactions may occur, especially if Beijing is willing to provide adequate protection of intellectual property rights. Signing contracts for the sale of these new and very competitive Russian military devices to China could undoubtedly breathe new life into the “strategic partnership.”

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