



BONN INTERNATIONAL CENTER FOR CONVERSION

B · I · C · C

bulletin

No. 1

1 October 1996

China's Conversion: Myth and Reality

By Yitzhak Shichor

For over ten years, Beijing's spokesmen (and some observers) have claimed that the conversion of China's military-industrial capacity to civilian production has been incredibly successful, both from a horizontal perspective (compared to the experiences of other countries) and a vertical perspective (compared to the lacking performance of other Chinese state-owned industries). Indeed, by mid-1995, the share of civilian output value in China's total defense industrial output had reportedly reached about 75 percent, and—in some industries—even more. Recycled and reiterated by Chinese officials for public (primarily international) consumption, these reports (whose reliability and methodology are unclear) should be understood in "Chinese" terms and in different perspectives.

While the statistics point to a dramatic expansion of civilian production, much of it is still governed by command economy principles and consists of stockpiled low-quality goods which are supported by state subsidies and are difficult to market since they must cover social costs (such as education, welfare, housing, hidden unemployment) as well as economic ones. In addition, the economic impact of civilian production within the Chinese defense industry appears marginal because this sector is relatively small. Size and state support provide only a partial explanation to the rather quick and comprehensive shift of China's defense enterprises to civilian production, whatever its economic value.

Other explanations include the traditional obedience to higher authorities, the acute shortage in consumer goods, underutilized capacity, and earlier experience. To dissociate themselves from the past and to underscore their own achievements, China's post-Mao leaders, and their spokesmen, have practically

ignored successful, though brief, experiments with military-to-civilian conversion in the late 1950s and early 1960s. From 1958 to 1969 the share of civilian output value in the total defense industrial output value was 60.8 percent, reaching 74.5 percent in 1969, ten times as much as in 1957 and as much as in the mid-1990s. Like today, this process had been motivated by reduced threat perceptions and by the existence of surplus military industrial capacity which was no longer needed. Conversion stopped abruptly at the end of 1960, following the withdrawal of the Soviet experts, the emerging revolutionary radicalism and newly perceived

threats. In fact, the early 1960s witnessed a wave of mobilization of civilian industries and manpower

for accelerated military production, a process that had been carried out in the early

1950s, and then again in the early 1970s. These fluctuations suggest that, while military and civilian industries used to be segregated, there were periods of conversion and convergence when civilian and military skills and technologies were shared. This is an important explanation for the rather swift conversion process in the late 1950s, or since the late 1970s. Contemporary conversion has also benefitted from China's political transformation: defense enterprises in civilian production no longer expect to be criticized by "leftists" as being "unprofessional" and be told "to mind their own business", as at the end of 1960.

In many respects, China's earlier conversion experiences and current conversion experiences are considerably different: political radicalism has not only been erased but also rejected; the centralized command economy is being supplemented, if not supplanted, by a decentralized market economy; and

"... conversion is by no means a one-way process..."

threat perceptions have diminished as international and regional circumstances have become more stable and peaceful. Some continuities, however, still exist. One is the vague distinction between China's military and civilian industries which over the years have been intertwined so that "conversion" could also imply the reactivation of existing civilian or military production capacities. Another is the predominance of politics, rather than economics, as the main determinant of triggering (and arresting) China's military-to-civilian conversion drive. Finally, conversion is by no means a one-way process that precludes a resumption of defense production nor even a simultaneous military development. In fact, China's conversion is officially and evidently directed not only at strengthening the economy but also, perhaps primarily, at strengthening the military.

Professor Ytzhak Shichor from the Department of Political Science and East Asian Studies of the Hebrew University of Jerusalem, and the Harry S. Truman Research Institute for the Advancement of Peace, has been a visiting fellow at BICC from mid-June to mid-August 1996, preparing a book on military conversion in China.

Other fields of BICC research and projects

- **Jörn Brömmelhörster:** Military expenditures; defense conversion in China
- **Michael Brzoska, Research Director:** R&D conversion; disarmament
- **Keith Cunningham (Washington, DC)/ Robert Mann:** Military base closures
- **Joseph DiChiaro III:** Industrial conversion; management and disposal of surplus weapons
- **Michael Dedek:** Military expenditures
- **Ksenia Gonchar (Moscow):** Industrial conversion in Russia
- **Ulrike Lindemann/Ulrich Schirowski:** Military base closures, regional and urban redevelopment in Germany
- **Cindy Miller:** Dismantlement and disposal of chemical weapons
- **Herbert Wulf, Director of BICC:** Disarmament; industry conversion; surplus weapons

Staff Spotlight: ***Kees Kingma***

Kees Kingma, a development economist from the Netherlands, is working at BICC as a researcher and the project leader of demobilization projects. His current research focuses on the implementation and impact of demobilization and the reintegration of ex-combatants into civilian life. He also researches the linkages between demobilization and micro-disarmament and the efforts made to facilitate the conversion of human resources.

His primary research project this year revolves around the socio-economic and security impact of demobilization in Sub-Saharan Africa, and is financed by the Volkswagen Foundation. A conceptual framework to analyze the impact of demobilization on human resources, financial resource flows, human development and security will be applied to recent demobilizations, particularly in Eritrea, Ethiopia, Mozambique and Uganda. Mr. Kingma has recently been joined by Garry Gehyigon, a Liberian researcher who is conducting much of the empirical work of the research. Several other experts—within and outside Africa—participate in this research. A small group of international experts met in Bonn mid-September to discuss the conceptual basis of the research. Some discussion papers on these issues will be published by BICC later this year.

Mr. Kingma cooperates with a large number of institutes and individuals in Africa and Central America who are involved in research on conversion and post-war rehabilitation. He has recently assisted the Group on Environmental Monitoring (GEM), a South African NGO, in the design of a multi-year research and public education project on "Capacity Building for Conversion in South Africa." He has, among others, also advised the German Agency for Technical Cooperation (GTZ) in a review of its work to support demobilization and reintegration.

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Conversion Assistance to Slovakia

The town of Martin in central Slovakia has, since the early post World War II-period, been dependent primarily on the production and export of tanks and armored personnel carriers from the ZTS TS factory located there. By the mid-1980s, output of this factory accounted for nearly 50 percent of Czechoslovak arms production and 80 percent of defense production in Slovakia. A large percentage of the population also became heavily reliant on the enterprise for employment opportunities. In the post-Cold War period this dependence has resulted in the rapid erosion of the region's socio-economic position.

In August 1994, the Prague-based Helsinki Citizens' Assembly (HCA) approached BICC for support in its efforts to facilitate activities in the town and surrounding region. The HCA, together with local government and industry officials, established a local NGO—the Foundation for East-West Development Initiatives (FEWDI)—to serve as a focal point for community-based assistance. BICC, in its role as a conversion clearing-house and a consultant for project management activities, has been able to provide the necessary technical and administrative support for the Foundation's establishment. The project, led by BICC researcher Joseph Di Chiaro, brought personnel from FEWDI to BICC and familiarized them with publicly available resources. In addition, they received training in key areas of organization, such as fund-raising and workshop planning activities.

Another highlight of BICC's sponsorship of FEWDI has been the opportunity for Slovakian trade union members to participate in an exchange visit to Kiel and Bremen. They benefited from learning about other communities' experiences in moving away from defense-dependent activities toward greater diversification in production. The task of providing administrative training and knowledge about existing resources is a small part of the conversion process that can have a significant impact by helping communities help themselves.

"... helping communities help themselves..."

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Information on BICC's activities as well as selected abstracts and text versions of publications can be obtained via the Center's own Internet service ConverNet. ConverNet also includes a Bulletin Board of conferences, workshops and cooperation proposals. The Center welcomes the submission of announcements and comments by the conversion community.

Services of the documentation department

Upon request, BICC's documentation department offers tailored literature searches in the specialized information network "International Relations and Area Studies," which produces and maintains the World Affairs Online (WAO). WAO is a bibliographic database containing over 370,000 citations—some with abstracts of periodicals and other literature dealing with international relations, security, conversion and area studies.

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**Bonn International Center for Conversion
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As an independent, non-profit organization, the Bonn International Center for Conversion (BICC) supports and promotes the processes by which people, skills, technology, equipment, financial and economic resources are shifted from the military or defense sector towards alternative, civilian purposes.

**This newsletter is published quarterly by
 © Bonn International Center for Conversion (BICC)
 An der Elisabethkirche 25, 53113 Bonn, Germany.**

**Publishing management: Corinna Hauswedell
 Responsible for this issue: Cindy Miller, Ann Perry and
 Svenja Görgens (layout).**

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BICC Publications

In addition to its annual yearbook *Conversion Survey* and other books, BICC publishes series such as *report*, *brief* and *paper* that analyze the background of the international conversion process, report on conversion projects and experience, and offer scientific as well as practical know-how in the various fields of conversion. Recent publications include the following:

Paper 5: Pieter D. Wezeman and Siemon T. Wezeman, *Dutch Surplus Weapons*, July 1996.

Brief 7: Edward J. Laurance, *The New Field of Micro-Disarmament: Addressing the Proliferation and Buildup of Small Arms and Light Weapons* September 1996.

Report 8: Jørgen Klußman and Ulrike Lindemann, *Standortekonstruktion - Eine weltweite Herausforderung, Konferenzreportage [Base Closure - A Global Challenge, Conference proceedings]*, September 1996.

Upcoming Conferences and Events

Chemical Weapon Destruction in Russia

Co-sponsored by BICC and the Stockholm International Peace Research Institute, 9-10 November 1996, Bonn, Germany. Both Russian and other international experts will be gathering to discuss possibilities to assist promotion of the development and implementation of a chemical weapons destruction plan in Russia.

Comparison of Regional Conversion Economies in Europe and the United States

6-7 February 1997, Bonn, Germany. The conference will focus primarily on experiences of industrial conversion and base closure within Europe and throughout the United States.

International Conference on the Conversion of Military Sites and Defense industries, Challenges and Opportunities

Co-sponsored by the Department for Development Support and Management Services of the United Nations and the state of Rhineland-Palatinate. 27-30 October 1996, Kaiserslautern, Germany. This conference will focus on the conversion of former military sites and defense industries towards civilian markets.

Within the framework of a regional project on communities in North Rhine-Westphalia affected by conversion, BICC provides a handbook entitled: "*Truppenabbau und Konversion in Nordrhein-Westfalen - Handbuch für Kommunen!*" A bi-monthly newsletter "*Konversion-Aktuell, Nachrichten für Kommunen*" is also distributed to the communities.

Forthcoming:

Jörn Brömmelhörster, John Frankenstein (eds.), *Mixed Motives, Uncertain Outcomes - Defense Conversion in China*, Lynne Rienner, Boulder, CO, 1996 (winter).

BICC's first yearbook published :

Conversion Survey 1996 - Global Disarmament, Demilitarization and Demobilization, Oxford University Press, UK, 1996 (price £17.99, \$27.95, DM 45.00)

"Disarming has proved much more difficult and expensive than forecasted, the report says... . Despite this, the BICC believes that global arms cuts freed up about £500 billion in 1994 alone."
(*New Scientist*, 20 April 1996)

BICC Notes

- In May 1996, the North Atlantic Treaty Organization (NATO), the German Foreign Ministry and the Bonn International Center for Conversion co-hosted a conference entitled, "Disposition, Dismantlement and Destruction of Chemical, Nuclear and Conventional Weapons" in Bonn, Germany. The conference was attended by representatives from sixteen countries and five international organizations. Discussion focused on progress in disarmament activities and agreements, currently employed and proposed technologies to dispose of weapons, as well as the status of bilateral assistance programs. An executive summary of the conference is available. For further information please contact
→ Joseph DiChiaro III at jd3@bicc.uni-bonn.de.

- BICC has recently established a new project on the changing priorities of military expenditures and the results of the peace dividend. During the next two years a number of case studies will be conducted on the experience of the peace dividend in different countries. The project aims at improving the existing data base on military expenditures and at fostering the network of researchers in several countries who are examining these issues. For further information, please contact
→ Jörn Brömmelhörster at brommel@bicc.uni-bonn.de.