

CHINA'S ARMS EXPORTS IN THE INDO-PACIFIC, PART 2: THE AI DIMENSION

BY GERALD MAKO

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While part 1 examined how the People's Republic of China has become a credible alternative supplier of conventional arms, a far more significant development is also underway: Beijing is beginning to export increasingly sophisticated systems that incorporate artificial intelligence and autonomous capabilities. This shift carries implications that go well beyond traditional arms sales, raising new concerns about technological dependence and crisis stability across the Indo-Pacific.

To be sure, this transition is still at an early stage. Most Chinese arms exports remain conventional platforms, but the PRC's commanding position in commercial drone manufacturing, its established export market for armed UAVs, and the growing sophistication of its domestic defense industry are laying the foundations for a significant next phase in its defense-export strategy. The implications extend beyond the capabilities of individual weapons systems, raising questions about technological dependence, regional military balances, and crisis stability across the Indo-Pacific.

The AI dimension: Current and potential future exports

The PRC's military modernization is organized around the concept of intelligentized warfare, which places AI, autonomous systems, and data-driven operations at the center of future conflict. This doctrinal priority drives sustained investment in unmanned platforms, swarm technologies, and intelligent command systems within the People's Liberation Army. In parallel, a combination of capability and affordability has already established China as one of the world's leading exporters of armed drones and drone parts as platforms such as the Wing Loong II, the Ziyan Blowfish A2, and CH-4 have found markets across the Middle East, Africa, and parts of Asia. While thus far China has not exported fully autonomous drones, these platforms already incorporate autonomous functions in navigation, target tracking, and flight control.

In practical terms, these systems can perform the basic processing of sensor feeds on board, such as stabilizing imagery, maintaining a designated track on a moving object, and cueing the operator to potential targets, which reduces continuous manual workload and reliance on high-bandwidth data links. Newer generations are expected to feature more advanced AI integration and greater autonomy.

Indeed, the PLA has tested AI-coordinated drone swarms and human-machine teaming concepts, including systems capable of operating with reduced direct human control. In August 2026 it was revealed that the PLA Air Force is using an AI-enabled strike planning system to prioritize targets, coordinate attack waves and allocate tasks across large formations. Once a subset of these swarm management tools, automated target-recognition algorithms, or collaborative autonomy features becomes incorporated into export variants, it will significantly enhance the capabilities of smaller Indo-Pacific states in surveillance, strike coordination, and area denial, potentially narrowing longstanding gaps with larger regional powers.

The PRC's Military-Civilian Fusion strategy has played a central role in Beijing's push to develop AI capabilities. The policy is designed to integrate civilian technology with military requirements, allowing the PLA to draw on rapid advances of commercial companies in AI, data analytics, and unmanned systems. Once a technology matures, the same MCF approach that accelerates domestic AI development also positions Chinese defense firms to incorporate such technologies into weapons offered abroad.

How quickly and in what form these capabilities will appear in export models depends equally on technical progress and Beijing's export control decisions. On Oct. 19 Beijing announced revised

controls on specified UAVs and related technologies including autopilots, flight- and cluster-control, autonomous-navigation and obstacle-avoidance technologies.

These controls do not only shape which systems Chinese firms can offer abroad but also the capabilities and supporting technologies available to foreign buyers. For recipient militaries, acquiring AI-enabled platforms does not only involve importing physical platforms, but also adopting the associated software, data formats, and updating cycles that sustain AI-enabled functions, such as diagnostic tools or decision-support displays. Over time, this will create forms of dependence that hinge less on spare parts and more on continued access to Chinese software support, training data, and integration services. In a crisis, the ability—or refusal—of Chinese firms to provide software patches, threat-library updates, or troubleshooting support could therefore become powerful leverage, one that operates below the threshold of formal sanctions but still shapes partners' operational readiness.

Implications for Indo-Pacific security

Chinese arms transfers are beginning to alter capability balances across multiple Indo-Pacific subregions, from the Korean Peninsula to the South China Sea and the eastern Indian Ocean. Emerging AI trajectory in Chinese systems adds a further layer of complexity. When future Chinese exports incorporate more advanced AI-assisted sensing and targeting tools, they may shorten the time between detection, classification, and engagement at the tactical level, leaving commanders and political leaders with less time to interpret events and respond. This raises serious concerns for regional security. In tightly contested airspace or maritime zones, the shrinking window of decision-making could complicate efforts to manage incidents or prevent unintended escalation. The more decisions are pre-structured by software, the harder it may become for political leaders to slow interactions down in a crisis, particularly in states where civil-military communication channels are already fragile or highly centralized.

Taken together, these trends are creating a more diversified arms supply environment across the Indo-Pacific. While the acquisition of Chinese arms gives recipient states greater choice, they also raise longer-term questions about technology proliferation, interoperability between different weapon systems, and potential challenges to crisis stability in contested areas such as the South China Sea.

What should the US do?

China's expanding role as an arms supplier in Asia is gradually reshaping not just what type of weapons states acquire, but how they think about technological advantage and strategic dependence. As Chinese platforms gain operational credibility and as AI-enabled capabilities move into export offerings, recipient countries will face more complex choices regarding interoperability, supply chain security, and long-term autonomy, including how far they are willing to embed their forces in Chinese-designed data, software, and training ecosystems that underpin AI-enabled functions. Some Indo-Pacific governments may respond by erecting stricter safeguards around data flows, insisting on greater transparency in algorithmic behavior, or seeking parallel relationships with non-Chinese technology providers to dilute the risks of single-supplier dependence.

All of this is unlikely to produce a simple shift from one set of suppliers to another. Instead, it points towards a more fragmented and layered arms environment, in which states must weigh the benefits of access to capable and affordable systems against the risks of growing reliance on a single technological ecosystem. The pace at which the PRC exports its more advanced AI-enabled technologies will do more than influence individual procurement decisions. It will also shape how some regional powers integrate new technologies into their force structures and operational concepts in an era where the line between commercial innovation and military capability continues to blur.

The United States should respond to the PRC's evolving arms export strategy by moving beyond simple platform-to-platform competition and focusing instead on the broader ecosystem. To reduce long-term dependence risks for partners like Thailand, Malaysia, and Indonesia, Washington should champion interoperable systems, open architectures, and secure data standards. At the same time, the United States should aim to offer relatively cost-competitive unmanned systems and AI-enabled command-and-control capabilities, while streamlining export processes for trusted partners. These efforts should be paired with targeted support to help regional governments assess risks related to data governance, software dependence, and cybersecurity.

Finally, US policy should accept that many Indo-Pacific states will maintain mixed procurement strategies. Trying to displace Chinese systems would be futile, but Washington could blunt Beijing's strategic leverage by promoting supplier diversification and helping partners retain operational autonomy within multi-vendor force structures.

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