China's military modernisation and the possible end to the EU arms embargo

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Theme: The recent end to the EU arms embargo on Libya, announced in Luxemburg on 11 October, has raised new speculation as to a similar measure with respect to the People's Republic of China (PRC). The country's armed forces have been undergoing a comprehensive modernisation process over the past decade, but they will not close the technology gap with more advanced countries (something of an embarrassment for an upcoming power) without foreign support. France and Germany lead the interest in lifting the embargo, which was imposed following the Tiananmen repression, and they are supported by Spain. But Washington and a number of European governments oppose the initiative, as do Tokyo and Taipei. Those who advocate lifting the embargo do not envisage a radical change in the strategic balance in Asia.

Summary: Firstly, this analysis presents an overview of the restructuring and modernisation of the People's Liberation Army (PLA) which commenced in 1985 and gained momentum in the second half of the last decade. Secondly, it offers an analysis of the prior positioning by some actual and potential suppliers in view of the prospect of an eventual lifting of the EU embargo on weapons sales to China. Finally, it puts forward China's possible strategic needs, based on an appraisal of its weaknesses and some recent signs given out by the PLA.

Analysis: The recent end to the EU embargo on arms sales to Libya has reignited speculation regarding a similar measure for China.

The current purpose of military modernisation

The troops that entered Tiananmen to repress the protests (repression which I witnessed) on the night of 3 and 4 June 1989, triggering the EU and US embargo, showed an unequal degree of equipment and preparation. They lost too many vehicles at the hands of civilians, due to inability and a lack of precaution. This was representative of the state of the armed forces which, throughout the last decade, have continued restructuring and modernising in terms of doctrine, training, command structure and weapons. With a modest nuclear force supported by two and a half million soldiers (almost half the number of troops the PLA had two decades ago), the reform of China's armed forces, which commenced in 1985, took on a renewed impulse after the fall of the USSR and the Gulf War.

Since October 2004, China's President and Communist Party Secretary General, Hu Jintao, as Chairman of the Central Military Commission, commands forces which have carefully studied the Gulf War, the first attacks on Afghanistan and Operation Shock and Awe in Iraq, as well as the Yugoslav conflict and NATO's intervention there. In all cases,

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there have been decisive attacks which have paved the way for overwhelming victories. They highlight the brevity, the destructive capacity –more than the number of soldiers deployed–, the high-precision and long-range ammunition used, the rapid reaction forces, the electronic battlefield, satellite early warning and its synchronisation with air-transported command posts, electronic countermeasures and stealth operations, as well as combined operations. For China, all of these capacities are in the possession of its only theoretical rival, Taiwan, and its guarantor, the United States, both of which have powerful air and naval forces.

The embargo has somewhat influenced Beijing's ability to keep up with the dramatic pace of technical improvement required to position itself at the forefront. Although it is true that China has become Russia's number one military customer, the latter is still a declining power in a range of technological and management-related aspects. The PLA has introduced improvements in rapid reaction units, night warfare and electronic countermeasures and information, but, despite its purchases from Moscow, it still lags behind in equipment and weapons.

Modernisation has implied moving from the land-based continental defensive doctrine, with a predominant central and southern deployment that was an echo of the Mao era, to one reoriented towards its borders and prioritising the Eastern flank. Thus, the considerable downsizing of the PLA continues to be mostly land-focused. The doctrine is based on the concept of *haiyang guotu guan* ('the sea as national territory'), and encompasses the Yellow Sea, the East China Sea and the South China Sea. Nevertheless, there are no signs of greater external military power. Activity in the Indian Ocean, which is often cited by alarmists, is limited to military cooperation with Myanmar and certainly does not imply a deterrent naval deployment. A more integrated doctrine under debate at the PLA is the notion of *shengcun kongjian* ('living space'), which would support air and land theatres of operation.

According to a number of observers, the PLA presents an overall technology gap of some two decades with respect to NATO, and even more with respect to the United States. The PLA's official budget in 2003 amounted to little more than 22 billion dollars, just one-sixteenth of the US budget, and based on which some analysts estimate China's real budget at 50 billion dollars (a figure the Chinese deny). In either case, it is a very modest figure. In March 2004, the Finance Minister proposed an 11.6% increase in military spending, to resume the double-digit growth of the last 13 years, which was not attained last year.

To allay the fears of those who might see China as a threat, the Prime Minister, Wen Jiabao, and the Head of State, Hu Jintao, have repeatedly defended the 'peaceful rise' (*heping jueqi*) of their country. Due to its extremely complex economic needs and the PLA's technological shortcomings, the concept, which is currently under internal review, is the one that best fits China's hypothetical strategic-offensive possibilities.

Commercial opportunities and positions

In 2003, the EU overtook the US in direct foreign investment in China. It is therefore not surprising that the EU named China a strategic partner in 2004. Beijing wants the embargo to be lifted as an important element of this partnership. It also argues that, due to US military support for Taiwan, the strategic balance would not be tipped. For the EU it would signify the possibility of reducing a sizeable bilateral trade deficit through access to more contracts in the technology, transport and engineering sectors, as well as in the aeronautical industry.

In fact, in view of its rather leaky nature, the embargo was effectively lifted years ago. For example, throughout the last decade there were several instances of the sale of supercomputers for civilian use from US firms Silicon Graphics and Sun Microsystems, which ended up at Chinese military facilities, much to the consternation of Congress in Washington. In October last year, the EU signed an agreement with Beijing for the latter's participation in Europe's Galileo satellite radio navigation system (undoubtedly for dual application), much to Washington's irritation. Furthermore, there is the somewhat unusual situation whereby China is a commercial partner of a large number of developed countries that profess their distrust based on its human rights record and its possible warlike intentions (with respect to Taiwan); yet at the same time and for some years now, companies from these countries have been operating in China to manufacture increasingly complex technological devices for civilian use, such as computers, sophisticated electronic components, mobile phones and elements linked to robotics (a key sector in future warfare), which implies an inevitable and ongoing transfer of know-how. These countries include the US, Japan, South Korea and also the EU.

Those who advocate an end to the embargo have already adopted a pragmatic position. Separately, in 2003 France and the UK performed joint naval manoeuvres with the PRC and German observers were invited to watch recent Chinese military exercises in September. Just as decisive was the statement by UK Foreign Minister, Jack Straw (whose government had recently been reluctant to lift the embargo along with, among others, Sweden, Denmark and Holland), who indicated following the Luxemburg meeting that the EU might consider the matter in an 'appropriate and sensible' way, which would open the door to a satisfactory solution all round. The Dutch Foreign Minister has asserted that the EU was studying approval of a new code of conduct for its 25 members to ensure that weapons would not be sold for questionable purposes were the embargo to be lifted. More recently, on 22 October, the Spanish government revealed that it was also in favour of lifting the ban.

In the more specific context of industrial sectors, a company such as Airbus, which entered the Chinese market in 1985, the same year that the PLA overhaul commenced, has signed a contract with Air China for the purchase of six A319, deliverable in 2005. Airbus currently has a brand-new training and support centre in China, based on an investment of 80 million dollars, and five Chinese companies are manufacturing components for it. It is therefore in an excellent position, just like the other European giant, Siemens, which (with the German government's support) has promised to sell Beijing a loss-making plutonium plant in Germany with the possibility of dual usage.

China is interested in radar technology and communications components required for defensive and offensive weapons. Furthermore, Beijing has expressed the wish to purchase aircraft and aircraft-specific and satellite technology. If the embargo is lifted, the EU would become stiff competition for the hitherto well-positioned supplier that Russia has been for the last decade. Until now, this cooperation has included the sale of diesel submarines, destroyers and aircraft (Su-27 and Su-30), including naval aircraft, as well as surface-to-air missiles. Also worth mentioning is the construction of 200 Su-27SK aircraft in the north-eastern Chinese province of Shengyang, under a Russian licence. At the same time, Beijing and Moscow have also cooperated on nuclear and space research. All in all, if Russia does not invest more and uphold its product standards, equipment and arms sales may be reaching their limit, according to Russian analysts. Another supplier worth considering is Israel, in security and telecommunications.

Current Chinese Security Objectives

The PRC has the most trouble-free strategic horizon of its history, on both its southern and western flanks, and with India. There is an unprecedented level of regional trust towards China. The non-aggression pact signed by Beijing with ASEAN a few months ago and the strategic alliance with the former Soviet countries and countries bordering the Shanghai Cooperation Organisation evidence this. Furthermore, on 25 September the PLA undertook its 'Fist of Steel 2004' military manoeuvres with the greatest degree of foreign-observer participation ever witnessed (practically all China's immediate neighbours and a handful of others from the region). A few weeks previously, the Navy had performed some amphibious exercises in the coastal province of Shandong, in the presence of guest commanders from France, Germany and the UK.

Naturally, Taiwan is an important issue in considering the embargo. Last September, Taiwan's Prime Minister, Yu Shyi-kun, suggested that it would be advisable to build up a land- and sea-based offensive missile capability under the assumption that the US offer of an arms package worth 18 billion dollars, which will be discussed in December in Taiwan's parliament, would take time to be adopted. Meanwhile, the government argues, the gap would continue to widen, by virtue of the annual increase of 60 missiles, plus the 600 already pointing from the mainland towards the island. Another of Taiwan's tactics, which is more worrying, filtered in Washington from a report by the State Department and frowned upon by PLA commanders last June, is the destruction, either as a preventive or counterattack measure, of the Yangtze River dam. This option would flood a huge area, and it would affect tens of millions of people. The hypothesis undoubtedly leads to an unprecedented *balance of terror*. Furthermore, if we examine the US offer to Taiwan, it includes diesel-propelled submarines, antisubmarine aircraft and Patriot antimissile batteries. Washington also plans to offer Aegis radar systems, which gives an unequivocal indication of the weaponry and countermeasures China would need to deploy. Curiously, two days after the EU announcement that it would not lift the ban, but that it might do so in the not-too-distant future, the President of Taiwan, Chen Shui-bian, proposed holding arms control talks with Beijing, a proposal which has so far been rejected.

All of the above suggests that the PRC will attempt to set up an optimum shield of anti-aircraft batteries and a radar system based on cutting-edge electronics, as well as perfecting their missiles' aim and navigation. Some of their recent military exercises are in line with this hypothesis, most notably two. One was performed by the air force in Canton, early this year, to test a radar frequency to counter electronic interference and perform data transmission. The other manoeuvres were joint air and sea exercises over the East China Sea, north of Taiwan, involving air combat simulation and air-to-land attack tactics. There is no doubt that the PRC's plans factor in a conflict with Taiwan and its strategic partner, the US. These are obliged hypotheses, but their execution would be madness. All three countries would lose out, as indeed would all of East Asia (a possible reaction from North Korea could not be ruled out). In the meantime, the EU has recently opened a trade delegation in Taipei, in a bid to become a relatively influential player, if it can, with respect to both the country to which it plans to sell arms and its main rival.

Conclusions: China lends considerable importance to the end of the arms embargo and its added value in terms of prestige, in line with its status as a strategic partner of the EU. The new measure would conjure an atmosphere of goodwill which would inevitably act as a catalyst for future trade agreements in the civilian sector.

Among Europe's reasons for lifting the ban, apart from the potential trade contracts for their companies, is the possibility that it might contribute to reducing the EU's trade deficit with China, as well as the legitimate, albeit delicate, desire of some EU states for a multipolar world in the long term.

The embargo has so far been something of an ambiguous and leaky concept. Once officially lifted, arms sales are not expected to soar. One of the reasons is the caution in regard to events in the Taiwan Straits and the advisability of not alienating the US for no good reason. Furthermore, China will continue to purchase material from Russia, whose technological competitiveness will be a factor to take into account.

The human rights issue must be taken up with Beijing. Unfortunately, for some years the argument has not been consistent in our relationships with other countries and it cannot be sustained given the recent lifting of the embargo on Libya, which for years has been a pariah for practising international terrorism (having confessed to being responsible for attacks on Europe), something of which Beijing cannot be accused. Neither is it possible to sustain the Taiwanese view, since, following the Tiananmen repression, the island almost immediately stepped up its trade relations with China, as did the US gradually and the rest of the world. On other fronts, the current PRC could contribute to the solution of current and future military crises of varying types. Arms sales, paradoxically, would be proof of a responsible relationship in which the EU must demand certain conditions and a code of conduct to be upheld by both the customer and the suppliers, and it must become more involved in political relations with Asia.

Consequently, many observers believe that lifting the EU arms ban on China, which is surely unlikely to happen this year, is nevertheless merely a question of a few months. The decision, when it comes, will require greater involvement by the EU with China and Asia as a whole, because it implies a considerable responsibility in the medium and long term.