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## Reforming China's Arms Procurement System: An Effort to be Closely Watched

BY YORAM EVRON

**Yoram Evron, Visiting Fellow at the East-West Center in Washington, explains that “The PLA reforms are facing unavoidable challenges of organizational inertia and resistance by commanders and units that lose their power. In addition, President Xi still faces opposition within the party.”**

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The establishment in September 2016 of a new logistics support force in China's military is part of a broad reorganization effort undertaken over the last year to streamline the party leadership's command over the People's Liberation Army (PLA) and to enhance its professionalism and operational capability. Pivotal elements in the reform include the reorganization of the old military regions system as theater commands and reconstruction of the PLA's four general departments into 15 functional departments, commissions, and offices under the direct control of the Central Military Commission (CMC). The latter measure included, among other things, the formation of the development and procurement department, to be incorporated in the CMC, aiming at enhancing the efficiency of PLA arms procurement.

Undergoing multiple reforms over the years, China's arms procurement system has managed only partially to provide the military's required materiel. While making remarkable technological progress in the last two decades, it still lacks critical scientific-technological capabilities. More importantly, it is doubtful whether it has the industrial-organizational capacity to supply the forces an adequate number of systems on time, and to maintain them in operational condition for as long as required by the desired level of military readiness. Such capacity is critical as China prepares to handle multi-dimensional military campaigns far from its borders against advanced military forces. Examples of the longstanding gap between China's procurement system's capabilities and the PLA's requirements are numerous. In mid-1996, as China's sense of threat increased sharply following the Taiwan Strait crisis, explicit complaints were made by the PLA's high command about the inadequacy of the weapons it was given for its operational needs. In the late 2000s, after China's defense industry complex (DIC) had undergone a major reform, China's military R&D effort still remained partly disconnected from the forces' operational requirements. Referring to the display of new weapons systems in the military parade marking China's 60<sup>th</sup> National Day, a Chinese military expert commented that public exposure of these systems did not mean that they had been fitted out for service throughout the entire army or that they had been deployed on a large scale.

As has been well recorded, the flaws in China's arms procurement have resulted from the inefficient and occasionally corrupt mammoth DIC and military acquisition system. Resting on a Soviet-style structure inherited from the Maoist period, the defense industry has suffered from all of the typical diseases of China's state-owned enterprises (SOE), and then some. The DIC has been less

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exposed to market forces than other SOEs due to its monopolistic and poorly regulated client-supplier relationship with the military (as in most countries). It also has enjoyed significant political power that allows it to handle external pressure to improve its efficiency. While such impediments are hardly avoidable, their negative impact might have been mitigated by several complementary factors: a strong commitment by the state leadership to military modernization reflected in large-scale financial allocations; a strong political leadership able to enforce rationalization and rectification measures on the DIC; and a strong sense of threat or a clear and focused strategic vision by the state’s leadership. Above all, the DIC and the country as a whole should have a minimum scientific-technological level, including infrastructure, skilled human resources, and training institutions.

The coming to power of Xi Jinping in 2012 finally provided brighter prospects for the rationalization of China’s military procurement system. After some 35 years of reforms China has at last acquired a technological and financial basis for the operation of a modern defense industry. The technological gaps that still exist can be expected to narrow more in the next two decades. The leadership’s determination to secure China’s dominance in East and Southeast Asia and the escalating military tension in the region confirms its commitment to, and provides clear directions for, the PLA’s buildup as well. Finally, President Xi is determined to secure personal authority over the defense establishment and to cleanse it of corruption.

The military reform’s goals are supposedly complementary but may also contradict each other. One of the reform’s components is the consolidation of a system of laws and regulations which will be strictly applied throughout the military. Such a measure can be critical for an efficient and operational-oriented procurement system. But it may also face President Xi with a dilemma: it is important for enhancing professionalism but can also weaken his support from within the PLA.

Reportedly, the PLA reforms are facing unavoidable challenges of organizational inertia and resistance by commanders and units that lose their power. In addition, President Xi still faces opposition from within the party. Such conditions provide a prism through which the reform’s implementation and objectives can be evaluated. As the military reform is deemed crucial for Xi’s consolidation of power and the strengthening of China’s strategic position, it can be assumed that a concentrated effort will be invested to accomplish reform measures of high visibility which are related to China’s political power structure. On the other hand, it is probably easier to compromise over reform measures of smaller visibility that are technical in nature and whose implementation is enduring. The reform of the PLA’s procurement system falls within the latter category. Unlike development of advanced weapon systems (which is only one part of the procurement cycle), which requires a concentrated, time-framed effort and draws much attention, consolidation of a sustainable, well-coordinated and self-disciplined military procurement system requires comprehensive, profound, and long-term — though less noticeable — effort. Hence, progress made in this field can be a convincing indication of actual advancement in the PLA’s combat capability, as well as of Xi’s ability and willingness to impose professionalism measures on the PLA. While highly challenging, this is therefore a field worth watching.

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The current analysis draws partly on the author’s recent book *China’s Military Procurement in the Reform Era: The Setting of New Directions* (New York: Routledge, 2016).