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China: Opening Doors to Western Military Imports



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An Intelligence Assessment



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EA 84-10182L
October 1984

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This paper was prepared by  Office of East Asian Analysis. Comments and queries are welcome and may be directed to the Chief, China Division, OEA, 

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**China: Opening Doors
to Western
Military Imports**

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Key Judgments

*Information available
as of 1 October 1984
was used in this report.*

Beijing has modified its policy of self-reliance in defense production to allow a still-selective, but broader range of military imports. We estimate that in 1983 and 1984 the Chinese signed nearly \$500 million in contracts for imports of weapons and weapon technology—including \$200 million for Israeli Python-III air-to-air missiles and \$190 million for US and French helicopters. Prospects are good that Beijing will conclude even larger purchases over the next five years.

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In our view, Beijing's decision to renew imports of Western military products rests on several key factors:

- *Soviet strength.* China's military leaders recognize that the improvements to Soviet forces in the Far East over the past five years have widened the gap in equipment quality, and the backward state of Chinese military equipment leaves China vulnerable to a fast-moving Soviet invasion. Beijing's senior generals have little faith that China's defense industries can develop advanced military hardware to counter the Soviet threat and are pressing for some direct foreign purchases to fill major defense gaps.
- *Western willingness.* China's leaders are capitalizing on the warming military relations with the United States to gain access to advanced Western military technology. We believe Beijing also considers arms sales to be a tangible sign that the United States considers China an important partner in East Asia, and, although Beijing opposes full strategic cooperation, the existence of some military ties gives China additional leverage in dealing with the USSR.
- *A stronger economy.* After four years of economic retrenchment, the Chinese are currently able to spend more for military modernization. China's foreign exchange reserves have grown to over \$16 billion excluding gold. The defense sector can claim some credit for the improved economic outlook, as the military has dramatically cut back procurement of older designed equipment, trimmed the size of the standing Army, and provided large profits from foreign arms sales.

We believe Beijing has identified critical gaps in antiarmor capabilities, air defenses, antisubmarine warfare, surveillance and early warning capabilities, and electronic countermeasures that it seeks to correct through Western assistance. The Chinese are negotiating with many Western nations trying to play off suppliers to obtain the best deals. Although

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Beijing claims it will only accept transfer of the most modern weapons and technology available, we believe that Beijing will accept less if convinced that the equipment is modern enough to counter the Soviet threat. [redacted]

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China's military establishment appears to be in general agreement on priorities, but there are divergent views on the best route to correcting deficiencies. China's General Staff is pressing for the immediate acquisition of some finished military equipment from abroad, while Defense Minister Zhang Aiping and the defense industries are seeking primarily the import of production technology. The creation of Baoli Trading Company—under the General Staff—and its aggressive pursuit of direct buys indicates that the operational arm of the Chinese military has gained the senior political leadership's approval to pursue some sizable direct acquisitions from abroad. Nonetheless, we expect that differences between the armed forces as end users and the defense industries as producers will continue to make arms negotiations lengthy affairs. [redacted]

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In our view, the Chinese plan to acquire foreign equipment—mostly components to upgrade Chinese weapons—is an interim step until Chinese defense industries have been sufficiently modernized to begin building their own advanced arms. Beijing is not attempting to “buy” military modernization from abroad, but in some areas—where inadequate Chinese production capabilities offer no alternatives—we believe they will buy significant quantities of Western materiel. [redacted]

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Improvements in China's antitank capabilities through imports will probably be of greatest concern to the Soviets and may lead them to step up their ground force modernization in the Far East. Modernization of Chinese fighter-interceptors is unlikely to prevent the Soviets from rapidly achieving air superiority in any conflict, and we expect the Soviets easily to match any Chinese air improvements. Upgraded naval capabilities would improve China's coastal defenses against Soviet naval action but would not make the Chinese Navy a rival to the Soviet Pacific Fleet in open-ocean operations. [redacted]

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US willingness to transfer advanced military systems to China, particularly F-8 fighter upgrades, is creating a constituency within the Chinese military establishment that probably will continue to press for further expansion of military ties. We believe the Chinese military sees the fighter-improvement program as particularly important as a demonstration of US willingness to improve even those Chinese military capabilities that might be detrimental

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to Taiwan. Nonetheless, significant opposition within the Chinese Government to closer military relations still exists from those convinced that the United States will use military transfers to justify arms sales to Taiwan. Indeed, continuing US arms sales to Taiwan remain the issue that has the potential to damage emerging US-Chinese military ties. [REDACTED]

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The secrecy surrounding US-Chinese military negotiations may endanger efforts in COCOM to limit the levels of materiel sold to China. There is a growing perception in West European capitals—created in part by Chinese misrepresentations—that the United States is attempting to corner the China arms market and is using COCOM procedures to restrict European sales. We believe that some West European nations, particularly Italy and France, are prepared to challenge COCOM limitations and will use the liberalized US policy on arms transfers to China as justification. [REDACTED]

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Zhang Aiping and Caspar Weinberger

"In a country with more than 1 billion people, modernization of national defense cannot rely on the purchase of weapons from foreign countries . . . however, it does not mean that we should not learn from the experience of foreign countries in army-building or import advanced military technology from industrialized countries . . . cooperation (with the United States) in conventional weapons began last year when US Defense Secretary Weinberger visited China, and there are prospects for expanding the cooperation." 

*Defense Minister Zhang Aiping,
June 1984, on the eve of his
visit to the United States.*

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China: Opening Doors to Western Military Imports



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Background

Under Deng Xiaoping's guiding hand, China has made remarkable progress in the past decade in restoring professionalism to its armed forces. Greater attention to realistic combat training and reduced emphasis on political indoctrination have improved military readiness. The creation of regional force divisions along China's borders with the Soviet Union and Vietnam has strengthened China's fighting capability. Imposing higher educational criteria for entry and reopening military academies closed during the Cultural Revolution have improved the quality of officers and men. Trimming the size of the armed forces has allowed the People's Liberation Army (PLA) to purge its ranks of aged officers and unqualified soldiers.



China's drive to defense modernization, however, has not met its toughest challenge, the development and deployment of advanced weapons. China's armed forces are equipped largely with obsolescent weapons of the 1950s' and early 1960s' vintage. Along China's northern border are arrayed almost 50 Soviet ground combat divisions, some equipped with T-72 main battle tanks two generations ahead of China's best. Soviet airpower in the Far East includes high-performance interceptors, fighter-bombers, and bombers with capabilities far exceeding those of China's outdated aircraft. And the Soviet Pacific Fleet possesses surface ships and submarines equipped with sophisticated weapons that China's Navy cannot counter.



A rejuvenated indigenous weapons development program is achieving impressive results, but China's defense industries are not sufficiently developed to provide quickly all the advanced systems the armed forces need.¹ Beijing's engineers have proved they can, with sufficient support, develop ICBMs, nuclear-powered submarines, and air-to-surface missiles. But



the research and development base is too narrow, as yet, to design and produce the full range of systems as advanced as conventional weapons in Soviet or Western arsenals:

- China's best fighter aircraft, the F-8, has been in development since the mid-1960s but is underpowered, lacks modern radars, and is equipped with dated air-to-air missiles.
- China's strategic air defenses continue to rely on surface-to-air missiles first fielded in the 1960s and an early warning radar network with severe deficiencies in the detection of low-altitude fighters and bombers.
- China's ground forces have no munitions, rockets, or antitank missiles capable of piercing the frontal armor on Soviet T-64, T-72, and T-80 tanks.



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Between 1975 and 1982, the Chinese leadership debated the role foreign imports should play in upgrading China's defenses, and foreign procurement efforts were characterized by indecision and poor coordination.² Defense officials and military industry procurement teams traveled extensively in the West but frustrated governments and industries alike by browsing for arms yet buying little. At times, just as it seemed the Chinese were close to signing major contracts—for example, for British Harrier jump jets in 1978 and Sea Dart naval air defense missiles for destroyers in 1982—internal policy debates erupted over the efficacy of the foreign weapons, and contract negotiations were abandoned.



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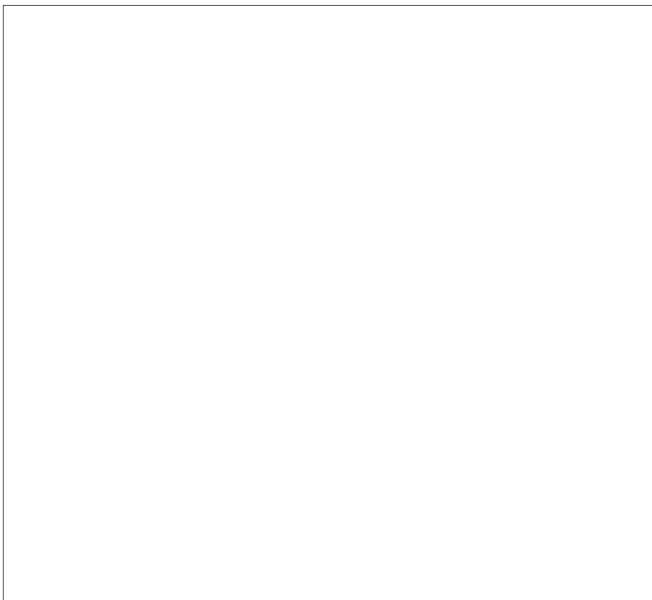
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- In July 1979, the Chinese signed an agreement with a Dutch firm for a complete factory to produce night-vision devices. Although the plant was completed in 1982, the PLA reportedly has been very dissatisfied with its products, forcing China to purchase more reliable systems from the United States.
- In mid-1980, China's aeronautics industry concluded a \$100 million agreement with France for 50 Dauphin helicopters with an option for 150 more to be manufactured in China. By March 1983, less than 10 Dauphins had been assembled and two had crashed, killing four Chinese crewmembers. According to the US defense attache in Beijing, the Air Force refuses to evaluate the helicopter and labels the program a failure. [redacted]

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Despite these setbacks, Beijing has had some modest successes in military imports that have probably whetted the PLA's appetite for buying more from abroad. Between 1975 and 1977, Beijing purchased 12 Super Frelon heavy-lift helicopters from France, which the Navy has used aboard support ships equipped with landing pads, giving China its first shipborne airpower. This new capability was displayed in 1980 when a Super Frelon, based aboard a submarine rescue ship, recovered the reentry vehicle from an intercontinental ballistic missile test-fired to Pacific Ocean waters over 6,000 kilometers from China's shores. A more recent success is the procurement from the United Kingdom of Cymbeline mortar-locating radars, used by ground forces to pinpoint enemy fire. Purchased in 1982, the radars were used this spring and summer during heavy fighting along the Vietnamese border [redacted]

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The Chinese committed themselves to purchase some finished weapons, but were unable to close the deals. In 1978, for example, China was on the verge of signing a \$700 million contract with France for several thousand HOT wire-guided antitank missiles and 50 combat helicopters. But Chinese insistence on a better price and full production rights for the missiles and French reluctance to be the first Western government to sell China modern weapons ultimately killed the deal. Similar negotiations with the West Germans for helicopters equipped with missiles ended in failure when Bonn—responding in part to heavy Soviet pressure—allowed only four helicopters but no antitank missiles to be delivered. [redacted]

Chinese arms buyers had greater success importing production technology, but most of these ventures also failed because of inadequate coordination between Chinese manufacturers, design bureaus, and the military users. In addition, Chinese insistence on self-sufficiency and cost cutting resulted in contracts that provided little followup support from the seller:

- In December 1975, Beijing purchased the production rights to the Spey afterburning turbofan engine from British Rolls-Royce at a cost of \$230 million. After a decade, Chinese engineers and designers have not mated the engine to any existing fighter or designed a suitable airframe for the engines, and only five of the 50 original engine kits have been assembled.

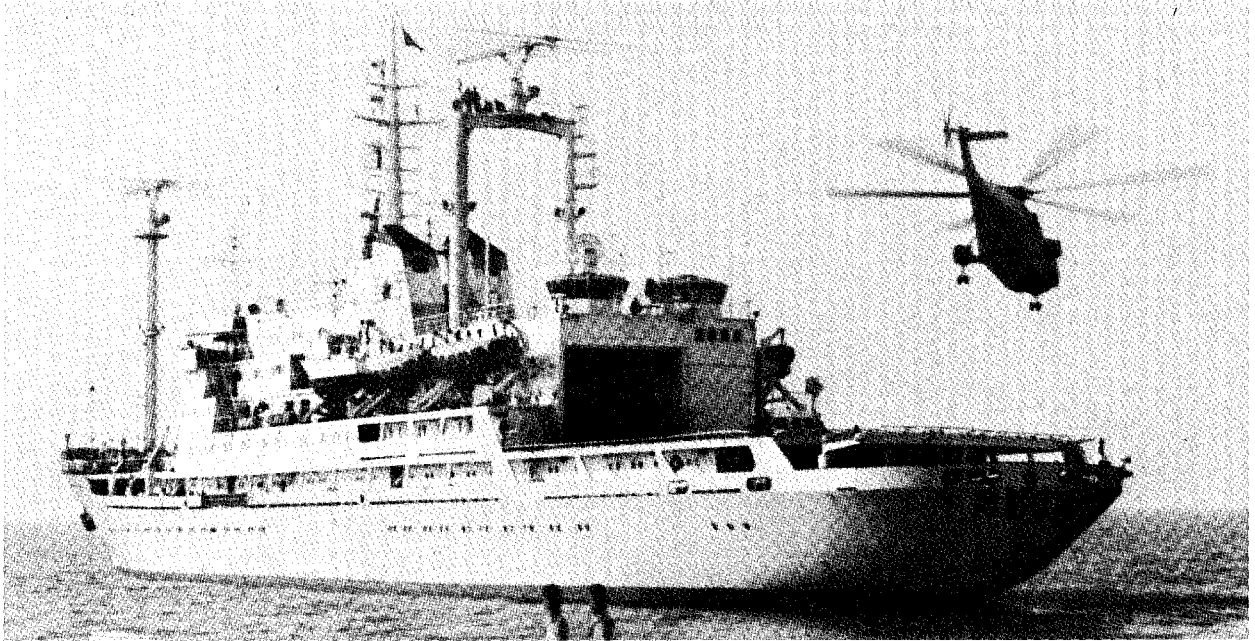
A Changing Climate for Imports

Since late 1982, marked changes have occurred in Beijing's approach to arms imports. Central military organizations appear to have gained increased authority to guide the acquisition of weapons-related technology from abroad, and China's senior leadership is showing a new readiness to approve funding for military technology. We estimate that in 1983 and 1984 the Chinese signed contracts for nearly \$500 million worth of military imports. [redacted]

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French Helicopter Acquisitions: Mixed Reviews



Super Frelon landing on a Chinese support ship.

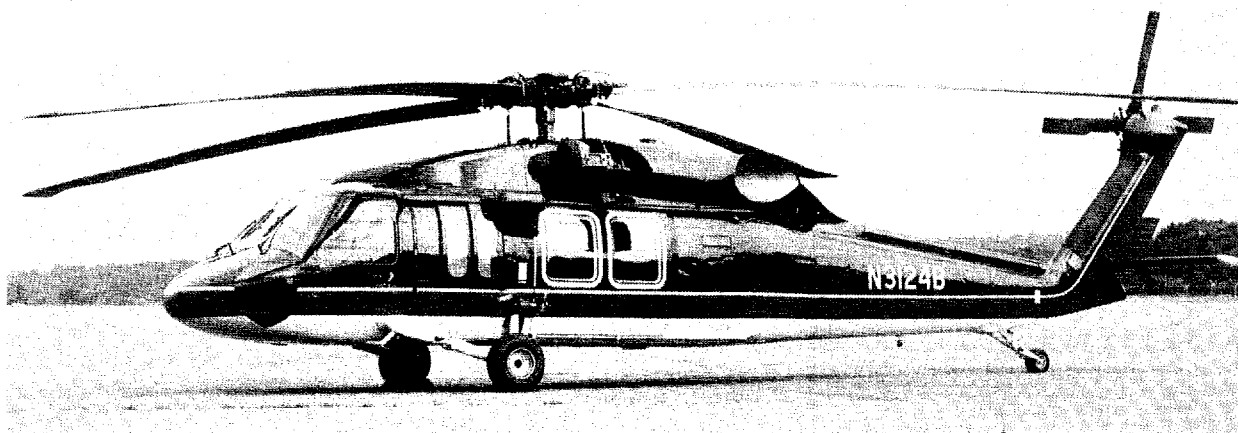


Chinese-built Dauphin.

[Redacted]

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Sikorsky S-70C—commercial version of the US Army Black Hawk [redacted]

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[redacted]
The Chinese conducted an unprecedented fly-off competition among US and French helicopter manufacturers last fall and in July placed a \$165 million order for 24 Sikorsky S-70C helicopters and a \$28 million order for six French Super Puma helicopters. In addition, the Chinese have formally requested site surveys and cost estimates for US Government assistance in installing modern avionics on F-8 fighter aircraft, coproducing the TOW antitank wire-guided missile, and upgrading production facilities for large-caliber artillery shells. [redacted]

political relationship between China and the United States.³ In early 1983, Beijing decided not to let differences over continued US arms sales to Taiwan, a major irritant for many years, stand in the way of a more stable and positive relationship with the United States. The decision paid off. As relations progressed, Beijing realized the United States was willing to relax technology transfer restrictions on military exports to China. According to Zhang Jingyi, a senior foreign policy expert in the Chinese Academy of Social Sciences, the decision giving the military approval to explore a relationship with the United States came from the Politburo. Events of the last year show how rapidly the Chinese have capitalized on the new opportunity:

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We believe these changes reflect a recognition by senior leaders that policies of self-reliance in defense production must be modified to allow selective, but wider military imports. This, in part, results from modifications to China's defense doctrine, a stronger economic position, and the growing military relationship with the United States. But it is also the product of the PLA's impatience with the pace of domestic weapons development by China's defense industries, and the military's success in convincing the senior political leadership that the threats to China's security from the Soviet Union are sufficient to warrant expanded weapons imports. The Chinese military is exploiting the current political and economic opportunities to open doors to a significant rise in military imports from the West. [redacted]

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- In October 1983, a few weeks after Secretary Weinberger's announcement in Beijing of US willingness to sell China antitank and air defense weapons, the Chinese defense establishment restated its interest in the TOW wire-guided antitank missile.

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Improved Relations With Washington. A key factor in China's new interest in foreign arms is the warming [redacted]

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Yang Shangkun

"In the area of economic construction, China is pursuing a policy of opening the country to the world. Similarly, we cannot build our Army with the whole world shut out . . . means we should pay close attention to trends in world strategic developments . . . (study) trends among foreign Armies, and combine what we learn from foreign Armies with what we have created independently . . . I am of the opinion that anything useful for the development of our Army should be taken over and utilized by us. Armies that implement a closed-door policy are shortsighted, and shortsighted Armies cannot help but fall behind the development of the times."

[Redacted]

*Yang Shangkun,
Military Commission Secretary General,
August 1984*

- In January 1984, US defense officials told Defense Minister Zhang Aiping's son, Zhang Pin—a member of Premier Zhao's delegation—that they would welcome a visit by a Chinese military delegation to discuss a broadened defense relationship. The Chinese sent Zhang Pin back to Washington in February with a delegation to discuss a wide range of potential areas for US assistance and to invite a Pentagon delegation to visit China.
- In June 1984, Zhang Aiping made a visit to the United States. According to the US defense attache in Beijing, Zhang was pleased with the progress made on military technology transfer and argued successfully for a visit to China by the US Secretary of the Navy in August against Ministry of Foreign Affairs officials who wanted to delay further military visits until after the US elections.

[Redacted]

We believe Beijing views a military relationship with the United States as desirable for many reasons; not the least of these is Beijing's desire to use the United States as a strategic counterweight to Soviet strength in East Asia. China also considers arms sales a

tangible sign that the United States sees China as a worthy partner in East Asia, and, although Beijing is opposed to full strategic cooperation, the existence of some military ties gives it additional leverage in dealing with Moscow. [Redacted]

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The Chinese believe that US weapons are superior to others, but they also calculate that by gaining access to US technology they may be able to induce West European suppliers to make their best military hardware available. [Redacted]

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[Redacted]

However, although stating a preference for US weapons and technology, the Chinese are quite willing to see what others may offer. According to the US defense attache in Beijing, Defense Minister Zhang recently presented the British Minister of the Armed Forces a shopping list of arms strikingly similar to that requested of the United States and implied that, if British prices and terms were favorable enough, China would choose British materiel. [Redacted]

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Modified Defense Doctrine. China's military leadership looks to the West for assistance, in large measure because it recognizes that the backward state of Chinese military equipment leaves China vulnerable to a Soviet invasion. The leadership points to the extraordinary advantages in speed, mobility, and firepower the Soviets have attained on China's northern front. To meet this threat, the Chinese are modifying their traditional defense doctrine and are permitting the PLA to meet an attacker closer to the border, rather than rely on Mao's doctrine of "people's war," which calls for retreating into the countryside. [Redacted]

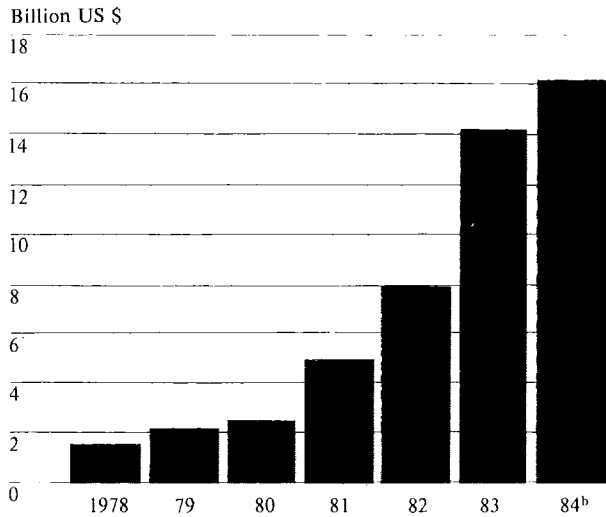
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For the new doctrine to be effective, the PLA must have weapons and equipment similar in quality to those fielded by the Soviets. The PLA has little faith, however, that China's defense industries, on their own, can develop military equipment capable of countering the Soviet threat. PLA officers often refer disparagingly to Chinese defense industry failures, and senior Chinese Navy and Air Force visitors to the United States have spoken highly of US defense industries while severely criticizing their own plants and managers. [Redacted]

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China: International Financial Stocks, 1978-83^a



^a Hard-currency reserves, excluding Chinese gold holdings, end of year.
^b October 1984.

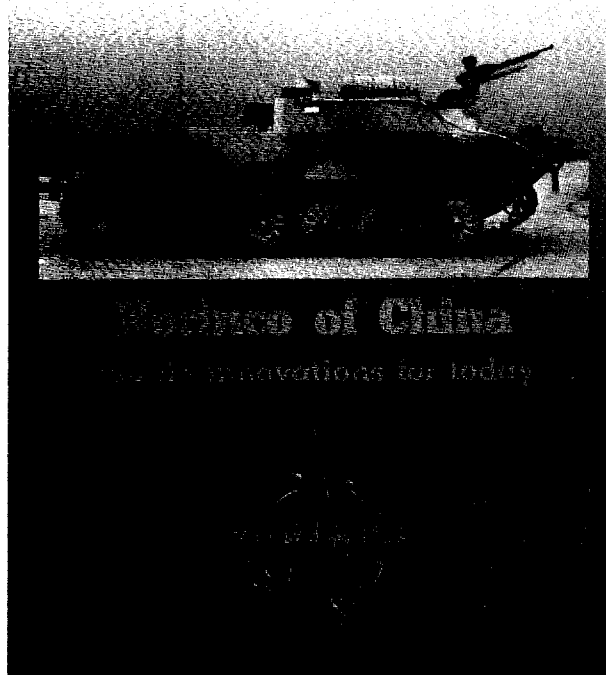
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Strengthened Economic Position. The new climate for arms procurement is also the result of China's improving economic situation.⁴ In 1979, China entered a period of economic readjustment. Defense spending was especially hard hit, with Chinese open-source figures showing a 25-percent decrease from 1979 to 1981. Chinese Air Force Chief of Staff Ma Zhanmin told a US attache that other areas of the Chinese economy now are progressing so well that the military has been authorized to spend more money. Recent expenditures for Israeli air-to-air missiles and US Sikorsky helicopters indicate that foreign exchange is available. The Chinese in fact uncharacteristically spent about \$50 million more to buy Sikorsky helicopters rather than cheaper French Super Pumas.

Part of the new funding probably comes from China's growing foreign exchange reserves that China's defense sector helped create. China today has over \$16.2 billion in foreign exchange reserves and a healthy

⁴ Beijing's renewed interest in Western military materiel is only one facet of China's economic emergence from a three-year hiatus in its capital import program. For a comprehensive examination of the new economic opening to the West, see the forthcoming Intelligence Assessment *China: Foreign Trade Resurgence*.

Type 77-2 Amphibious Armoured Vehicle



A recent Chinese arms export advertisement—part of Beijing's aggressive arms sales drive

trade surplus, which has benefited from aggressive arms sales abroad, begun by Beijing in 1979. Over the past four years, China has sold \$6 billion in arms to Third World nations, making China the seventh-largest arms exporter in the world.

Frugal spending by the military over the last four years has also contributed to a new willingness of the national leadership to spend for defense procurements from abroad. The Chinese military has trimmed the size of the standing Army by over a million men since early 1980 and cut back dramatically on the procurement of older weapon systems.

the PLA's acceptance of past budget cuts was based on the understanding that, as economic performance improved, the armed forces would benefit. The PLA can also argue that it has improved training, combat readiness, and educational standards to the point where it is now ready to integrate modern weapons into the force.

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The New Players

From the mid-1970s until late 1982, management of foreign military technology acquisitions generally was the preserve of trading firms established by China's defense industries. Each defense industry has at least one trading arm to represent it in the buying and selling of military hardware. For example, Norinco is the front organization for China's Ministry of Ordnance Industry. After the consolidation of authority for the supervision of weapons research, development, and production under the National Defense Science, Technology, and Industry Commission (NDSTIC) in mid-1982, however, the industries have found their independent power to negotiate foreign military buys seriously eroded. [redacted]

Zhang Aiping, appointed Minister of National Defense and deputy secretary general of the Military Commission of the Chinese Communist Party in November 1982, has moved quickly to place the ultimate authority for foreign military technology acquisitions under the NDSTIC. Although the post of Defense Minister is largely ceremonial, Zhang has used his influence as a key member of the Military Commission and his two decades of experience as a key administrator of China's conventional and nuclear research organizations to accomplish this goal. Zhang holds no official position within the NDSTIC. [redacted]

Zhang has gained a large measure of control over acquisitions of foreign military technology. [redacted]

Within the NDSTIC, Vice Chairman Wu Shaozu is the senior official in charge of acquiring foreign military technology. Wu has probably worked closely with Zhang Aiping for many years on military R&D and has been referred to as father of China's nuclear attack submarine program. Wu is also reportedly a close associate of party General Secretary Hu Yaobang, who may be grooming him eventually to replace Zhang as defense minister. Wu cochaired working-level discussions during Secretary Weinberger's trip to China. He also directs two front organizations, Yanshan and Xinshidai Corporations, which are the key negotiating entities for the NDSTIC in foreign-technology acquisitions. [redacted]

Yanshan. Yanshan Corporation has emerged in the last year as a key organization within the Chinese Government for weapons-technology acquisition.

Yanshan officials negotiated the air-to-air-missile contract with the Israelis, the largest Chinese arms purchase since 1975, and reportedly monitor the foreign trade activities of all defense-affiliated trade organizations in China. Yanshan President Xu Mingzhen—an active duty Air Force general—met with US Embassy officers before TOW negotiations last December and asserted that Yanshan could solve any potential disputes, as it was empowered to act as the final arbiter between PLA end users and the Chinese defense manufacturers. [redacted]

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Although powerful, Yanshan still vies with the individual defense ministries for control of foreign-technology acquisitions. [redacted]

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Yanshan's president has tried for the last two years to consolidate Yanshan's power over the various ministry-subordinated trading firms by placing them under the Yanshan-subordinated-front organization, Xinshidai Corporation. Although the companies have nominally accepted this arrangement, they still maintain independent contacts with foreign companies. [redacted]

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Baoli. The military services are also becoming involved in the import of finished military hardware and have established their own foreign weapons procurement arm to bypass the bureaucratic barriers posed by the trading arms of the defense industries. Baoli Corporation was formed in early 1984 as a front company for the PLA General Staff. According to the US defense attache in Beijing, the PLA was dissatisfied with allowing ministerial trade offices to carry out foreign military negotiations. The PLA claims that the trading firms were more interested in working out coproduction agreements, which provide long-term work for their parent industries, than in quickly buying the most advanced weapons available for the armed forces. Moreover, these coproduction negotiations are usually drawn out and often lead to the procurement of less advanced equipment because foreign firms are unwilling to transfer the know-how for their best products. The PLA points to the ill-fated French Dauphin coproduction venture as a prime example. [redacted]

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Baoli appears to enjoy an equal status to NDSTIC's Yanshan and is extremely well connected to China's top policymakers. Baoli's opening was recently celebrated at a reception in the Great Hall of the People, and among the guests were Military Commission Permanent Vice Chairman Yang Shangkun, the Director of the General Political Department Yu Qiuli, and Politburo member Wang Zhen. Baoli's President, He Ping, is Deng Xiaoping's son-in-law, and Vice Chairman He Pengfei is a son of deceased PLA Marshal He Long. Wang Jun, Second Vice Chairman, is the son of Wang Zhen, and Baoli's office manager apparently is Wang Xiaochao, son-in-law of Yang Shangkun. He Ping and He Pengfei participated in the working-level discussions at the Pentagon in February and negotiated China's purchase of Sikorsky S-70C helicopters. Baoli's executives are members of the General Staff equipment bureau and are subordinates of its director, Li Guang. According to the American Institute in Taipei, Anna Chennault recently was introduced to the leaders of Baoli by Chinese Premier Zhao Ziyang. Chennault said that Baoli is known in Beijing as the *xiao zhuang pai* (the strong young men faction) and already has become selective in granting appointments to foreign executives. [redacted]

Baoli is moving quickly to consolidate its position and is coming into direct competition with some of the ministerial trading firms. Li Guang, when he visited the United States with Defense Minister Zhang, told US executives that Baoli represented ground, air, and naval interests. [redacted]

Baoli has replaced China Shipbuilding Trading Corporation, a trading company for China's shipbuilding industry, in negotiations with Italian companies for the purchase of torpedoes. Conversely, China National Aero-Technology Import-Export Corporation—a trading company for the Ministry of Aviation Industry—recently was reluctant to arrange direct meetings between US executives of a jet engine manufacturer and the PLA end users. [redacted]

Infighting. Undercurrents of tension also are apparent between Defense Minister Zhang and the General Staff Department. Although the Defense Minister's paramount concern is that China obtain the technology transfer that will benefit China's indigenous

weapon research laboratories, the General Staff Department favors the rapid introduction of advanced weapons. According to the US defense attache in Beijing, the General Staff Department is more inclined to buy a foreign weapon, and then if possible sign a licensed production agreement, while Zhang Aiping wants the technology transfer first. Zhang has fought in the last two years with the Air Force and Navy over this issue and apparently won some early skirmishes. When the Navy signed a tentative contract in late 1982 to purchase the British Sea Dart naval missile for its destroyers, Zhang used the NDSTIC to block the purchase. He also quashed Air Force interests in French Mirage 2000 fighters. [redacted]

With the emergence of Baoli Corporation, however, 25X1 the General Staff appears to have convinced the senior political leadership of the efficacy of some finished hardware buys from abroad. The purchase of Sikorsky helicopters may prove to be a watershed in this regard. Baoli signed a direct-purchase contract that only made general references to eventual coproduction of the helicopters and brought Aviation Ministry trade officials into the negotiations at the very last minute. In a similar manner, Baoli earlier this year purchased \$10 million in US electronic monitoring equipment without even mentioning licensed production. [redacted] 25X1 25X1

China's Priorities

Underlying Beijing's renewed quest for Western military imports is its concern about the Soviet military buildup in the Far East over the past five years. Although the Soviets have slowed the pace of creating new ground combat divisions in the Far East, they have substantially upgraded their strategic and conventional military power opposite China: 25X1 25X1

- Adding newer tanks, self-propelled artillery, larger caliber multiple rocket launchers, and more motor transportation assets to ground forces in the Soviet Far East.
- Introducing the newest tactical aircraft and combat assault helicopters in the Soviet inventory.
- Expanding the Pacific Fleet, the largest in the Soviet Navy, with two Kiev-class aircraft carriers and more ballistic missile submarines. 25X1

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- Improving its large nuclear strike force by deploying Backfire bombers and mobile SS-20 intermediate-range ballistic missiles in the Far East.
- Deploying air and naval forces to Cam Ranh Bay in Vietnam and expanding patrols in the South China Sea. [redacted]

Whether through direct arms procurements or the transfer of weapons-production technology, we believe Beijing's priorities in foreign acquisition are clearly aimed at redressing the growing imbalance of forces along the Soviet front. Beijing has monitored the Soviet buildup in the Far East over the past few years but has had little recourse beyond increasing the number of combat divisions—equipped with 1950s' weapons—stationed opposite the Soviet Union. The gap has continued to widen as the modernization of Soviet equipment has more than offset Chinese manpower increases. [redacted]

Although the Chinese see no immediate danger of a Soviet attack, they recognize that with the improvements made to Soviet Far Eastern forces they lack a credible defense against a Soviet air, land, and sea assault. [redacted]

[redacted] the PLA's main goal was to survive the first two days following a surprise attack, because it is too weak to provide a capable initial defense. We believe that Beijing has identified critical gaps in antiarmor capabilities, air defenses, antisubmarine warfare, surveillance and early warning capabilities, and electronic countermeasures. In all of these areas, the Chinese are looking for Western assistance and are exploring both direct purchase and technology transfer. [redacted]

Meeting the Soviet Armor Threat. Beijing considers the fielding of newer antiarmor weapons an extremely high priority because it faces over 29,000 Soviet tanks and armored personnel carriers in the Far East. Chinese infantry forces rely on short-range antitank rockets, rocket-propelled antitank grenades, and Chinese copies of the Soviet Sagger wire-guided antitank missile to provide a three-tiered defense against Soviet armor. Although all three can penetrate the armor on the T-54/55 and T-62 tanks deployed by the Soviets opposite China, none of the weapons is capable of penetrating the frontal armor of T-72 tanks, which the Soviets began fielding in the Far East in 1982. [redacted]

To field antitank systems that will destroy T-72 and newer T-80 tanks, the Chinese are interested in acquiring an advanced version of the US TOW wire-guided antitank missile. The TOW holds several attractions for the Chinese:

- Chinese designers, using TOW missiles obtained from Vietnam, have developed a missile similar to the first-generation TOW. The Chinese admit their missile cannot penetrate the armor on modern Soviet tanks and concede they have failed to extend its range beyond 3,000 meters or achieve good performance in cold weather. They believe that with limited assistance from US manufacturers they can solve these problems and produce a missile system, with night-fighting sights, capable of defeating T-72 and T-80 tanks at ranges over 3,500 meters.
- The Chinese also are impressed with the TOW mounted on an armored vehicle and believe that they can reconfigure a Chinese armored vehicle to carry the TOW turret. In this manner, they could equip their forces with armor-mounted TOWs without the high cost of purchasing foreign vehicles and hardware.
- The Chinese also like the helicopter-mounted TOW but recognize that they will have to purchase or coproduce a foreign helicopter to gain a heliborne antitank capability. A senior Baoli official recently told the US defense attache in Beijing that the Chinese were looking for an inexpensive helicopter for the TOW and would only use their new Sikorsky helicopters as a backup because they consider them too costly to use for this purpose. [redacted]

Although negotiating for the TOW, the Chinese have not completely closed negotiations with the French for the HOT wire-guided antitank missile. [redacted] the HOT had been the first choice of the General Staff Department in the late 1970s, but it was not approved because of cost—the HOT missile price was \$35,000 compared with \$5,000 for the I-TOW. More recently, the US defense attache in Hong Kong reports that the French firm Aerospatiale has made a last-ditch attempt to win a

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Chinese contract by offering the Chinese full production facilities for the HOT-II—a newly improved missile with performance characteristics beyond the I-TOW. The Chinese may use this offer to put pressure on the United States to transfer to China the more advanced TOW-II technology. [redacted]

For shorter range and lighter antitank defense, the Chinese are looking at other US and French systems. The Chinese have pressed for access to the Viper light antitank weapon, which failed acceptance testing by the US Army. They believe that since the Viper has been rejected the technology must be available at reduced prices and they can use it to upgrade their own weapons. The Chinese, [redacted]

[redacted] also are interested in French APILAS short-range, shoulder-fired antitank weapons. Although the APILAS only has a 500-meter range, if fielded in tandem with a modern wire-guided antitank missile like the TOW or HOT, it would provide Chinese infantry units with a credible defense against T-72 and T-80 tanks. [redacted]

We believe the Chinese have decided that a modern tank able to match the Soviet T-64 or T-72 will be beyond their means at least for the next five years. Even with a new tank developed by the early 1990s, Beijing will rely on the 8,000 deployed Type 59s and newer Type 69s for at least another decade. The Chinese plan to retrofit these tanks with more powerful main guns, improved engines, better fire-control systems, and upgraded night-vision capabilities. [redacted]

[redacted] Some of the Type 59 tanks on show at the 1 October military parade in Beijing carried a British 105-mm gun, an upgrade process first used by the Israelis on captured Soviet T-54s. In addition, the Chinese are close to concluding a deal with a US company to coproduce improved armor-piercing ammunition for the standard 100-mm tank gun on most Type 59s and Type 69s. With this ammunition, China's tanks would be more effective against newer Soviet tanks. [redacted]

Combating the Soviet Air Threat. Perhaps the greatest challenge the Chinese face today is in air defense. Across the board, from fighter aircraft to ground-based air defenses to shipborne weapons, the Chinese



French APILAS shoulder-fired antitank system [redacted]

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capacity to defend effectively against Soviet airpower is weak. Consequently, these areas are among some of the highest priorities on China's foreign purchase wish list. [redacted]

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The Soviet Air Force would quickly gain air superiority over the battlefield in any border conflict with China. China's fighter aircraft inventory contains 2,700 F-6s (MIG-19s), 200 F-7s (MIG-21s), and about 50 F-8 fighters. The Chinese Air Force intends to improve the F-7 with a more powerful engine and better missiles but is pinning its hopes on the larger, faster twin-engine F-8. [redacted]

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[redacted] the Chinese have a three-phase program for improving the F-8, converting it from a daytime, fair-weather high-altitude interceptor to a day and night, all-weather fighter:

- **Radar and Avionics:** The Chinese are seeking US radars that would improve their ability to find enemy aircraft without totally relying on ground radar stations. The Chinese recognize that Soviet bombers will not be attacking at high altitudes but will come in low, where the radars on Chinese fighters cannot distinguish them from ground clutter:

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— The Chinese also seek US assistance in redesigning the cockpit on the F-8, with heads-up displays that would improve the pilot's performance in air-to-air combat.



Chinese Type 59 tank upgraded with a British 105-mm gun [redacted]

firepower. The Chinese know they need tactical air defense systems that can counter helicopters and low-flying Aircraft. They have shown a strong interest in the US Stinger shoulder-fired low-altitude SAM.

[redacted] Beijing is dissatisfied with its shoulder-fired short-range SAM, a copy of the Soviet SA-7 missile, and is seeking US assistance to enhance its performance. [redacted]

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[redacted] efforts to perfect an indigenously designed, vehicle-mounted, medium-to-high-altitude SAM are continuing at a test range in western China. Beijing has acquired a battery of French-made Crotale SAMs, probably from Pakistan, and may be using them to correct problems with its own SAM. Chinese delegations have shown very little interest in buying the US I-HAWK and other foreign medium-to-high-altitude SAM systems. [redacted]

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— Some avionics work is being done on the F-7, but the Chinese claim to be unhappy with the help provided by the British firm, Marconi.

• *Air-to-Air Missiles:* The Chinese signed a contract in 1983 with an Israeli firm for \$200 million for the Python III heat-seeking, air-to-air missile, which is comparable to the US AIM-9L (Sidewinder). The Python III will give the F-8 an all-aspect—including head-on—capability at longer ranges than the Chinese PL-2 heat-seeking missile now in service:

[redacted] the Chinese have signed a contract with a US manufacturer for 15 Firebee target drones and probably will use them in testing their new mobile SAM, suggesting the Chinese believe they can solve the problems of their mobile SAM system and have it ready for series production soon. [redacted]

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— Beijing has opened negotiations with Italy for the Aspide, a semiactive radar-guided air-to-air missile. This system is capable of destroying aircraft at ranges up to 57 kilometers. This missile would strikingly improve Chinese pilots' capability to shoot down Soviet aircraft in poor weather.

The Chinese are developing self-propelled antiaircraft guns but are looking for foreign assistance in producing modern ammunition to improve their firepower.

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[redacted] the Chinese have mounted twin antiaircraft guns on a tank chassis and have requested US technology for advanced proximity fuze ammunition, which increases the killing radius and decreases the need for accuracy of antiaircraft guns. [redacted]

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— The Chinese also are exploring purchasing the AIM-7 (Sparrow) radar-guided missile from the United States.

• *Engines:* The large and heavy F-8 needs a more powerful engine to become a capable air-to-air fighter. Modern engines from the West would not only increase the aircraft's speed, maneuverability, and range but also its fuel efficiency and engine life. China has expressed a strong interest in two US-built engines: the GE 404 engine and the Pratt & Whitney 1117/1120. [redacted]

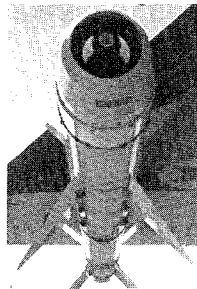
Chinese naval combatants are practically defenseless against antiship missiles and have only antiaircraft guns to protect them against enemy aircraft. The Chinese Navy is showing a marked interest in improving shipborne air defenses, particularly against surface-skimming cruise missiles. In mid-1983, China purchased two French Compact 100-mm naval guns which probably will be placed aboard a frigate for testing and evaluation. The French gun can fire up to 90 rounds a minute—compared with the Chinese 100-mm, which fires 15 to 18 rounds a minute—and

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The lack of a mobile, tactical SAM has plagued the PLA for years. Chinese units currently rely on towed antiaircraft guns, which lack mobility, accuracy, and

Air-to-Air Missiles


China's PL-2




Israeli Python III

	Maximum Range (km)	Weight (kg)	Use	Guidance	Attack Capability
PL-2 (China's current AAM)	7	80	Clear weather	Infrared	Tail only
Python III (Israeli)	15	127	Limited all weather	Infrared	All aspects
Aspide (Italian)	57	200	All weather	Semiactive radar	All aspects



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is designed to counter all air threats, including anti-ship missiles. The Chinese have also expressed a strong interest in the US Phalanx close-in defense system, which provides a last-ditch defense against antiship missiles or aircraft by coupling an advanced radar with a six-barrel 20-mm gatling gun. 

— The Chinese also signed a \$4 million deal for two sets of the French SS-12 sonar system, which is towed from small ships.

— The Chinese may also sign a deal with France this year to refit Chinese Super Frelon helicopters with the Lamparo sonobuoy sonar system.

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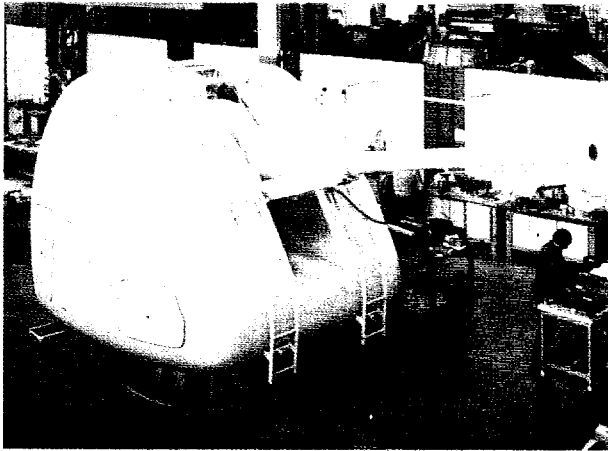
Countering the Soviet Submarine Threat. As the Soviet Pacific Fleet has grown dramatically in strength, China's attention has turned increasingly to defending against submarine attack. Three main areas are being explored by Beijing: improved sonar capabilities, modern engines to provide quieter running ships, and advanced torpedoes for surface ships and submarines:

- Sonars: The Chinese want modern sonar systems for submarines, surface combatants, and antisubmarine-warfare helicopters:

— Last fall, the Chinese signed a \$2 million contract for the French Fenelon sonar, which they reportedly will install on two R-class submarines. This system is a major advance over sonars now on Chinese submarines and they may actually be fitted on China's nuclear-powered submarines. The Fenelon sonar would give Chinese submarines a passive range-finding capability and the ability to detect and track multiple targets at the same time.

— Chinese and US Navy officials have also discussed the possibility of cooperation on sonars. The Chinese expressed interest in a state-of-the-art sonar currently used by the USS Los Angeles-class nuclear attack submarine, but the United States has offered only less capable systems.

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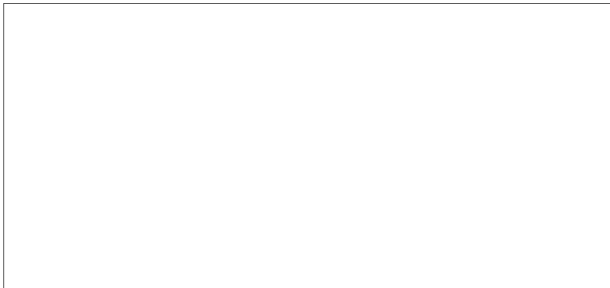


French 100-mm compact naval gun [redacted]

- Engines: The Chinese plan to use advanced US engines to build a new series of 4,200-ton ASW destroyers. According to the US defense attache in Beijing, the new destroyers will use US gas turbine engines, which are much quieter than standard diesel engines:

- China intends to build as many as 10 of these ships by the end of the decade. In July, the Chinese Navy signed a letter of understanding with the General Electric Corporation and hopes to complete a contract for up to eight LM2500 gas turbine engines by the end of 1984.

- Torpedoes: The Chinese Navy is pressing the United States and other countries for access to advanced submarine- and helicopter-borne torpedoes. China currently has no helicopter or ships equipped with ASW torpedoes and its submarine torpedoes are World War II vintage:



- Through foreign arms merchants, China has indicated a willingness to buy 150 to 300 US MK-46 deep-diving torpedoes capable of multiple attacks on a target and MK-48 torpedoes carried by all US attack and ballistic missile submarines. [redacted]

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Enhanced Early Warning/Reconnaissance Capabilities. A key factor in any improvement to China's defenses against a surprise Soviet attack is increased surveillance capabilities. China's air defense radars have a limited range, are easily blinded by electronic countermeasures, and are not linked by computers to China's air defense commands. Beijing is not seeking to replace its radar systems, but to modify and update existing equipment. After a long battle with the NDSTIC, the General Staff Department has now received approval to sign a \$40 million agreement with a US firm to begin upgrading China's target-acquisition radars and, if that program is successful, to improve China's early warning radars. China's radars provide coverage at low-to-medium altitudes and the upgrade is an attempt to build a more viable defense against high-performance Soviet fighters and bombers penetrating at low altitudes. The Chinese also may intend to use upgraded radars with their medium-to-high-altitude mobile SAM now under development. [redacted]

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To increase China's surveillance capabilities, Baoli Corporation signed a contract for \$9 million with a US firm this spring to purchase 625 radio receivers that can be used to monitor military communications.

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[redacted] The Chinese are looking at a variety of other border-surveillance systems ranging from side-looking radars that can be mounted on transport aircraft to photoreconnaissance cameras that can be mounted on Chinese fighters. Baoli recently signed a \$20 million contract for two low-altitude reconnaissance cameras made in the United States that will be installed on F-8 aircraft.

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China's Luda-class destroyer [redacted]

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Electronic Countermeasures. Beijing not only seeks to upgrade its weapons for defense against enemy aircraft and antiship missiles, but also is trying to develop a viable electronic countermeasure capability. Last December, China signed two contracts worth \$26 million with Italian firms for two sets of the Newton naval electronic warfare system and five sets of the Selenia ground-based electronic warfare system. The Newton system, to be installed on Chinese frigates, is specifically designed to deceive and defeat antiship missiles. The Selenia gear jams enemy aircraft radar, complicating their ability to find and destroy air and ground targets. Delivery of both naval systems is being delayed because of US objections to the sale. [redacted]

Other negotiations for naval electronic warfare systems are continuing. [redacted] the British firm Vospar Thornycroft is developing—at China's request—a complete electronic warfare package for Luda-class destroyers. This would include electronic warning receivers that would identify the incoming aircraft or antiship missile and trigger the appropriate defensive response. The US defense attaché in Hong Kong reports that another British firm recently met with the Chinese Navy and presented a similar proposal for a missile radar warning system that controls chaff countermeasure dispensers. [redacted]

Implications

The Sino-Soviet Balance. Moscow probably will be most concerned about the improvements that imported Western hardware will make in China's antitank

capabilities and may step up its ground force modernization in the Far East. By deploying antitank missiles like the I-TOW in quantity, China could reduce the substantial edge now held by Soviet armored forces along the border, and Chinese helicopter-mounted antitank missiles would be especially troublesome. The Soviets probably will speed up replacement schedules for the older T-54/55 and T-62 tanks, equipping more units with newer T-72 tanks. [redacted]

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The deployment of upgraded Chinese F-7 and F-8 fighter-interceptors armed with modern air-to-air missiles is unlikely to prevent the Soviets from achieving air superiority within a few days following hostilities, but it could make a Soviet air attack more costly. Soviet airpower in the Far East is already at a high level of sophistication, and we expect the Soviets easily to match Chinese improvements. The Soviets currently have a high potential for offensive airstrikes against China, including Backfire bombers and Fencer deep-strike aircraft. [redacted]

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Upgraded ASW and antiship missile defenses would improve China's ability to defend its coastline against Soviet naval action but would not make the Chinese Navy a rival to the Soviet Pacific Fleet in open-ocean operations. The Chinese Navy equipped with better ASW sonars and torpedoes could use these systems to great advantage in the shallow waters of China's

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continental shelf and frustrate the operations of Soviet submarines. However, improvements in China's ability to project naval power probably would be limited to the South China Sea, where Chinese land-based aircraft could compensate for serious weakness that would still exist in shipborne air defenses. [redacted]

Taiwan. Although foreign acquisitions are geared primarily to the Soviet threat—and the initial fielding of improved systems is almost certain to be along the northern border—the new weapons will improve some dimensions of China's military capabilities against Taiwan. We believe that production and deployment of modernized F-7s and F-8s will reduce the qualitative advantage held by Taiwan's current F-5E fighters. Beijing, however, has for several years had the ability to gain command of the air over Taiwan if willing to take heavy losses, and improved fighters would simply reduce the cost somewhat. Beijing probably still would lose too many aircraft to Taiwan's ground-based air defenses unless it corrected severe deficiencies in ground attack aircraft and air-to-ground weapons. [redacted]

Naval military acquisitions from abroad probably will increase the Chinese Navy's already formidable capabilities to blockade Taiwan but not its amphibious-assault potential. If modern submarine sonars and torpedoes are obtained from abroad, China's 100 R-class submarines would make it difficult for any navy to keep Taiwan's ports open. None of China's priorities in weapon acquisitions will give the PLA the materiel required to pose a real invasion threat to Taiwan. We can detect no program to build the large numbers of landing ships required, and no evidence that Beijing intends to spend its limited resources to acquire amphibious-assault ships or their technology from abroad. [redacted]

The United States. US willingness to transfer advanced military systems to China, particularly F-8 fighter upgrades, is creating a constituency in the Chinese military establishment that, we believe, will push for even wider US-Chinese ties through military contacts. According to the US defense attache in Beijing, Defense Minister Zhang and NDSTIC Vice Chairman Wu Shaozu were convinced by their mid-June visit of the long-term value to China of the relationship and recently lobbied senior political leaders for additional official visits to further the relationship. Wu reportedly has staked his reputation on

concluding a deal for F-8 avionics. We believe the PLA sees US assistance in fighter improvements as a positive signal of US sincerity in improving China's military capabilities, even those that may have a detrimental effect on Taiwan, and may be using this program to persuade skeptics. [redacted]

Discussions on technology transfer are providing US officials new and unprecedented contacts with the Chinese military, which traditionally has been extremely wary of direct dealings with foreigners. In striking contrast to earlier years, the US defense attache was sought out for discussions and toasts by China's senior generals at the Army Day festivities in Beijing this August. Navy Secretary Lehman in August was given the first tour for a foreigner of one of China's three nuclear attack submarines. Prospects are bright for further military-to-military contacts as, for example, senior Chinese Navy officers have informed the US attache that a Deputy Chief of Staff has been assigned to work out plans for a US Navy port call at Qingdao. [redacted]

The continuation of US arms sales to Taiwan, however, has the potential to damage emerging US-Chinese military ties. PLA leaders reportedly face opposition from elements in the Foreign Ministry and elsewhere who argue that the United States will use military transfers to China to justify continuing arms sales to Taiwan. Army Deputy Chief of Staff, Xu Xin, recently told the US defense attache that he hopes US-Chinese military ties would develop further but warned that the United States "must strictly adhere" to the August 1982 communique, emphasizing that the Chinese people are "very sensitive to the Taiwan problem." [redacted]

Perceptions in West European capitals that the United States is cornering the China arms market may endanger efforts in COCOM to limit the types and levels of materiel sold to China. The secrecy surrounding US-Chinese military negotiations and Chinese misrepresentation of US policy have fueled European fears. [redacted]

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[redacted] In June, according to the US Embassy in Rome, Italy announced its intention to proceed with the sale of ship-mounted electronic countermeasures equipment despite US objections in COCOM, because the Italian Government had concluded that the sale was consistent with the US policy of liberalized military transfers to the PRC. The Italians hinted that US objections were based less on national security concerns than on US economic interests. France also appears to be testing the COCOM limits with cases now under consideration for sonar and naval guns. [redacted]

Prospects

We believe Beijing's decision to increase the level of arms imports will result in some significant purchases of both finished military equipment and production know-how over the next five years. In future negotiations, Beijing will undoubtedly reiterate its primary goal of using its limited funds to develop self-reliance in the production of modern weapons. We believe, however, that Beijing is showing a new willingness to purchase selected advanced military hardware that will, in its view, fill a major gap and include the prospect of eventual coproduction or licensed production in China. [redacted]

Beijing's search for advanced military equipment is worldwide, and Beijing will continue to play off various Western suppliers to obtain the best deals. China increasingly will use such ploys as the helicopter competition in Tibet not only to evaluate Western equipment but also to place additional pressure on Western suppliers to provide their best at the lowest prices. Zhang Aiping's stopover in France on his way to Washington probably was designed to remind Washington that China has other arms-buying options, and it is probably no coincidence that Navy Commander Liu Huaqing will visit London in November to discuss arms transfers after his August talks in Beijing with US Navy Secretary Lehman. [redacted]

Although Beijing openly claims it will only accept transfer of the most modern weapons and technology available, we believe Beijing is willing to accept less if it is convinced the equipment fills a major defense gap and is modern enough to counter the Soviet threat. The Chinese privately concede they are unlikely to receive Western approval to purchase the best and are

aiming to acquire a "second line" of Western technology. A knowledgeable Chinese official asserts that Beijing will accept a level of technology similar to that which the United States supplies to Pakistan, Egypt, and Taiwan. [redacted]

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We expect that differences between the armed forces as end users and the defense industries as producers will continue to make arms negotiations lengthy affairs. Although the PLA General Staff Department, through Baoli, has gained central leadership support for some purchases, opponents have many layers of Chinese bureaucracy in which to block deals not to their liking. According to the US defense attache in Beijing, He Pengfei estimated in May that 400 to 500 people were involved in the decision to buy Sikorsky helicopters. Moreover, the defense industries have a strong ally in the NDSTIC, which opposes most direct buys that include no technology transfer. [redacted]

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Beijing will not, however, attempt to "buy" military modernization from abroad. PLA leaders know that the PLA is far too large a force for China to bear the prohibitive price of buying outright the massive quantities of weapons needed to modernize the force. [redacted]

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[redacted] estimates made in the West that \$60 billion would be needed to "buy" defense modernization from abroad were too low. But Beijing can quickly redress some pressing deficiencies—such as the shortcomings in its antitank missiles—by judicious spending. The Chinese will acquire foreign equipment—mostly components to upgrade Chinese weapons—as an interim step until Chinese defense industries have been sufficiently upgraded over the next five years so that the Chinese may begin building advanced arms. Ultimately, China's vast military-industrial base will be the foundation on which Beijing builds a program of comprehensive military modernization. [redacted]

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