

# China' s export control regime : from state to private sector proliferation

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## **China's Export Control Regime: From State to Private Sector Proliferation**

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### **Synopsis**

*During the last decade China has strengthened its export control regime. In response, private companies have replaced state-owned corporations as the leading proliferators, thus posing challenges both to China and to the world.*

### **Commentary**

#### **Developments in China's Export Control Regime**

CHINA'S ARMS exports are apparently on the rise, and so are Beijing's attempts to strengthen the export control mechanism. For more than four decades after its establishment, China had remained out of global arms control regime. Following its effort to integrate with the international community and after facing accusations of violating non-proliferation norms and regulations by exporting missile and nuclear technologies to despotic regimes, its approach to illegal proliferation has been transformed. Starting in the early 1990s, and especially in the last decade, it has joined most of the international nonproliferation regimes and become increasingly involved in global nonproliferation dialogues.

At home, it revised its rules and regulations governing the export of sensitive items and technologies to conform with its international commitments. For instance, after joining various nuclear nonproliferation regimes, it issued the Regulations of the PRC on the Control of Nuclear Export, and the Regulations of the PRC on the Control of Nuclear Dual-use Items and Related Technologies Export. Similarly, it issued regulations and catalogues of sensitive items related to the export of missiles, biological and chemical, and civil-military dual-use items and technologies.

In addition, China reorganised and institutionalised its export licensing and approval process. Accordingly, the export of items governed by the above regulations is subject to approval processes handled by the following bodies: the Ministry of Commerce (MOFCOM), the State Administration for Science, Technology, and Industry for National Defence (SASTIND), the People's Liberation Army's (PLA) General Armament Department (GAD), and sometimes also the Ministry of Foreign Affairs (MFA) and the State-owned Assets Supervision and Administration Commission of the State Council (SASAC).

## Counter Pressures on the Export Control Regime

Despite its remarkable progress, China's export control system faces significant pressure, both from above and from below. From above, although China officially endorsed the international community's nonproliferation ethic, it still has reservations concerning its implementation. Firstly, as officially declared by the MFA, it wants the right of all countries, especially the developing countries, to utilise and share dual-use scientific and technological achievements to be guaranteed. In other words, China is concerned about possible economic losses caused by export restrictions.

Secondly, by implementing measures such as international sanctions, the nonproliferation regimes may supersede the principle of sovereignty. This order of priority contradicts one of China's fundamental values. Thirdly, China's military export is motivated to a large degree by political calculations --, it allows Beijing to foster relations with other countries. Therefore, abiding by export restrictions could conceivably constrain China's diplomatic manoeuvring room.

The pressures from below seem equally strong. China's defence industry can produce more than the PLA can absorb. It must find new markets in which to sell its increasingly improved products. Additionally, as military exports serve the interests of some of the entities that are involved in the export control regime, the process is subject to conflicting pressures.

For example, SASTIND directs and manages China's military research and development (R&D) and production, and thus is interested in increasing the defence industry's income. SASAC manages China's state-owned enterprises, among them the major defence corporations, and is profit-oriented. GAD, as part of the PLA, has a stake in some of the military industries. As China's administrative institutionalisation is incomplete, organisational interests may have negative influence on export control implementation.

## Trends and Challenges for China's Export Control Regime

All these factors have altered China's proliferation pattern. Until 2008, many of the Chinese entities against which the US sanctions were directed included large, state-owned defence and military industry corporations. At present, as the US' sanctions list reveals, China National Precision Machinery Import and Export Corporation (CPMIEC), China's aerospace industry's commercial arm, remains the only defence industry corporation that is subject to sanctions. All other entities are private sector companies, individuals, and foreign companies operating in China.

To a large degree, this development is an outcome of China's export control system, combined with the country's political structure. As China increasingly adopted international nonproliferation norms, the defence industry corporations, which are directly governed by the state and associated with it, were the first to abide by the new regulations. On the other hand, the expansion of the private sector, the decentralisation of political and administrative power in China, and China's integration in the global economy challenged the export control mechanism's ability to supervise the private sector.

However, the fact that the same companies were repeatedly involved in proliferation (according to the sanctions list) demonstrates that bureaucratic weakness is not the only reason for the failures of the export control system. A complementary explanation is that China's relatively weak legal system allows proliferators to operate under the protection of high-level officials.

Along with China's efforts to embrace international nonproliferation norms and practices, there is also a counter current. The changing course of the defence industry corporations does not eliminate illegal proliferation. But it allows it to shift and embody alternative, more elusive channels, probably under the sponsorship of some officials or officers. Despite the allegedly short-term benefits it offers, this practice poses significant risks not only for the world but also for China.

Turning a blind eye towards illegal proliferation practices can be expected to increase the corruption problems that the regime is trying to curb, it decreases international trust in China despite its efforts to curb proliferation, and it raises doubts about the regime's ability to effectively control the country.

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