



China's Defense Industry Is Emerging from Its Troubled Past

Over the past 25 years, U.S. research has concluded that China's defense-industrial complex is rife with weaknesses and limitations. A new study by RAND Project AIR FORCE (PAF) argues that it is time to acknowledge gradual improvements in China's defense industry. Certain sectors are producing a wide range of increasingly advanced weapon systems that will enhance China's military capabilities relevant to a possible conflict over Taiwan in the short term and its military position throughout Asia in the long term. PAF's research on these trends suggests the following:

- **Defense-industrial revitalization and reform have taken hold and even accelerated over the past five years.** Beginning in the late 1990s, China's leadership adopted a series of policies to inject more resources into defense production, to revamp the structure and operations of the defense-procurement system, and to reform the operations of defense enterprises. These moves have allowed China's defense industry to emerge from the doldrums of two and a half decades of systemic neglect, inefficiency, and corruption.
- **Improvements in China's defense research, design, and production capabilities have been uneven across sectors.** The missile sector has progressed at an accelerated pace over the past five years, suggesting that China may soon begin fielding land-attack cruise missiles, higher-quality anti-ship cruise missiles, modern long-range surface-to-air missiles, and anti-radiation missiles. The shipbuilding industry has gradually modernized, resulting in increasingly sophisticated platforms and heightened production rates. The aviation industry, which has been inefficient in the past, is showing signs of limited progress; but important gaps in design and production capabilities remain. China is also leveraging improvements in the commercial information-technology sector to improve the military's command, control, communications, computer, and intelligence capabilities.

China's senior political, industrial, and military leaders have called the next 20 years the "critical stage" in China's modernization of its defense-industrial base. Defense-industry reform and renovation will be a gradual, deliberate, and consistent process. They do not appear to be part of a "crash" effort requiring a dramatic shift in national priorities from economic development to military modernization. However, if the government continues its efforts, the rate of innovation and the quality of weapon systems should continue to improve. ■

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