

Oil, Arms, and Influence: The Indirect Strategy Behind Chinese Military Modernization

by Jacqueline Newmyer

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Abstract: According to a recent RAND report, the United States will not be able to defend Taiwan from Chinese military aggression by 2020. However, this study, like many others, raises more questions than it answers about the People’s Republic of China’s (PRC’s) current defense posture.¹ Is there a Chinese plan to claim Taiwan by force after 2020? In contrast to the conclusions of the RAND report, this article argues that China’s strategic approach is not designed primarily for fighting a war over Taiwan, or over any other matter of critical interest to China, but to create a disposition of forces so favorable to Beijing that China will not need to fight a war. Rather than thinking of China’s strategy as a blueprint for using military power to secure territory or vital resources, such as oil, it may be more appropriate to consider the possibility that Beijing’s actions are directed at obviating the need to fight. Beijing may calculate that it can render its interests unassailable by constructing a network of friendly or dependent states by means of arms transfers and the like. The basis of such a strategy is the assumption that China’s prospective enemies, finding themselves encircled or obstructed by powers aligned with Beijing, will be unable to envision a military campaign to deny China oil at an acceptable level of costs. They will, therefore, be deterred from threatening China, e.g. by interrupting its oil supplies. It is a mark of the efficacy of this broader deterrence strategy that American security analysts are already ruling out a successful defense of Taiwan in 2020. Similarly, the early stages of an effort to insulate China from an energy-related challenge are already visible.

¹Wendell Minnick, “RAND Study Suggests US Loses War with China,” *Defense News*, Oct. 16, 2008, available at <http://www.defensenews.com/story.php?i=3774348&c=ASI&s=TOP>.

The Puzzle Concerning Chinese Military Modernization

The questions raised by the RAND report are part of a larger mystery about how China intends to use its new military capabilities. At one extreme, some American hawks point to increasing Chinese defense expenditures, catalogue the new high-tech assets of the People's Liberation Army (PLA), and infer, in a crude deterministic fashion, that if China acquires weapon X, then Beijing intends to use X in a war with the United States or another future enemy. At the other extreme, those inclined to offer reassurances about China's intentions apply the term "modernization"—with its connotations of modest, incremental progress, or updating—to describe a defense build-up that actually seems to entail not improvements here and there but rather a dramatic expansion of China's ambitions. The commentary of policy experts and political scientists, meanwhile, tends to stress that China's Communist Party leadership seeks above all to preserve the Party's domestic authority and to defend China's sovereignty. Most such analyses, however, fail to illuminate the connection between these broad Party goals and the PLA's specific new "modernized" capabilities.

The central problem in trying to understand the Party's security thinking lies in an inability to see how the PLA would be able to harness even its most impressive new capabilities to prevail—at an acceptable cost—in a conflict with a militarily equivalent or superior power. American defense planners recognize that in a protracted confrontation the PRC's geostrategic position would require that Chinese forces be able to protect extended sea lines of communications (SLOCs), vital to transporting energy and other goods to the mainland.² While Chinese forces have increasingly allocated resources to the anti-access and area-denial realms, they are still deficient in SLOC protection. In other words, it is clear that the PLA's new missiles and submarines would facilitate targeting hostile forces at range, but it is not evident how these weapons would ensure the safe passage of energy-laden vessels bound for China. If the object of Chinese military investments is to equip the PLA sufficiently to allow it to defeat the military of a power that might seek to challenge Beijing's policies, then China's continuing SLOC-protection deficiencies constitute a mystery.

This failure to understand the purposes of Chinese defense spending may stem from the fact that it is the U.S. military that is best positioned to evaluate China's new capabilities. And U.S. military analysts think like most other Americans. However, divining Chinese doctrines might require the

²A crippling initial surprize attack may be China's preferred mode of confrontation, but defense plans presumably have to account for the potential that such a gambit could fail to deliver an immediate victory. For more on Chinese surprize attacks, see Jacqueline Newmyer, "The Chinese Penchant for Surprise: Workshop Report," Long-Term Strategy Project, Dec. 2005. For more on China's SLOC challenge, see Gabriel B. Collins, et al., *China's Energy Strategy: The Impact on Beijing's Maritime Policies* (Newport, RI: Naval Institute Press, 2008).

ability to see the world through Chinese eyes. This requires turning to Chinese sources and trying to work backward to the strategic outlook that informs them. Where to begin? The worldview of Deng Xiaoping, the Chinese leader who in the 1980s initiated the PLA's reform, provides a starting point for attempting to appreciate Beijing's perspective on China's military build-up.

Deng is best known for having inaugurated the country's current economic boom, lifting China out of the penurious chaos left by Mao Zedong's Cultural Revolution. To repudiate the Maoist ideology that set China both against itself and against foreign states, Deng proclaimed the PRC's external environment sufficiently safe and secure to allow for focusing on internal development. He invited in foreign investors and encouraged prospective Chinese entrepreneurs to adopt best practices from the advanced economies of the West. At the same time, Deng borrowed from, and sponsored a renaissance in, the study of classical Chinese texts on strategy and statecraft from the Warring States period (c. 400-220 BC). This was a militarized age when roughly seven small kingdoms vied for ascendancy over the territory now considered China's Han core, before the state of Qin emerged victorious, unified China, and launched the dynastic era that lasted into the twentieth century.³ Deng even warned that the contemporary situation resembled the conditions that prevailed in the Warring States period. So while the international environment was conducive to a focus on internal development, it was not entirely sunny, as Deng's allocation of the fruits of the economic growth over which he presided to military spending attests.

Deng's invocation of the Warring States period, along with the ensuing resurgence of interest within the PLA in classical Chinese strategy, suggests a need to consider what affinities he detected between that ancient epoch and the current era, and what lessons he and his successors have drawn for contemporary Chinese defense planning. In examining the Warring States literature, I believe that Chinese military investments over the last few decades serve a contemporary Chinese "Warring States strategy," according to which Beijing is seeking to prevent the encirclement of China while encircling prospective enemies, with the aim of creating a disposition of power so favorable to the PRC that it will not actually have to use force to secure its interests. The execution of this strategy has entailed Chinese-style alliance-building, where the term "alliance" signifies not a

³ Michael Pillsbury, *China Debates the Future Security Environment* (Washington, D.C.: National Defense UP, 2000). In a similar vein, Deng's famous injunction that China should "hide brightness" and "nourish obscurity" (*taoguang yanghui*) – or, "bide time and build up capabilities" – refers to a stratagem from the "Three Kingdoms" period following the dissolution of the Han Dynasty in 220 AD (Yuan-Kang Wang, "China's Grand Strategy and US Primacy: Is China Balancing American Power?" Brookings Institution, July 2006, p. 28, accessed at <http://www.brookings.edu/fp/cnaps/papers/wang2006.pdf>).

long-term, binding mutual assistance pact but rather a relationship of dependency, in which another state comes to rely on the PRC and is expected to serve faithfully in a PRC defense network.⁴ Arms transfers, made possible by the indigenous production capabilities that China has acquired during its military build-up, serve as a principal instrument of Chinese-style alliance-building. That is, by developing a network of states in the region that are favorably disposed toward, or, dependent upon, Beijing, China intends to prevent prospective foes from envisioning a victory over China at an acceptable cost. The strategy is, therefore, the inverse of an American approach, which would be centered on ensuring that American forces could actually defeat an enemy in combat—rather than on depriving the enemy of the ability to conceive of such a victory. Perhaps it is for this reason that the few extant studies of China’s “military diplomacy” have often focused on China’s efforts to gain technological know-how and material capabilities through purchases, not its attempts to secure influence through transfers.⁵

Outline and Counterarguments

To defend this thesis, let me survey data on arms transfers, which indicate both that China has begun to exploit its indigenous production capacity to transfer high-tech systems and that as a supplier, it commands an increasing share of the Asian market. The analysis of what contemporary evidence reveals paves the way for a description of how China’s strategy might be employed under less favorable global conditions—proceeding from Deng’s logic that while post-Mao China has benefited from a relatively benign international environment, this climate is unlikely to endure, and circumstances could deteriorate substantially. The account of how China’s strategy might operate under more difficult conditions is followed by an assessment of ways in which Beijing may miscalculate—or what might happen to disrupt or interfere with the alliance-building, counter-encirclement approach. Finally, the conclusion suggests further research questions and policy implications for U.S. decision-makers.

Two main counterarguments must be considered. First, it might be said that China’s arms sales are driven mostly by financial or economic motives rather than strategic concerns. Call this the “commercial” alternative. Second, one

⁴ One recent Indian study that briefly describes China’s approach to fostering dependency among states in South Asia is B. S. Sachar, “Cooperation in Military Training as a Tool of Peacetime Military Diplomacy,” *Strategic Analysis*, July-September 2003 (Vol. XXVII No. 3), accessed at http://www.ciaonet.org/olj/sa/sa_jul03/sa_jul03sab01.html#txt6.

⁵ Kenneth W. Allen and Eric A. McVadon, *China’s Foreign Military Relations*, The Henry L. Stimson Center (Report #32), October 1999; Kristen Gunness, “China’s Military Diplomacy in an Era of Change,” CNA Corp., June 20, 2006, accessed at www.ndu.edu/inss/symposia/pacific2006/Gunnesspaper.pdf.

could argue that China is acquiring modern military capabilities principally in order to be able to fight and win a war, not to create an environment in which aggression would be unthinkable for a potential challenger. Call this the “hawkish” position. With regard to the commercial claim, it would be possible for China to profit both strategically and economically from action that is primarily strategically driven. With regard to the hawkish counterargument, it must be acknowledged that China may be aiming to wage a successful war while also executing a strategic approach designed to obviate this capacity. Neither of these counterarguments, then, is incompatible with the pursuit of a Warring States strategy. But it is hoped that the evidence and interpretation below undermine attempts to portray a purely hawkish or commercial China as more plausible than a Warring States China.

Before analyzing the Warring States strategic tradition that Deng invoked, it may be useful to point out that arms transfers in service of foreign policy goals are hardly unique to China. One need not read the classical Chinese texts on military statecraft to appreciate the logic behind cultivating relations with other states by providing them with advanced military resources. This behavior is common to most great powers, including the United States and the former Soviet Union. In the 1960s, attention was devoted to China’s pursuit of strategic relationships in east Africa, through relatively low-technology investments such as constructing transportation infrastructure. What is new today, however, is China’s high-tech military capabilities. Notwithstanding the universal logic of Beijing’s current policy of using transfers of these capabilities to build ties in strategically important regions, American observers of China’s military modernization often focus on the operational relevance of the PLA’s new assets in combat scenarios, virtually to the exclusion of imagining strategic political purposes for them. Reading the Chinese military classics affords access to an alternative perspective. In this connection, it is striking to note that for the majority of China’s imperial age the texts were kept in vaults because they were thought to contain extremely sensitive secrets.⁶ Despite the fact that other states have engaged in similar modes of alliance-making and -breaking historically, some contemporary Chinese sources portray the classics’ recommendations as unique.

The Warring States Strategic Context

Study of the classics illuminates Deng’s intentions in comparing his own time with that of the Warring States period. Broadly speaking, it appears that Deng meant to suggest that the world was in flux, with a

⁶ Ralph Sawyer, *The Tao of Spycraft: Intelligence Theory and Practice in Traditional China* (Boulder, CO: Westview P, 2004), pp. 6-7; J.I. Crump, trans., *Chan-kuo Ts’è*, “Introduction” (Oxford: Clarendon Press, 1960).

variety of interpenetrated, mutually familiar actors seeking dominance in a competition that entailed danger but also promised to reward a state whose rulers managed trends to its advantage. The advice of the classics on how to manage trends centers on a continual effort to cultivate a favorable environment, and structuring the environment favorably entails seizing opportunities to build a network of agreeable powers while picking off members of hostile coalitions. This is accomplished, first, by offering inducements, and then by using blackmail or threats. According to the texts, against a backdrop of promoting domestic strength by propagating laws conducive to productivity and prosperity, a sage ruler seeks to win the allegiance of nearby states first—to secure their aid against, or at least prevent their collusion with, more distant foes inclined to aggression. Such a course of action provides a measure of safety in a world of belligerent rivals, and the network of friendly powers, once constructed, creates further opportunities to gain influence and territory. Certainly, clashes of arms have their place for even the most strategically adept state, but the texts stress the prudent use of aggression. From their perspective, it would seem that an offensive should only be launched when success is guaranteed,⁷ thereby boosting the aggressor's credibility for future deterrence and intimidation. By the logic of the classics, the actual territory gained in such a *fait accompli* maneuver matters far less than the achievement of this broader strategic purpose, which promises to obviate future aggression. The approach recommended in the texts is thus designed to function under adverse conditions while paving the way for achieving preeminent status.

During the Warring States period, this alliance-centric approach seems to have made sense in light of both the structure of the strategic environment and the inhabitants' beliefs. Structurally, the core kingdoms that competed for hegemony were conflict-prone and relatively porous or known to one another.⁸ This is demonstrated by the careers of the strategists-for-hire whose names live on in Chinese strategy and culture today. The historical Sun Zi, for instance, was one of a coterie of roving advisers who served at various courts, counseling kings and their retainers on how to outmaneuver enemies. Whatever linguistic or cultural differences existed did not preclude communication among elites from the various kingdoms, and advisers often maintained firsthand knowledge of the individual targets of their alliance-making or alliance-breaking operations in other states. This access made it feasible to try to win over allies and break up hostile constellations by turning, or, in some cases, blackmailing, court figures. The persuasion and pressure applied toward this end could be tailored to the particular circumstances of the ruler

⁷ Newmyer, "Chinese Pendant."

⁸ Mark Edward Lewis, *The Early Chinese Empires: Qin and Han* (Cambridge, MA: Harvard University Press, 2007), pp. 16-38; Victoria Tin-Bor Hui, *War and State Formation in Ancient China and Early Modern Europe* (New York: Cambridge University Press, 2005).

or courtier at hand. Because most Warring States kings relied on landlords within their realms to field troops, for example, a shrewd adviser could bribe the landlords of a ruler in order to pressure him to break an existing commitment and enter a new alliance.

At a deeper level, allegiances were fluid, and defections came to be routine, because the political legitimacy of any given king was shallow. The geographically central states were heirs to prehistoric Shang dynasty territory, in which political legitimacy had been hereditary, and the ruling family had been thought to occupy a privileged position with respect to the heavens. The Shang and its successor dynasty, the house of Zhou, disintegrated gradually, as rulers delegated more and more authority to local landlords, increasingly distant relatives who eventually ceased displaying any loyalty to the center, as the center lost the capacity to offer any rewards. From a system in which kings were thought to have special access to divine ancestors and enjoyed a monopoly over religious rites, political authority in China had come to depend on functional or material criteria—the provision of benefits to local agents of the ruling house. Though in the Warring States period, politics was still quasi-lineage-based, with marriages arranged to cement alliances and relatives of rulers delivered as hostages to strengthen deals with foreign courts, there were also innovations in statecraft that promoted bureaucratization and centralization. Most notably, the state of Qin pioneered the granting of land directly to peasants in return for military service. Even in bureaucratized Qin, however, allegiance to the state was based on the regime's performance. If another state appeared to offer larger rewards and provide greater security, many residents of Qin would have transferred their loyalty. Strategy, thus, needed to be deployed constantly, even at moments of apparent peace and quiet.

In this perpetual competition, Qin, according to China's strategic lore, nonetheless benefited from being a relative newcomer and a peripheral state, bordering on the territory of "barbarians." Unlike the remnant Zhou kingdoms in the Han core of the country, Qin was not burdened with a legacy of local landlords, which facilitated prosperity-promoting measures like the aforementioned policy of providing peasants with their own land in return for military service. Geographic distance and freedom from dependence on self-serving, potentially disloyal landlords afforded Qin a privileged position in a competition that revolved around building a coalition and avoiding being encircled by other states.

Contemporary Relevance

What does this Warring States tradition have to do with Deng Xiaoping's outlook and today's environment? As the Cold War waned and the post-Cold War period dawned, the United States emerged as the

preeminent power, or, in the language of the classics, the dominant hegemon,⁹ thanks in part to its economic success as an exemplar of a free-market state. (India is often cited as a “regional hegemon,” and “hegemonism” in general tends to come in for criticism in the Defense White Papers released by the Information Office of China’s State Council.)¹⁰ Market forces—the spread of capitalism and the technologies associated with and underlying American ascendance—were also rendering the world porous and interdependent as firms pursued foreign investments and ordinary citizens exploited opportunities to travel. At the same time, and as further evidence of this global interpenetration, a Chinese regime that had always been preoccupied with maintaining its authority confronted mounting threats of domestic unrest, culminating at Tiananmen Square in 1989; in Beijing’s eyes, the threats resulted from foreign influences.¹¹ Finally, from Beijing’s point of view, by the late 1980s it seemed likely that the United States had peaked and, thanks to natural forces of decay as well as political mismanagement, would see its power decline.¹² These observations informed a view of the contemporary world as analogous in important respects to the world of the Warring States period.

How could such a comparison stand when violent conflict was rife during the Warring States period, while China has not fought an interstate war since 1979? It is true that no outside power looked poised to invade the mainland at the turn of the twenty-first century, but Tiananmen had revealed the menace posed by foreign ideas and external support for China’s internal dissidents; Tibet and Uighur Xinjiang remained restive; and Taiwan had opted for hawkish, pro-independence leadership. The collapse of the Soviet Union, meanwhile, though not bloody in the end, nonetheless highlighted an existential threat facing the Communist Party regime in Beijing. From China’s perspective, this collapse had ensued from Soviet failures in proxy wars and economic competition with the United States. While avoiding a similar fate required an economic opening to the world, such an opening was also dangerous in that it would expose more of China’s internal affairs to external review and facilitate increasing contacts between potentially restive Chinese people and foreign collaborators. The world, therefore, seemed menacing. Both China’s domestic political situation

⁹ Pillsbury, *China Debates*; Yong Deng, “Hegemon on the Offensive: Chinese Perspectives on US Global Strategy,” *Political Science Quarterly*, 116:3 (2001), p. 344; Samantha Blum, “Chinese Views of US Hegemony,” *Journal of Contemporary China* 12: 35 (2003) pp. 244–246; Rosalie Chen, ‘China perceives America: perspectives of international relations experts,’ *Journal of Contemporary China* 12: 35, 2003, pp. 285–297; Peter Hays Gries, “China Eyes the Hegemon,” *Orbis*, Summer 2005, pp. 401–412; Rosemary Foot, “Chinese Strategies in a US-Hegemonic Global Order: Accommodating and Hedging,” *International Affairs*, 82: 1 (2006) pp. 77–94.

¹⁰ David Shambaugh, *Modernizing China’s Military*, pp. 289–291.

¹¹ Geremie Barmé, “A Word of Advice to the Politburo,” (Text by He Xin), *Australian Journal of Chinese Affairs*, No. 23 (Jan. 1990) pp. 49–76; for more on the strategic implications of the Chinese leadership’s political legitimacy concerns, see Jacqueline Newmyer, “Regime Legitimacy and Security Policy in the PRC: An Overview,” Long-Term Strategy Project, March 2005.

¹² Foot, “Chinese Strategies,” p. 81.

and the international environment suggested the need for, and appropriateness of, pursuing a Warring States alliance-centric approach to securing China.

A Particular Orientation to World Affairs

Before turning to the evidence showing that this strategy is being pursued, it is reasonable to ask what the significance would be. What is unusual about a Chinese strategy of using arms transfers to avoid being encircled and, eventually, confronting potential foes with extremely inhospitable conditions for challenging Beijing's will?

First, under such a strategy arms transfers are not used primarily for economic purposes. In some cases, China may need to absorb costs and make outlays to other powers in the course of delivering the capabilities that will render these other actors dependent on Beijing for further supplies, maintenance, and the like.

Second, in times of apparent peace, favorable grounds are being prepared for an eventual contingency that might involve force. Where strategic considerations may only come to the fore in other countries during moments of crisis or war, a strategy of alliance-building and -breaking proceeds mainly in ordinary times, when other states are not focused on security-driven diplomacy or defense transfers for strategic ends. The vocabulary concerning strategy derived from the classic Chinese texts encourages, or perhaps even demands, thinking about security continuously rather than in terms of discrete, clearly defined incidents such as a war or a boundary dispute. Expressions like, "Don't borrow a thief's weapon to feed a robber," or even, "Bide time and hide capabilities," do not just recommend a course of action but also conjure a strategic context. For such lines even to be intelligible, the audience must refer to an intellectual repertoire of scenarios—stories whose plot lines extend well before and after a specific climactic moment. Security, therefore, emerges as a goal to be achieved by exploiting developments over time. In practice, this means paying attention to the behavior of rivals and third-party actors in different regions even when they do not appear connected to a Chinese military theater or capability. Compare this Chinese language with the American strategic vocabulary. In English, words like "crisis" are used to refer to bounded incidents that tend to be separated analytically from the complex of factors that precede and follow. Further, aside from a few highly evocative words and metaphors—for instance, "Munich" or "appeasement"—Western terms seem to be designed to be as unspecific contextually as possible.

Notwithstanding these differences between the Chinese and American approaches to strategic thinking, it is a universal human tendency to project one's own habits of mind onto others. This suggests a third important implication of China's Warring States outlook: China might read the behavior of other countries through this prism, so that even when these other actors are engaged in economically driven arms transfers, they may be perceived as pursuing a

strategic effort to contain China. Professor David Shambaugh, director of the China Policy Program at George Washington University, has pointed out that China accuses the United States of “manipulating arms control negotiations in order to ‘leverage’ weaker states,” for instance.¹³ To the extent that China perceives other powers to be executing their own efforts to avoid encirclement and build up a friendly coalition, this may reinforce Beijing’s perception of the need for such a strategy.

Arms transfer databases and news reports contain information that supports the claim that China is pursuing a Warring States strategy of building a network of dependent or friendly powers through military assistance. But the individual data points may also be cited to support other explanations for China’s behavior. It is only when the information is assembled and supplemented with ideas drawn from China’s strategic tradition that a convincing picture comes into focus.

A Caveat: ‘Orphan Trends’

Regarding the open-source data available on China’s military assistance to other states, a caveat is in order before using it to draw definitive conclusions. From the Stockholm International Peace Research Institute (SIPRI) to the U.S. State Department’s Office of the Under Secretary for Arms Control and International Security, most of the international and domestic organizations dedicated to compiling information on weapons transfers divide conventional transfers from unconventional (nuclear, chemical and biological) arms while largely omitting both dual-capable infrastructure investments and provision of military-related services. Perhaps owing to their Cold War lineage, these data collectors appear unprepared to handle the effects of the expansion of the dual-use universe thanks to innovations in microprocessing, sensors, and communications. Nor do these groups seem adequately equipped to monitor the growing range of hardware and services that may be relevant to new nuclear programs.

Some China-specific examples of transfers that exceed the coverage of the current databases include the fiber optic cables that China was caught laying in Iraq prior to Operation Iraqi Freedom—telecommunications infrastructure that would clearly have helped Saddam Hussein improve his military command and control capabilities. According to Indian data sources, Nepal has also received military aid from Beijing that does not show up in most compilations. Reports indicate that the Chinese have also been working with Turkey on a GPS-guided missile project. It is unlikely that this project would appear in the arms transfer data unless manufacturing of the resultant weapon occurred in China. Finally, the Chinese have offered assistance to Syria and other states seeking

¹³ Shambaugh, *Modernizing*, p. 298.

civilian nuclear programs. While this aid has been provided with the knowledge of the International Atomic Energy Agency, it is clearly militarily relevant but does not show up in compilations of Chinese proliferation activities.¹⁴ These examples suggest that the full range of China's nuclear and non-nuclear aid to other states may not be known.

That said, the data should indicate that if China is in fact adopting a Warring States strategy, Beijing has sought first to cultivate regional powers, as a necessary preliminary to moving farther afield to encircle other states and constrain their freedom to challenge China. The data should further indicate that the transfers that have been made are such that they could be expected to render the recipient state dependent on China for continued deliveries or for additional support in the future. At the same time, there should be enough evidence of net costs incurred by Beijing to indicate that the transfers are not driven by purely capitalist—or mercantilist—economic motives. Finally, the evidence should show that the increase in Chinese transfers of high-tech capabilities has occurred as economic development and military modernization have made such transfers possible.

Current Empirics, Implications, and Future Possibilities

The available data sources, which, again, clearly omit some militarily significant transfers, show that levels of U.S., Russian, Chinese and European conventional military assistance in Asia declined overall from 1999-2002 to 2002-2006 but that when one controls for the fact that Russia's provisions in the region mainly go to China, China has clearly emerged as the dominant supplier.¹⁵ If dual-use and nuclear-related transfers were included, it is likely that this effect would be even more pronounced. According to the data, China has begun by equipping states closest to its borders and worked its way out from there – into the Middle East, Africa, and then Latin America—consistent with the advice of the Warring States classics.¹⁶ When one looks at what Beijing is doing in the arms transfer sphere relative to the record of another regional power such as India, it is clear that Chinese transfers dramatically outweigh Indian military aid to the states in their common region. According to SIPRI data for the period 1999-2006, which most likely understates Chinese aid to

¹⁴ David E. Sanger and Steven Lee Myers, "Chinese Fiber-Optic Work Linked to Raided Iraqi Sites," *New York Times*, 21 Feb. 2001; "Chinese 'Deliver Arms to Nepal,' BBC News, Nov. 25, 2005, accessed at http://news.bbc.co.uk/2/hi/south_asia/4469508.stm; Richard Fisher, "IDEX 2007 Showcases China's Productive Weapons Sector," March 26, 2007, *Arms Show Reports*; Syria Profile, NTI (http://www.nti.org/e_research/profiles/Syria/Nuclear/index.html).

¹⁵ Congressional Research Service, "Conventional Arms Transfers to Developing Nations, 1999-2006," (Washington, DC: Government Printing Office, Sept. 2007), Table 4.

¹⁶ Congressional Research Service, "Conventional Arms Transfers to Developing Nations, 1999-2006," (Washington, DC: Government Printing Office, Sept. 2007), Table 1D.

Nepal, China's transfers to Burma alone vastly outweigh India's transfers to Burma, Nepal, Sri Lanka, and Mauritius, the only four countries to which India sells any weapons. Finally, the data sources also show that China has gradually been expanding its provision of high-tech capabilities as developments in this sphere have proceeded within China.¹⁷

While more research needs to be conducted, initial work suggests that these transfers are not primarily economically driven. For instance, Josh Kurlantzick of the Carnegie Endowment for International Peace, among others, has shown that China has been making serious outlays for building infrastructure in Southeast Asia and the Indian Ocean region,¹⁸ and the ratio of expenses to expected revenues would not support the thesis that these activities are profit-motivated. More broadly, while it has been speculated that a mercantilist understanding of the uses of foreign trade underlies China's growing intervention in Southeast Asia, the Middle East, Africa, and Latin America, the grasp of market economics that Chinese leaders have shown over the last decade belies such a claim. China may be mercantilist, but only to the extent that mercantilism as a historic approach in the West was driven by strategic security concerns. It is not revenue but rather dependence that Beijing is cultivating with its transfers.

A broader implication flows from recognition that by increasing its activities as an arms supplier, China risks acquiring a rogue reputation. If Beijing were really planning to use its new capabilities to launch a war in the foreseeable future, this risk would presumably not be worth incurring because China's prospects for success in such a conflict would depend on being able to surprise a superior enemy. Notwithstanding the limits of open-source data collection on arms transfers, it is hard to imagine that decision-makers in Beijing would consider building listening stations in the Indian Ocean and sending nuclear physicists to Pakistan as low-profile activities. This implies that the Chinese are not preoccupied with preparing to go to war but rather investing in the creation of a disposition of forces that will serve their interests in the medium-to-long term. Nonetheless, future research in this area is warranted because it is not clear how heavily China invests in cloaking its Warring States approach currently, or how it would react if it assessed that other states were catching on and acting to neutralize its efforts.

Finally, China's interest in dual-use systems and new technologies suggests another set of issues for future observation and research. If the old data sources are currently obsolescent, they could be rendered even more so by future Chinese transfers of such recently developed assets as intelligence gained through cyber espionage or intelligence, surveillance, and reconnais-

¹⁷ *China Science and Technology Statistics (2006): High Technology*, available at <http://www.sts.org.cn/jkl/kjtjdt/data2006/2006-5.htm>.

¹⁸ Joshua Kurlantzick, *Charm Offensive: How China's Soft Power is Transforming the World* (Binghamton, NY: Vail-Ballou Press, 2007).

sance (ISR) capabilities afforded by Chinese satellites. In the future, China may also increase its provision of nuclear knowledge and nuclear-related services. While U.S. analysts do not seem to be monitoring this potential closely, states like India are, and can be expected to increase their attention. One Indian scholar has even written of competing with China in this domain,¹⁹ raising the possibility of new forms of arms transfer races.

A Scenario and Potential Miscalculations

A good strategy incorporates flexibility so that if the expected or most favorable conditions do not materialize, it may nonetheless prove useful. An examination of how China's Warring States strategy could serve China in a world less benign than the current one is illustrative of the strategy's strength in this respect. Because no strategy is perfect, however, it is also worth considering the ways in which China may be miscalculating or how the strategy might fail.

First, a scenario involving a Middle East conflagration serves to illustrate how China could benefit from its alliance-making and -breaking capabilities under global conditions more difficult than those of today. A Gulf conflict that reduced oil flows and dramatically increased prices over a protracted period in a way that encouraged increasingly nationalistic, militaristic behavior among energy-consuming states, for instance, might drive Beijing to seek to leverage its military diplomacy to secure guaranteed supplies from the major Middle East producers. Having paved the way for such a response through provision of arms to both Saudi Arabia and Iran in the past, China might approach Riyadh and Tehran with offers of, respectively, intercontinental ballistic missiles and nuclear technology, and the latest anti-ship missiles. Beijing might also offer both states access to China's global positioning satellite and ISR-related assets. Further, it is even conceivable that there could be intelligence sharing between China and its regional partners. In return for these crucial weapons and other forms of assistance at a moment of heightened security risk, all Saudi Arabia and Iran would have to do is promise to continue to sell oil to China. It is difficult to see how Riyadh and Tehran would decline. It is also hard to see how the United States or any other consumer affected by China's shift into the role of a preferred consumer could contest this development, as China's deal-making would not be an obvious *casus belli*, and challenging Beijing would presumably entail significant military costs. In this way, China's Warring States approach might allow it to secure its interests while avoiding a confrontation even under straitened security conditions worldwide.

¹⁹ B.S. Sachar, *op cit.*; B.S. Sachar, "Military Diplomacy through Arms Transfers: A Case Study of China," *Strategic Analysis*, Apr-Jun 2004 also seems relevant, though the author could only gain access to the "Abstract" of this article.

At the same time, China's Warring States strategy does entail choices that create risks for China—even in the current relatively benign global environment. For instance, the modernization and build-up of the PLA that has occurred over the last few decades seems to aim more at future capabilities than at the current state of the art. This decision to “leapfrog” has helped and will continue to help situate China as a supplier of military-related technologies, but it may be premised upon an assumption that no other power would challenge China in the near term, when successfully executing such a challenge might still be conceivable at an acceptable cost. So far, this has proven a reasonable assumption, but it is nonetheless worthwhile to note that it could yet prove misguided.

Perhaps more realistic than a military challenge to China in the near term would be a challenge to China's Warring States strategy. As mentioned above, India has noted Chinese activities in the military diplomacy realm. While Delhi may not be capable of competing with China as a supplier in all high-tech domains, Japan and the United States could assume such a role. What might happen if Tokyo detected and sought to counteract Chinese efforts to develop a network of friendly powers around Japan? What if Washington elected to reinvigorate its status as the guarantor of stability in the Pacific? While it is difficult to speculate on these issues, they are worth articulating because they highlight how Chinese assumptions about the environment in which it executes the Warring States strategy may change, and how the strategy itself may breed an unexpected reaction from rival capitals.

Further Research Questions and U.S. Policy Implications

The argument that China is pursuing a Warring States strategy raises many questions for future research. Most obviously, it suggests that American defense analysts should stop focusing on China's energy dependence solely as a matter of SLOC protection and start thinking about how arms transfers might be serving China's strategic goals by neutralizing the SLOC defense challenge. To this end, it is essential to update the extent arms transfer inventories to capture dual-use, nuclear-related, and other less well defined but highly important potential Chinese exports.

In addition, it is important to ascertain both Beijing's sense of its own progress in the execution of the arms transfer strategy and the objective truth about this issue. This would require information on China's metrics for judging its success in foreign capitals, as well as data about what China expects foreign governments to do, from Tokyo to New Delhi and in the littoral states between the Persian Gulf and the mainland where Beijing seeks to build influence. Finally, for U.S. planning purposes, a sense of the actual views from Tokyo, Delhi, and beyond could help prevent Washington from being surprised by their reactions as China proceeds with its counter-encirclement and coalition-building activities.

If it is assessed that a Chinese campaign to build influence through arms transfers is underway, then U.S. policymakers will need to decide about the acceptability of China's increasing influence. China may be seen as a "responsible stakeholder," a balancer and a force for stability, and China's increasing influence would be welcome in Washington. Alternatively, Washington may not feel comfortable ceding to Beijing responsibility for the stability of an area for which the United States has been responsible since the withdrawal of the British after World War II. Such a judgment would then lead to a choice about whether to engage in a competition for influence with China directly or indirectly, through support of the activities of one or more of the other participants in a potential new "arms transfer race." Whatever the decision, it is clear that China's exports of military assets, together with broader proliferation trends, are significantly changing security conditions in a region where the United States has historically played a major role.

