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**TRANSATLANTIC PERSPECTIVES  
ON CHINA**

**W. Bruce Weinrod**

**November 2006**

The Potomac Foundation  
Vienna, Virginia

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# TRANSATLANTIC PERSPECTIVES ON CHINA

## OVERVIEW

In the first decade of the twenty-first century, the People's Republic of China (PRC) has emerged as a rising economic, political and military power. As a result, China inevitably will present a variety of policy challenges to the United States (U.S.) and Europe. How those challenges are met, and whether mutually reinforcing approaches can be crafted by the U.S. and Europe, will have a significant impact upon very important U.S. and European security interests, regional and global stability, and the future of China itself.

Since its establishment in October 1949, Europe and the U.S. have often exhibited diverging attitudes and approaches towards the PRC. Historical, cultural, geopolitical and economic factors have all played a role in generating these differences.

The U.S., with its global responsibilities and significant military presence in the Asian region, has over the years viewed China within the prism of security issues. Further, while seeking a strong trade relationship with China, the U.S. also has had significant problems with PRC policies and practices concerning various economic matters.

Europe<sup>1</sup>, on the other hand, has tended to focus on commercial, and to a lesser extent, political relations with Beijing. Europeans in general have been motivated to a significant extent by the potential for enhancing their commercial position in the potentially vast Chinese market. As a result, China has recently passed Japan and has emerged as the EU's second largest trading partner (after the U.S.). Thus, Europeans have made great efforts to persuade China that they are politically friendly and should, therefore, receive economic benefits from increased trade and market access.

Security concerns about China, or indeed Asia as a whole, have not been high on the agenda of European nations. Europeans have not perceived Asian or China-related developments as a potential threat to their national security.

In recent years some convergence of U.S. and European perspectives on China has occurred. Europeans have gradually begun to take more of an interest in PRC-related security issues and their concerns about Chinese economic and trade policies have also increased. As a result, the potential for shared or at least parallel U.S. and European approaches towards China has begun to emerge.

This paper seeks to identify U.S. and European approaches towards China both with respect to differences and also potential areas of cooperation or convergence.

## EUROPE AND CHINA: OVERVIEW

European nations have, along with their current national interests, tended to view the PRC within the context of their own historical experiences with China. Thus, "each of the major countries has sought to stake out independent positions on certain issues and each has its own particular history and domestic concerns that shape its approach"<sup>2</sup>.

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<sup>1</sup> Europe, as the term is used in this paper, refers both to individual nations and also the European Union although, as noted, there are important differences between them.

<sup>2</sup> Michael Yahuda, "The Potential for Significance of a Civil Power", Taipei Journal, December 2001, p.5; see also, "Towards a Common European Policy on China" Paper prepared by Professor Reuben Wong, National University of Singapore, April 22, 2005. The author argues that there actually has developed a reasonably coherent common European policy towards China.

With respect to European policy towards China, there are several principal national actors. Large Western European nations such as the United Kingdom, France, and Germany all have their own highly developed bilateral relationships with Beijing.

For example, the United Kingdom was one of the first nations to recognize Communist China. This recognition came at a time when the U.S. was seeking actively to isolate Beijing internationally. It also occurred despite the UK having fought together with the U.S. in World War II and otherwise acting as the closest U.S. ally in world affairs. However, because of its own longstanding involvement with China, as well as its special interest in its then-colony of Hong Kong, London chose its own distinct approach to dealing with Beijing.

France, on the other hand, had a different historical experience in Asia. In the early period after the emergence of Communist China, the focus of Paris was much more on Indochina. Indeed, France for a time did not make any notable efforts to seek a close relationship with Beijing. Furthermore, as late as the early 1990's France maintained a strong relationship with Taiwan. Much to Beijing's dismay, for example, France sold Mirage jet fighters and the Lafayette frigate to Taiwan during the 1990-1992 period. Additionally, France reacted strongly against the Tiananmen Square massacre of June 1989. As a result, overall French-PRC relations were strained for some years afterwards.

By the mid-1990's, the French began to emphasize economic objectives in their relations with Beijing. Reflecting this shift in approach, Paris focused on arranging large-scale government-to-government economic deals. In pursuit of such objectives Paris all but abandoned Taipei. For example, on a visit to Beijing in April 2005, then-French Prime Minister Jean-Pierre Raffarin said he supported Beijing's "anti-secession" law<sup>3</sup> regarding Taiwan and also vowed to keep pushing for an end to the EU arms embargo. An end to the embargo could, among other things, open the door for military-related sales to the PRC.

In recent years, France has also been interested in developing geopolitical counterweights to U.S. power and global influence. Thus, the then-French Foreign Minister Dominique de Villepin in January 2004 called China a "special partner".<sup>4</sup> Subsequently, President Jacques Chirac went so far as to propose a strategic vision that included a European partnership with China, as well as with Russia, to ensure an international balance of power.

In contrast to the volatility of the France-China relationship, Germany has for many years pursued a steady low-key approach, sometimes referred to as "silent diplomacy", in its overall relationship with China. Thus, Berlin has tended to encourage private sector deals with the government in the background as a facilitator rather than a deal-maker. As a concomitant of this approach, Berlin has also in recent years tended to downplay PRC human rights issues in favor of developing enhanced commercial ties with Beijing.<sup>5</sup>

On a bilateral level, it is perhaps not surprising that since European nations have all but disengaged from the Asian region militarily, Asia-related security issues have not been a significant concern for Europeans. Also, as noted by one observer, "without a security role and defense commitments European capitals also lack the intelligence and threat assessments to go along with them".<sup>6</sup> In other words, without such assessments, it is even less likely that Europeans will perceive potential security threats emanating from the Asian region in general or from China in particular.

In addition to economic motivations, European nations have sought positive relationships with the PRC for a variety of reasons. For example, many Europeans believe that the best way to ensure a future democratic and non-threatening China is to engage as much as possible on all levels with Beijing. As Francois Godement put it: Europeans "see grassroots change in China, social and political transition, as well as regional integration, with more optimism than many American strategists".<sup>7</sup> Godement adds that "To many Europeans, the Chinese case today is

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<sup>3</sup> Ibid, Yahuda, p.5.

<sup>4</sup> "European Arms Sales to China", by John Tkacik, Backgrounder, The Heritage Foundation, March 18, 2004, p.2.

<sup>5</sup> See "Towards a Common EU Policy on China", Reuben Wong, April 2005.

<sup>6</sup> "Don't Lift the EU Embargo on China", By Jeff Bergner and Ellen Bork, NRC Handelsblad, September 1, 2004.

more reminiscent of the slow disappearance of South Europe's authoritarian regimes such as Spain or Greece in the 1970s... The European lesson is that it was best to engage rather than to punish these regimes.<sup>8</sup>

Another facet of European interest in China focuses on human rights. In particular, some of the smaller Western European nations, such as the Scandinavian countries, have regularly expressed concerns about human rights practices in China. Further, Central and Eastern European nations, given their recent emergence from Communist control, have also been vocal in raising concerns about the Chinese political system. Additionally, while major European governments have tended to place commercial considerations as the highest priority, some domestic constituencies have objected to the downplaying of human rights issues.

The role of the EU, as opposed to the individual European nations, in international affairs is still evolving. Over the past decade, the EU has gradually taken on a more formal structure and authority for addressing foreign policy and national security matters. At the same time, European nations have still retained key prerogatives in these areas. Further, the failure of the EU to adopt a new constitution has slowed momentum with respect to the EU international role.

While it has been uneven in its development, the EU nonetheless has in fact become an actor on important international issues, including European-PRC relations. Thus, separate and apart from European-Chinese bilateral relationships, the EU has established its own distinct framework for interaction with the PRC.

However, the line dividing traditional national, foreign, and security policies from EU policies is still not completely clear or defined and national governments reserve many key policy functions for themselves in the international area. As David Gusset has noted: "It has been difficult for the EU to come to a single policy toward China; each member state has its own history with Asia and especially China, and some of them have competing economic interests".<sup>9</sup>

In 1975, the European Commission (predecessor to the EU) and China established formal relations. By 1985 the EC had, by means of the EC-China Trade and Cooperation Agreement, established a formal overall structure for its economic relationship with China focusing primarily on economic and political matters. A political dialogue was established in 1994 with annual high-level EU-PRC meetings. More recently in 1995, the EU established a formal China policy for what the EU called a "maturing partnership" with the PRC.

Subsequently, EU policy was expanded in 1999, 2001 and 2003 with EU policy statements that also addressed such issues as human rights. The EU has also entered into specific projects with China, including partnering on a major satellite positioning system.<sup>10</sup>

Thus, a pattern is emerging whereby national governments establish and implement bilateral policies on specific and narrow issues in areas such as trade and foreign investment in China. The EU, on the other hand, sets out broad policy approaches, as well as represents the EU members in negotiations and framework agreements in such areas as economic interaction between EU members and China.

Overall, the EU has focused on four areas in its relationship with Beijing: 1) political dialogue; 2) economic and trade relations; 3) EU-China cooperation programs; and, more recently, 4) sectoral dialogues and agreements.<sup>11</sup>

The EU in its interaction with the PRC has historically not taken up security issues, but rather has focused on "using economic instruments, cultural and political exchanges to promote trade and investment".<sup>12</sup> Put more succinctly, EU-Chinese relation "have been, and continue to be, driven by economics".<sup>13</sup>

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<sup>8</sup> Ibid.

<sup>9</sup> "China and Europe: Toward a Meaningful Relationship", Perspectives, Vol. 3, No. 1, March, 2003.

<sup>10</sup> See below for more details.

<sup>11</sup> See EU Web Site. "External Relations: The EU's China Policy", 2006.

<sup>12</sup> Yahuda, op. cit., p.5, December 2001.

<sup>13</sup> As quoted from Road to Beijing by Katrinka Barysch and Charles Grant in a review by Glennon Harrison, European Affairs, Summer, Volume 6, Number 3.

However, in very recent years, the EU has gradually moved more into the security realm in its interactions with Asia in general and China in particular. An early example was a May 2001 EU delegation visit to North Korea. More recently, the 2005 EU-China Joint Statement made several references to security matters. Included in the statement, for example, was an agreement to begin a regular EU-PRC security dialogue at the Foreign Ministry Vice-Ministerial level and an agreement to cooperate in the area of nonproliferation. Combating terrorism has also been placed on the EU agenda for discussions with China.

## **THE U.S. AND CHINA: OVERVIEW**

In contrast to Europe, American views of China are much more mixed. The result has been trade and cooperation but also preparation for possible military contingencies as well.

On the one hand, China is a major U.S. trading partner and many U.S. companies are attracted by potential opportunities in a vast and growing Chinese market.

At the same time, in contrast to Europe, Washington has significant security concerns about China. U.S. military forces in fact clashed with the PRC directly during the Korean War when Chinese ground forces intervened during that conflict. Later the U.S. and China clashed indirectly during the Vietnam War when China provided important materiel assistance to the North Vietnamese that was used in fighting U.S. military forces.

Viewed in a broad perspective, a key reason for transatlantic differences is that the U.S., unlike the Europeans, has global security responsibilities that include key Asian regional alliances and commitments. Current U.S. security relationships include Japan, South Korea, the Philippines, Singapore, and Australia. Most importantly with respect to China, the U.S. maintains a security commitment to protect Taiwan against a PRC attack.<sup>14</sup> For these reasons, there is increasing concern among many in the U.S. national security community about China's growing military capabilities.<sup>15</sup>

Concern about China in the U.S. is also motivated by economic, moral and ideological issues. Significant trade issues exist between the U.S. and China. Also, many Americans view the human rights violations of the Chinese Communist government with great concern and the U.S. government, to a greater extent than most European policymakers, believes that the nature and degree of U.S.-Chinese relations should be calibrated with the extent of political change in China.

Having said this, the U.S. has carefully crafted a two-track approach to China. On one track, the U.S. seeks actively to encourage China's evolution into a modern pluralistic democracy that acts internationally as essentially a status quo power. On the other track, the U.S. seeks to deter Beijing from any thoughts or plans to integrate Taiwan into China by force or otherwise take actions that could destabilize the region. Alongside these approaches, the U.S. now must also take into account as it shapes its policies. China's role and position on key security issues of concern to the U.S., including North Korea, Iran, and global terrorism.

## **THE U.S. AND EUROPE: TRANSATLANTIC ISSUES REGARDING CHINA**

### ***PRC Military Build-Up***

With its responsibilities for Asian security and stability, as well as its regional economic and political interests, the U.S. is inevitably concerned about any potentially hostile nation that might develop sufficient power to

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<sup>14</sup> See below for discussion of the Taiwan issue.

<sup>15</sup> Some U.S. observers have argued that not only is China a strategic concern but that it has been distinctly unhelpful to the U.S. diplomatically in key areas. For example, in "U.S. Hedging Against China" by John J. Tkacik, Jr. of The Heritage Foundation argues that "Beijing prudently avoids head-on collisions with U.S. policies but China's strategic unhelpfulness in virtually every policy area (WMD proliferation, North Korea, Iran, Taiwan, the war on terrorism, and even the traffic in counterfeit currency) is destabilizing. China has moved too far in the wrong direction for anyone to say that Beijing will act as a responsible stakeholder without considerable pressure". See Heritage Foundation web site:

<http://www.heritage.org/Research/AsiaandthePacific/bg1925>.

challenge it militarily in the Pacific. This is especially true where significant geopolitical and ideological differences with the U.S. exist, as is the case with China.

In this regard, while the U.S. encourages Chinese entry into the international political system, it also remains very concerned about the PRC as a potential strategic competitor. Given the possibility of a PRC military clash with the U.S.,<sup>16</sup> the U.S. views Chinese military capabilities primarily within the context of their impact upon the U.S.-Chinese military balance, as well as the overall regional military balance.

Thus, the U.S. has great concern over China's steady and seemingly inexorable military build-up. The estimates of China's current defense spending range is as high as \$90 billion dollars which would in fact amount to the world's third largest military budget.<sup>17</sup> Whatever the exact amount, the trend in China's military capabilities has been clearly and rapidly upward with double digit increases annually over the past decade. This growing defense spending has been used both for domestic military production and significant purchases of advanced technology weaponry from other nations.

While the ultimate strategic purpose of this military build-up can be debated<sup>18</sup>, the capabilities that China is accumulating and what they can accomplish militarily are clear.<sup>19</sup> For example, China is expanding its inventory of ballistic missiles that could be used for, among other things, "sea-denial" and anti-access strategies against U.S. or other military forces.<sup>20</sup>

The Pentagon has concluded that, due to a combination of Beijing's rapid military modernization, increased defense spending, and Taiwan's reduction in defense spending in recent years<sup>21</sup>, the balance of military power between Taiwan and the PRC in the Taiwan Straits is shifting in favor of China. The Pentagon also believes that the PRC has deployed at least 700-800 missiles on its coastline closest to Taiwan and is adding around 100 more missiles per year to this capability. In a very significant conclusion, the Pentagon also believes that if Taipei were to receive no outside military assistance Beijing may already actually be capable of a successful attack on Taiwan.<sup>22</sup>

Moreover, the U.S. Defense Department has in fact concluded that China's current force modernization on its present trajectory will result in a capable Chinese military that will be in a position to pursue a range of military operations well beyond Taiwan, thus potentially posing a credible threat to U.S. or other militaries operating in the region.<sup>23</sup> Furthermore, some experts calculate that China's improved indigenous technology capabilities could catch up to Western capabilities within two decades.<sup>24</sup>

The Pentagon's 2006 Quadrennial Defense Review (QDR) stated that "of the major and emerging powers, China has the greatest potential to compete militarily with the U.S. and field disruptive military technologies that could over time offset traditional U.S. military advantages absent U.S. counter strategies." The QDR adds that China "is likely to continue making large investments in high-end asymmetric military capabilities emphasizing electronic and cyber-warfare, counter-space operations, ballistic and cruise missiles, advanced integrated air defense

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<sup>16</sup> At the same time, the U.S. military has sought to develop a military-to-military relationship with the Chinese military in order to better assess Chinese military capabilities.

<sup>17</sup> Chinese Military Spending", Defense News, February 15, 2006, p.8.

<sup>18</sup> For example, the U.S. Director of National Intelligence, John Negroponte, has stated that China "may become a near-competitor at some point" with the implication that it is not now such a competitor and may not necessarily become one. See Defense News, "Rival China Not Necessarily a Threat", March 6, 2006, p.21.

<sup>19</sup> See "Wishful Thinking in our Time", Dan Blumenthal and Gary Schmidt, The Weekly Standard, August 8, 2005.

<sup>20</sup> See annual DOD report on China TBA; see also "Assessing the China Threat", by Robert S Ross, The National Interest, Fall 2005. On November 14, 2006 the U.S. Navy confirmed a Washington Times report (p.1) that a Chinese submarine had been undetected for a period of time while shadowing a US aircraft carrier far from Chinese territory and close to Okinawa.

<sup>21</sup> See the discussion of Taiwan below. Also for more background, see the statements of Randall Shriver, Deputy Assistant Secretary of State, and Richard Lawless, Deputy Assistant Secretary of Defense to the China Security Review Commission, February 6, 2004.

<sup>22</sup> In its 2005 annual review, Japan's Institute for Defense Studies for the first time concluded that the Taiwan-PRC military balance "is shifting in China's favor". See Defense News, April 10, 2006, p.20.

<sup>23</sup> It should be noted that the Pentagon, while very concerned about China's military build-up, has recently also sought to expand military-to-military engagement with China. See Washington Post, May 16, 2006, p.A16 and September 28, 2006, p.A14.

<sup>24</sup> See Rand Corporation Report on Chinese technology, December 2005.

systems, next-generation torpedoes, advanced submarines, strategic nuclear strikes from modern sophisticated land and sea-based systems and theater unmanned aerial vehicles...”.<sup>25</sup>

Some informed U.S. analysts also have suggested that the PRC is developing an enhanced nuclear capability with three components: an improved theatre nuclear capability; a strengthened civil defense system; and more capable strategic nuclear forces.<sup>26</sup> These experts believe that at least some in the Chinese leadership would like to see China become the second ranking nuclear power which would require sufficient nuclear capabilities to move ahead of Russia. Of particular concern is that the ICBMs currently being developed by China can reach most areas of the continental United States and that China may well seek to make its future ICBMs more survivable.<sup>27</sup> Such developments would complicate U.S. calculations and actions in any future military confrontation with China.

For a variety of reasons, Europeans have not expressed especially strong concerns about the Chinese military buildup. This is undoubtedly related primarily to a general European lack of concern about China as a security issue. As a result of this perception, Europeans generally have not made the security area a significant part of their policy calculus for dealing with the PRC.

At the bottom, Europeans simply find it very difficult to envision a situation where their security might be threatened by Asian developments, including those related to the PRC. The EU, as noted above, has in recent years begun to place security issues on the agenda for its dialogues with China. Nonetheless, the rapid increase in China’s military capabilities has not been the subject of much comment thus far by Europeans and, in any event, has received considerably less attention than other issues, especially economic and trade relations.

### *Security of Taiwan*

The PRC claims Taiwan as a part of China and has furthermore conveyed the message that it might at some point use force to bring Taipei under mainland control. At the same time, as described above, Beijing is engaging in a significant military build-up that poses a potential threat to the security of Taiwan. For these reasons, Taiwan remains the most likely flash point for a direct military confrontation between the U.S. and China and as a result also the highest priority security concern for Washington with respect to China.

While the U.S. de-recognized Taiwan and ended its formal treaty alliance in 1979, the U.S nonetheless has continued to maintain a major commitment to the security of Taiwan. The most clear-cut formal expression of this commitment can be found in the Taiwan Relations Act of 1979 approved by the U.S. Congress and signed into law by President Carter.<sup>28</sup> While unilateral and not a formal treaty commitment, the Act clearly calls for the U.S. to protect Taiwan against a PRC attack.

Subsequently, this pledge has been reinforced in both word and deed by various U.S. Presidents. For example, as a response to PRC military maneuvers near Taiwan in 1996, President Bill Clinton ordered U.S. Navy aircraft carriers to move towards the Taiwan Straits as a signal of U.S. resolve to protect Taiwan. More recently, President George W. Bush stated in 2001 that the U.S. would “do whatever it takes”<sup>29</sup> to defend Taiwan against a PRC assault. It is also clear that a strong and bipartisan majority in the U.S. Congress continues to support the protection of Taiwan from a PRC invasion.<sup>30</sup>

Support for Taiwan in the U.S. is also motivated by other considerations. The fact that Taiwan has in recent years become a thriving democracy has provided a moral, along with a geopolitical, rationale for U.S. policy. Also,

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<sup>25</sup> Defense News, February 26, 2006, p.1.

<sup>26</sup> There are also reports that China uses underground submarine and airplane facilities to hide its nuclear activities. See Defense News, “China Bristles at U.S. Scrutiny”, February 26, 2006, p.1.

<sup>27</sup> See “China and BMD”, Institute for Defense Analysis, September 2003.

<sup>28</sup> Public Law 96-8, enacted April 10, 1979.

<sup>29</sup> Interview with ABC News, April 25, 2001.

<sup>30</sup> At the same time, the intensity of Congressional support for Taiwan may have diminished recently due to disappointment that Taiwan is not spending more on its own defense capabilities.

Taiwan has enhanced domestic U.S. support for protecting Taiwan against domination by an authoritarian and repressive Chinese political system.

European nations have had varying approaches to Taiwan. In general, European interaction with Taiwan was relatively modest until the 1990's. At that time, economic relations expanded significantly and at one point EU nations had roughly the equivalent amount of trade with Taiwan as with the PRC. Later, under significant PRC pressure, European relationships with Taipei have dwindled.

In earlier decades some European nations, including the Netherlands and France, had provided military equipment to Taiwan. Paris which more recently has viewed China as a counterweight to the U.S. made military sales to Taiwan even as late as the 1990's. However, such European sales have ended and are very unlikely to resume, especially since Beijing has consistently threatened to constrain economic opportunities for any European nation that would sell military items to Taipei.

Throughout this period and even more so at present, Europeans have not exhibited any notable concern about Taiwan's security. Europe, according to one observer, "seems strangely oblivious to Washington's concerns over Taiwan... Taiwan rarely comes up on the radar screen of any European country's concerns, despite it being not only one of the modern world's outstanding economic success stories but has also transformed itself from being a totalitarian dictatorship into a bustling democratic free society".<sup>31</sup>

Europeans in recent years have in general become reluctant to take any actions, including military-related sales to Taiwan, which would irritate Beijing or potentially result in a cutoff of access to the PRC commercial market. In addition, the Europeans have not developed any "institutional mechanism in which the Taiwan issue could be discussed with the Chinese on a regular basis".<sup>32</sup>

At the same time, Europeans have on occasion addressed Taiwan's security situation. For example, in March 1996 after China began testing missiles near Taiwan, the EU issued a statement that urged the PRC to "refrain from activities that could have negative effects on the security of the entire region". A 2003 EU Commission Policy Paper noted that the EU "has also regularly reiterated its strong interest in and insistence on, a peaceful resolution of the Taiwan issue through dialogue across the Taiwan Straits";<sup>33</sup> and a subsequent paper advocated closer links with Taiwan in non-political fields.

Further, some Europeans have in fact defied the PRC and, at least on some specific issues, supported Taiwan. Thus, the European Parliament in 2003 adopted a resolution urging that Taiwan be included in a European-Asian dialogue and that it also be granted observer status in the World Health Organization. Some European nations have maintained active trade and commercial relationships with both Taiwan and the PRC which approach thus far Beijing has not actively opposed.

### *Arms Embargo on China*

In response to the Chinese government's brutal actions at Tiananmen Square in 1989, the EU imposed an embargo on military sales from EU member nations to China. The impetus for this EU action, therefore, was the PRC's human rights violations not security concerns. It should be noted that there is no EU ban on the sale of dual-use items (i.e., items sold for commercial purposes but which have military applications) to Beijing. Also, each European nation maintains its own national export control restrictions which are applied on a case-by-case basis.

Starting shortly after this trade constraint was imposed and as recently as the China-EU Summit of September 2006, the Chinese government for its part has pressured Europe for an end to the embargo. For their part, several key European governments led by France have since 2003 been pushing for a lifting of the EU military

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<sup>31</sup> "Europe's Great Mistake", Jonathan Power, Forum of the Transnational Foundation, p.1.

<sup>32</sup> Yahuda. Op. cit. p.4.

<sup>33</sup> "Commission Policy Paper, Shared Interests and Challenges in EU-China Relations", Commission of the European Communities, 2003.

<sup>34</sup> The Chinese government, starting years ago, for its part has pressured Europe for an end to the embargo and this effort has continued as recently as the China-EU Summit of September 2006.

sales ban.<sup>34</sup>

As a response to heightened Chinese pressure in 2003, then-German Chancellor Gerhard Schroeder and French President Jacques Chirac decided to support lifting the embargo. In the following months, the vast majority of other EU members also indicated support for this action. A major argument has been that China does not belong in the same category as Myanmar, Sudan and Zimbabwe (the only other countries against whom an EU arms embargo is in existence).

Europeans in favor of lifting the embargo have contended that this would not result in major advanced technology benefits for the PRC. It is argued that Beijing would not gain access to sensitive military items through military sales because European national export control systems would prevent such transfers. It is also contended that a European-wide Code of Conduct for exports could be adopted that would preclude or substantially minimize any U.S. concerns about exports to China.

At the same time, other Europeans have opposed lifting the embargo primarily, if not exclusively, on human rights grounds. Central and Eastern European nations, for example, have not supported an end to the EU ban. In addition, the EU Parliament voted 572 to 72 to oppose such a change. In Germany, under then-Prime Minister Gerhard Schroeder, his own parliamentary coalition of Social Democrats and Greens voted for a resolution that opposed ending the embargo.<sup>35</sup>

For a period of time in 2005-2006, it appeared very likely that the EU would in fact lift the embargo. However, primarily as a result of significant pressure from the U.S. (see below), the EU did not take such action at that time and delayed such consideration indefinitely.

Nonetheless, a number of European governments continue to support an end to the embargo. For example, France's President Chirac has said that Paris would continue to push for the lifting of what he called the "anachronistic" and "discriminatory" arms embargo against China. President Chirac also argues that the embargo contradicts the current "strategic partnership" between the EU and China.

The U.S., on the other hand, is very concerned about the Chinese military acquiring capabilities that could alter the military balance in the region, or allow the PRC to more effectively counter U.S. efforts to protect Taiwan. The American military in particular, well aware that a potential for conflict with China over Taiwan exists, does not wish to see the PRC gain possession of any military systems or technologies that could increase the effectiveness of the Chinese military vis-à-vis U.S. military forces.<sup>36</sup>

The U.S. concerns are heightened because China's military build-up has been fueled not only by its indigenous military industry, but also by the procurement (or illicit transfer) of foreign military technologies and weapons. Over the past few years the PRC has been interested in procuring, among other things, advanced space technology, radar systems, submarine technology, and advanced electronic components from defense companies in several EU countries.

Due to these concerns, the U.S. has imposed its own export controls prohibiting the sale of U.S. military items to China. In addition, the U.S. also has placed significant restrictions on the sale of so-called "dual-use items" (i.e., items that are sold for civilian purposes but have military applications) as well. The ongoing and rapid modernization of the Chinese military means that the export control policy for transactions with China will continue to be a major focus of the U.S. government.

In any event, the proposed lifting by the EU of the arms embargo caused a strong bipartisan negative reaction

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<sup>35</sup> Under Chancellor Angela Merkel, German policy shifted from support for an end to the arms embargo to neutrality if not outright opposition to a lifting of the embargo.

<sup>36</sup> For an overview of China's efforts to utilize Western technologies, see "Report to the Congress of the US-China Security Review Commission", July 2002. Some of the technology areas that are of particular concern include: advanced electronics and communications technologies; navigational and guidance systems, especially for missiles; advanced radars; target acquisition and tracking capabilities; command and control systems and missile defense technologies.

in Washington. For example, Henry Hyde, the then-Chairman of the House International Relations Committee, stated that a lifting of the embargo would “increase the likelihood that Beijing will acquire growing confidence in resolving the status of Taiwan and countering America’s security posture in Asia elsewhere with the threat or use of force”.<sup>37</sup>

Indeed, this issue was of such great salience on Capitol Hill that the U.S. House of Representatives approved trade legislation with potentially significant implications for the U.S.-European relationship in July 2006. The legislation gave to the President authority to impose trade sanctions against European nations whose companies sold dual-use items to the PRC, if such companies were aware that the items would be used for military purposes. While this legislation never became law, it demonstrated clearly the strongly held views on this matter in the U.S. Congress as well as the potential for serious friction between the U.S. and Europe on this issue.

While there are no immediate prospects that the embargo will be lifted, it is still an item on the EU agenda with support from a number of European nations. The Bush Administration continues to remain strenuously opposed to a lifting of the EU arms embargo and has made its views clear at the highest government levels in Europe. Below are several reasons for his strong opposition.

First, as the U.S.-China Security and Economic Review Commission has stated, a lifting of the embargo has the potential to “dramatically enhance” China’s military capabilities and could also break down political barriers to sales of more sophisticated armaments from countries like Russia”.<sup>38</sup>

Second, such sales would further destabilize the PRC-Taiwan military balance which is already eroding in favor of the Chinese military. China, for example, has already deployed 500 short-range ballistic missiles aimed at Taiwan with an acquisition rate of 75 new ones each year.

Third, Washington does not have confidence that European national export control policies and practices would effectively prevent China from acquiring critical defense technologies from EU countries. This is based in large part on past experience regarding the laxity of some European governments in controlling military sales to such nations as Iraq.

Fourth, any weapons exports, particularly technology transfers, can increase the risk that Beijing will export or re-export advanced technologies in contravention of non-proliferation agreements. China presently has at best an inefficient export-control system and in some cases has likely deliberately proliferated technologies of concern.

As a result of very strong U.S. pressure, the lifting of the arms embargo by the EU is not likely in the near term.<sup>39</sup> However, the issue remains a potentially significant irritant in the transatlantic relationship should the EU bring this issue to the forefront again at some later point.

### *The Galileo System: PRC Involvement*

Another issue that highlights differing U.S. and European approaches to China-related security matters centers on the EU’s Galileo satellite navigation system. The Galileo system will involve a constellation of 30 satellites and ground-stations. Initial operation will be no earlier than 2008.

This system was conceived by the EU as an alternative to the U.S. with respect to navigation satellites. The EU, in order to reduce spending requirements, has opened the door to non-European investment and other involvement in the Galileo system. China has offered a substantial financial contribution for the cost of Galileo, including its development and deployment phases. As a result, several Chinese officials are joining the Galileo Joint Undertaking which is the committee overseeing the project.

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<sup>37</sup> “Don’t Sell Arms to China”, Congressman Henry Hyde, *The Wall Street Journal*, February 23, 2005.

<sup>38</sup> As cited by Bergner, Bork op cit.

<sup>39</sup> In the Summer 2005 *National Interest*, p.130, Ian Bremmer writes that “Washington knows it (the embargo) will fall”. This is incorrect. Washington believes it can and will indefinitely delay a lifting of the embargo.

Senior EU officials have played down concerns about China's involvement in Galileo. It is argued that the agreement with Beijing ensures that the PRC will be explicitly excluded from confidential satellite signals affecting Western security. EU officials also say their aim is to provide Beijing with a more sophisticated satellite system limited to civilian use.

In earlier stages of the Galileo project, the U.S. government conveyed its concerns about the potential security implications of Chinese involvement. Relevant European officials sought to reassure the U.S. that important security-related dimensions of the system would be kept apart from the other aspects of the operations.

In spite of the reassurances, U.S. concerns over Galileo have continued. At the same time, in June 2005 the U.S. and the EU resolved a long-running U.S. concern over how to make their navigation systems compatible. This agreement included the proviso that Galileo's operations should not interfere with a code being developed for U.S. military use which is seen by the U.S. as an essential requirement for the military operations of the U.S. and its NATO allies.

### *Energy, Security, and Chinese Global Influence*

China's growing economy has required substantially increased energy resources with growing requirements for imports. For example, from 1995 through 2003, China consumed around 68 percent of the global increase in energy resources. Over the next 15 years, the number of automobiles in China is expected to increase five-fold helping to double China's overall demand for oil which has already passed Japan's to become the second-largest in the world. By 2020, China is expected to import 70 percent of its oil needs compared with 40 percent today. China accounted for 40 percent of the total growth in global demand for oil in the last four years.

China's known domestic energy reserves are not sufficient to maintain its current levels of economic growth. Thus, China in recent years has been seeking to secure additional energy resources in various ways such as by making investments in oil operations outside its borders.<sup>40</sup> In addition, China has been willing to pay above market prices for energy in order to ensure access. These PRC activities have raised several concerns among a variety of policy experts in the U.S. and members of Congress.

One concern in the U.S. is that by investing in the key energy sector in various nations, China may be in a position to increase its overall influence on policies in those countries to the detriment of U.S. interests, especially with respect to the Western Hemisphere, such as Chinese energy-related investment in Venezuela, Argentina, and Ecuador.<sup>41</sup> China has also recently sought to invest in Canadian tar sands which can be exploited for oil.<sup>42</sup> Some commentators have suggested that such activities could allow growing Chinese influence relatively close to U.S. borders.

There is also concern about the potential for Chinese leverage in smaller nations in other locations of importance to U.S. interests. Chinese companies have invested a total of \$175 million in African countries primarily on oil exploration projects and infrastructure. For example, a Chinese investment in the Nigerian energy sector was concluded in January 2006. In addition, China imports a quarter of Angola's oil, fifty percent of Sudan's exported oil, as well as growing amounts from Nigeria, Equatorial Guinea and Gabon. China is also seeking to lock-in access to energy resources from Central Asian nations.<sup>43</sup>

The PRC has also asserted claims to energy resources in the South China Sea which are located in areas

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<sup>40</sup> See "Hunting Globally for Resources", *Foreign Affairs*, by David Zweig and Bi Jianhai, September/October 2005.

<sup>41</sup> See, for example "US National Security Implications of Chinese Involvement in Latin America", by Dr. R. Evan Ellis, Strategic Studies Institute, US Army, June 2005; and "China's Quest for Asia", by Dana Dillon and John J. Tkacik, *Policy Review* 134, Spring 2005.

<sup>42</sup> See the proceedings of The Heritage Foundation seminar: "Energy: Under Threat in the Western Hemisphere", March 31, 2006.

<sup>43</sup> For an argument that China is gaining political influence via energy agreements see "Chinese Power Play", Thomas Donnelly, *The Daily Standard*, July 28, 2005.

also claimed by several neighboring nations, including Japan, South Korea, Taiwan, the Philippines and Vietnam, as well as areas claimed by Japan in the East China Sea. Such conflicting claims raise the actions that could heighten tensions or even instability in the region.

Indeed, although the PRC-Taiwan issue has drawn the most attention as a potential flashpoint between the U.S. and China, energy issues in the region arguably could be even more volatile. Historians point to misperceptions and miscalculations as a principal cause of conflicts. Given the deep-rooted differences regarding ownership of offshore energy resources, combined with the U.S. security relationships with nations that have energy resource disputes with China, ambiguities regarding energy resource rights and intentions in the waters adjacent to China has the potential to draw the U.S. into political or even military conflict with the PRC.

There is also a concern about the Chinese energy relationship with Iran. China and Iran have been negotiating an arrangement that would permit China Petroleum & Chemical Corporation, also known as Sinopec, to develop the Yadavaran oil field in southwestern Iran. Analysts estimate that the Iranian field could produce as much as 300,000 barrels of oil per day making it one of the larger overseas operations for a Chinese company. Sinopec would hold a 51 percent stake in the Yadavaran project.

Another serious U.S. concern relates to human rights issues. China has established energy footholds in nations with extremely poor human rights records, such as Sudan and Myanmar. The U.S. has criticized Beijing for not using its presence and influence to condemn the domestic abuses of these regimes. At the UN, for example, Beijing has hindered efforts to impose meaningful sanctions on Khartoum as a means of increasing pressure on the Sudan regarding Darfur.

Finally, the U.S. military can envision a future scenario in which China, with a growing need for energy resources and concerns about supplies, seeks to secure strategic sea-lanes to and from the resource rich Middle East with the use of its military power.

With respect to Europe continuing access to energy supplies is, of course, of great concern. However, energy policy thus far has not occupied a significant place on the EU agenda for discussions with the PRC. Europeans do not appear to have expressed any significant concerns about China's active search for new energy sources. In addition, Europeans do not appear to have exhibited notable concerns about the implications of China's energy requirements for Asian regional security or human rights in countries such as Myanmar and Sudan. Europeans presumably assume that oil supplies are fungible and that the international energy market will in any event ensure that Europe obtains needed resources.

Thus, there is a disparity between the importance that the U.S. has placed on energy issues related to China and European policies and perceptions regarding the implications of China's energy requirements and policies.

### *The PRC and International Security Issues*

As noted previously, the U.S. and Europe have exhibited differences in their approaches to security issues in general, and China in particular, for a variety of reasons. These differences, as well as some areas of common perceptions, can be seen on several key issues.

The U.S. has a longstanding security interest in the Korean Peninsula. Under the auspices of the United Nations, the U.S. in the early 1950's fought Pyongyang after its attack on South Korea.

After the September 9, 2006 underground nuclear explosion by North Korea, security issues related to the Korean Peninsula have become for the U.S. an even higher priority. At present, the U.S. has very serious concerns about the North Korean nuclear program. While there are different interpretations in the U.S. of the nature and extent of the North Korean nuclear-related activities, Washington's position is that the North Korean nuclear

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<sup>44</sup> For an overview of U.S. concerns about China's geostrategic activities, see: 2006 Report of the U.S.-China Economic and Security Review Commission, pp. 65-126, Washington, D.C.

program must in any event be ended completely.<sup>44</sup>

From the U.S. perspective, China's role with respect to North Korea is very important, since as the major supplier to Pyongyang of food and energy China, China has significant potential leverage on North Korea. The PRC, however, has arguably thus far played a double-game with respect to North Korea. On the one hand, Beijing has actively participated in the so-called "Six Power" talks (the U.S., South Korea, Japan, China, Russia and North Korea) whose stated purpose is to address the North Korean nuclear issue. Indeed, China has acted as facilitator and host for these talks and on occasion has made diplomatic representations to Pyongyang that are said to be for the purpose of pressuring North Korea to be cooperative. On the other hand, Beijing refused to place meaningful economic pressure on the North.

The U.S. has urged Beijing to play a more active and constructive role with respect to North Korea. The consensus view is that Beijing has placed a higher priority on avoiding the destabilization of the North than it has on blocking Pyongyang's nuclear ambitions. After North Korea's nuclear test, however, there have been signs that Beijing may more actively seek to pressure North Korea to halt its nuclear activities.

The European perspective on North Korea and the role of China, while historically much more detached, has been moving closer towards more sustained involvement. For example, after decades of minimal involvement in the Korean issue, the EU did send a delegation to North Korea in June 2002. In 2005, the EU-China Summit Joint Statement made reference to the nuclear problem on the Korean peninsula.

On the overall question of how to deal with North Korea's nuclear program, Europeans have become more supportive of U.S. concerns. For example, the United Kingdom, France, Greece and the Slovak Republic (a non-permanent member of the Security Council) all supported a draft UN Security Council Resolution in July 2006 that condemned North Korean missile tests, demanded that the North stop missile launches, and would ban trade in nuclear or missile technology with the North. After the North Korean nuclear test, all major European governments denounced this act, and France's UN Representative actually stated that a "Chapter 7" Resolution was appropriate. In a meeting with North Koreans, Members of an EU Interparliamentary Assembly meeting strongly condemned the North Korean nuclear test. The EU, however, has not yet placed significant diplomatic pressure on the PRC to be more forceful with Pyongyang on the nuclear issue.

Iran is also a major concern to the U.S. especially with respect to its nuclear program and its support for terrorism. As with North Korea, China is also a significant actor with respect to the Iranian nuclear program and, indeed, Iranian international policies in general.<sup>45</sup>

China's motivation for its growing relationship with Iran can be seen as in large part related to the PRC's energy needs. For example, in 2004 the two countries reached agreements valued at around \$100 billion over the next 25 years permitting Chinese firms extensive rights to develop Iranian oil and natural gas reserves. The total PRC-Iran energy relationship is worth at least \$120 billion.

As a result, Iran has become China's single largest oil supplier and since 2002 already accounted for more than 15 percent of the PRC's annual oil imports. This type of economic dependence, moreover, will likely intensify as more energy projects come into place in the next few years.

From a U.S. perspective China has not been especially cooperative in seeking a halt to Iran's nuclear program. On the positive side, the PRC has made diplomatic representations to Tehran. In the summer of 2006 the PRC acquiesced in the adoption by the UN Security Council of a resolution seeking to constrain Iran's nuclear program. However, it remains to be seen (as of this writing) whether Beijing would support and implement meaningful (not just symbolic) sanctions on Iran. It is at best unclear whether the PRC would permit economic sanctions to be imposed on Tehran, especially because of growing reliance on Iranian oil for its energy requirements and also perhaps as a more general way of countering U.S. international power.

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<sup>45</sup> The Impact of the Sino-Iranian Strategic Partnership. Testimony before the U.S.-China Economic & Security Review Commission Hearing on "China's Proliferation to North Korea and Iran, and Its Role in Addressing the Nuclear and Missile Situations in Both Nations" Ilan Berman American Foreign Policy Council September 14, 2006.

For a period of time after the U.S. became concerned about the Iranian nuclear program, the Europeans did not appear to have a similar focus to any significant extent. However, over time the European position on the Iranian nuclear program has become firmer. One important result has been that key European nations (France, the UK, and Germany in particular) have, by working together, strengthened considerably their efforts to block the Iranian nuclear efforts. Most importantly, the Europeans have coordinated with the U.S. their diplomatic approach to Iran.

As a key part of this diplomatic coordination between the U.S. and Europe, European nations have sought to pressure China to become tougher on Iran. For example, German Chancellor Angela Merkel in her May 2006 visit to the PRC sought Chinese support for pressuring Iran to end its nuclear program.

Thus, on this matter, there are at least the beginnings of a common approach towards China. However, it remains to be seen how far the Europeans themselves are willing to go in placing pressure and sanctions on Tehran, much less how far they will go in pressuring the PRC.

A third issue of great interest to the U.S. and which has some overlap with the North Korea and Iran security challenges is proliferation. The U.S., for example, is concerned about Chinese proliferation, including transfers of WMD-related technologies to Iran. While the PRC is a signatory to various NPT agreements, the U.S. believes that Beijing nonetheless has assisted Tehran with military modernization efforts, including its nuclear and ballistic missile programs, as well as cruise missile technology.

U.S. concerns about Chinese proliferation have been expressed regularly over the past years. Most recently, then-Assistant Secretary of Defense Peter Rodman in September 2006 criticized what he called China's indiscriminate sale of weapons to rogue countries, suggesting that Beijing's policies had made the world a more dangerous place.<sup>46</sup> The United States, Rodman said, sees in China "a general willingness to transfer a wide variety of technologies to customers around the world" including Iran, Sudan, Myanmar, Zimbabwe, Cuba and Venezuela. The PRC has also been linked by the U.S. to North Korea's July test launch of seven missiles and to Hezbollah's use of Chinese-designed cruise missiles on an Israeli naval vessel in July 2006.

Proliferation is generally an area of common agreement and even common actions by European. The U.S., European nations, and the EU appear to appreciate the potential threat to European security and global stability from proliferation activities.

European nations are signatories to various non-proliferation agreements and some are members of the U.S.-initiated Proliferation Security Initiative (PSI) which is an active effort to block the proliferation of WMD or their means of delivery.

Thus, it is not surprising that with respect to China specifically, the EU has consistently placed proliferation on the agenda for its meetings and policy discussions with the PRC and has in fact pressured Beijing to end such activities. At the same time, weaknesses in some European export control systems, and an end to the EU arms embargo against China were that to occur, have arguably the potential to undermine at least some of these anti-proliferation efforts.

Finally, the global war against Islamic extremism is an area where China can play a helpful role. The U.S., of course, has placed the highest priority on this struggle since the attack on September 11, 2001. Europeans have been responsive but not at the same extent of intensity. As more than one observer has put it, the U.S. has viewed the situation as analogous to World War II, while Europe has tended to perceive matters in a less intense way.

China for its own reasons has been generally cooperative with the U.S. and other nations in efforts to

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<sup>46</sup> "China's Proliferation to North Korea and Iran", Statement to the US-China Economic and Security Commission, Washington, DC, September 14, 2006.

<sup>47</sup> Interestingly, in late November 2006, the PRC agreed to support at the U.N. an international peacekeeping force to in effect support the Somali government which was being threatened by a militant Islamic faction. In this case, at least some European nations were reluctant to support such a force; see "U.S. Peacekeeping Plan for Somalia Criticized", Washington Post, November 29, 2006, p. A19.

combat international terrorism. Having said this, Beijing could certainly do more, and the U.S. would welcome European efforts to encourage a more active Chinese role against the terrorist threat.<sup>47</sup>

### *The PRC and International Economic Issues*

The PRC is a major trading partner for the U.S. and Europe. Each side of the Atlantic obviously has differing interests and policies on certain economic issues. This reality inevitably affects their respective economic and trade relationships approaches to China.<sup>48</sup>

The U.S. has extensive commercial ties with the PRC, but also has significant economic concerns about China as a trading competitor as well.<sup>49</sup> For example, according to the Organization for Economic Development (OECD), China in late 2005 surpassed the U.S. as the world's leading exporter of information and communications technology.

Over the past several years, concern in the U.S. regarding the impact of Chinese economic policies and practices on U.S. economic security has been growing. Specific U.S. areas of focus include the overall imbalance of trade between the two nations, as well as Chinese approaches in such areas as intellectual property rights, counterfeiting, currency manipulation, regulatory transparency, and the encouragement of controlled markets instead of the opening of competitive markets. In addition, the U.S. wants China to live up to its World Trade Organization (WTO) accession commitments in areas where it does not enjoy a competitive advantage, such as in agriculture, services, and some manufactured goods.

Among other things, the U.S. has encouraged Beijing to combat piracy of patented products, shift its economy away from dependence on exports and toward greater consumer spending, and open its financial system to foreign competition. The overall U.S. position is to encourage China to become a "responsible stakeholder" that engages in free and fair trade within the international economic system.

The status of the Chinese currency is also of great U.S. concern. Many members of Congress, as well as U.S. business executives and economists, have long complained that the Chinese Yuan is kept at an artificially low level. This practice makes PRC exports unduly inexpensive to the detriment of American workers in competing industries, provides Chinese firms with an unfair competitive advantage against U.S. businesses, and contributes to the enormous U.S. trade deficit. In this regard, Senators Charles E. Schumer (D-N.Y.) and Lindsey O. Graham (R-S.C.) in 2006 proposed legislation that would impose punitive tariffs on China until it fixes its currency policy.<sup>50</sup>

Europeans are concerned about China's economic practices and there are many parallel interests between the U.S. and Europe. With respect to China's trade policies, areas of particular focus include market access and economic barriers such as price controls, discriminatory registration and licensing requirements, geographical restrictions, joint venture requirements and the protection of intellectual property. The EU is also closely monitoring China's compliance with the terms of its entry into the WTO.

The EU is also experiencing a trade deficit with China. This deficit reached \$135 billion in 2004 which was its largest deficit with any trade partner. China is now the EU's second largest trading partner after the U.S. and the EU is China's largest trading partner and one of the top foreign investors in the PRC as well.

Within Europe, there is growing concern about China as an economic competitor. For example, the EU recently pressured the PRC to limit the amount of textiles exported to Europe and also instituted tariffs on some types of Chinese shoes. In March 2006, the EU initiated the process for WTO consideration of Chinese car part exports to Europe. The EU has also had in place an anti-dumping policy towards China.

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<sup>48</sup> See also the discussion of the EU arms embargo above.

<sup>49</sup> In addition to concerns about specific bilateral economic issues, there is also some concern about China's overall use of economic leverage for international influence; see "China Irks U.S. as It Uses Trade to Embellish Newfound Clout", Wall Street Journal, March 3, 2005, p.1. For an overview of U.S. economic concerns, see 2006 Report to the Congress of the U.S.-China Economic and Security Review Commission, pp. 25-64.

<sup>50</sup> While a majority of senators appeared to back the idea, the Senators decided not to pursue this legislation, but to consider different approaches in the next Congress, see Washington Post, September 29, 2006, p.D5.

<sup>51</sup> See, for example, "An Overview of Sectoral Dialogues", External Relations, EU web site.

In an effort to resolve its concerns over a variety of Chinese economic and trade policies and practices, the EU has established “sectoral dialogues” and other joint forums.<sup>51</sup> Such concerns have also increased on a bilateral basis. For example, on her visit to China in May 2006, German Chancellor Angela Merkel conveyed strong concerns to Beijing concerning the need for the protection of intellectual property.<sup>52</sup>

Despite increased European sensitivity about China’s economic policies, the level of concerns is thus far not as intense as in the U.S. There may be several reasons for this difference: first, Europeans do not connect the PRC’s devalued currency to their concerns; second, the EU trade deficit with China is much lower than U.S. deficit with that nation; third, the EU’s surplus with other nations at present more than offsets its deficit with China thus blunting perceptions of a crisis in this area; and fourth, Europeans are more concerned about their national trade balances than the EU trade balance.<sup>53</sup>

That said, trade with China represents an area where Europeans and the U.S. appear to share some common concerns and where the potential for coordinating policies and actions exists.

## **COMMON TRANSATLANTIC INTERESTS AND APPROACHES**

The above review indicates that the U.S. and Europe have important differences in perspectives, priorities, and policies with respect to China. At the same time, there are shared or similar perspectives and the possibility of common ground in a variety of areas.

Given the growing importance of China on both sides of the Atlantic, the U.S. and Europe should identify areas where they can work together. The overall long-term objective should be to encourage and reinforce the evolution of the PRC into: an open, democratic society under the rule of law; a nation that accepts the rules and norms of the international community of democratic nations; a nation that abides by its international agreements and does not contribute to international instabilities or use force to achieve international objectives.

Thus, the U.S. and Europe should seek to identify and implement parallel, and where possible common or unified, policies towards the PRC.<sup>54</sup> For example, Europeans and the EU can in coordination with the U.S.:

- Engage in regularly scheduled discussions with the PRC about security issues. In both the EU-China and bilateral European-PRC relationships, elevate the security agenda to a separate track on a level similar to that of economic and political issues. Matters that should be raised with Beijing include: PRC defense spending, the need for defense transparency, and the benefits of confidence-building measures.
- Pressure the PRC to seek resolution of its Taiwan concerns only by peaceful means.
- Urge Beijing to take an even more active role and increase its economic and other pressures on North Korea to end its nuclear weapons programs.
- Demand that the PRC cooperate with U.S.-European diplomatic efforts to block Iran’s nuclear activities and also accept and comply with the imposition of meaningful international sanctions imposed on Iran for its nuclear activities. In addition, insist that Beijing not engage in the proliferation of nuclear or WMD-related technology to Iran.<sup>55</sup>
- Urge that China take concrete and effective actions to block proliferation, such as by tightening its export control system and also becoming an active participant in the Proliferation Security Initiative, a multilateral

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<sup>52</sup> Note: This paper does not address in detail human rights issues as this is area of general agreement between the US and Europe, although with differences over tactics on occasion.

<sup>53</sup> As discussed in Book Review by Glennon Harrison of “Embracing the Dragon” by Katinka Byrnsch and Charles Grant, Centre for European Reform, London 2005.

<sup>54</sup> For an overview of key issues in the ongoing the U.S.-EU dialogue, see for example: “EU-US Strategic Dialogue on East Asia”, Remarks of Ambassador Christopher Hill, May 25, 2005.

<sup>55</sup> One observer, former Congressman Mel Levine, has argued that “The Chinese are also unlikely to stand in the way of a serious sanctions regime, particularly if forced to do so alone. While China has committed to substantial investments in Iran’s oil and gas sector, it is unlikely to jeopardize its relationship with the United States and the European Union over the issue. Beijing also believes that while it should certainly let its views be known on important geopolitical issues, it is not yet ready to single-handedly resist the combined pressure of Western nations on an issue they consider of vital strategic importance to them, Washington Post, February 7, 2006, p.A21.

- effort to block shipments of weapons of mass destruction or their means of delivery.
- Develop agreement between Europe and the U.S. on those technologies and systems (including dual-use) which are especially sensitive (in the sense of contributing to key PRC military capabilities that can shift the balance of military power), and which, therefore, require special export control vigilance.
  - Support tightening of the multilateral export control regimes to prevent the proliferation of advanced military technologies to the Chinese military for the future sales of dual-use technologies.
  - Encourage China to cooperate further in combating terrorism through such actions as helping to destroy terrorist supply lines and providing financial assistance to Afghanistan.
  - Encourage Asian regional stability through coordinated and active involvement bilaterally and with Asian regional institutions.
  - Encourage China to pursue fulfillment of its energy requirements in a responsible manner. In that regard, encourage China to accept an internationally agreed framework for energy access in the South China Sea, especially in areas where boundary disputes create the potential for conflict with China's Asian neighbors.
  - Encourage China to utilize to the maximum extent diverse sources of energy such as clean coal technology, nuclear, renewable, hydrogen, and bio-fuels.
  - Urge China to use its influence to improve domestic conditions and end human rights abuses in what the U.S. government has termed "troublesome states", such as Sudan and Myanmar.
  - Encourage continued political and economic liberalization inside China.
  - Provide political and moral assistance to internal democratic forces and coordinate resources to avoid overlap on democracy-building. Remind the PRC to take note of the lessons that Taipei's political and economic success can have for mainland China.
  - Apply coordinated and reinforcing pressure for China to change economic policies in areas of concern to both the U.S. and Europe and conform strictly to internationally agreed economic practices.
  - Maintain and enhance strong bilateral and multilateral, including through NATO, ties with Japan, Australia, and India which are Asia's principal democratic nations in the effort to encourage a more democratic China.
  - Place the PRC on NATO's agenda as a matter to be reviewed regularly at appropriate NATO meetings and consider ways of NATO-China engagement.<sup>56</sup>
  - Establish and convey to Beijing common U.S.-European metrics for whether China is behaving constructively as a responsible member of the international community.

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<sup>56</sup> The NATO Parliamentary Assembly in November 2005 approved a Resolution "On Forging a Transatlantic Policy Towards China" which, among other things, urges NATO to participate in discussion with China on strategic, political, and economic issues.

## CONCLUSION

At the moment, the political, economic and military reach of China's power and influence remains primarily local and sub-regional. However, it appears that, barring significant internal turmoil, China is on a trend line to become a potentially significant international actor far beyond its borders accompanied by a modernized military capability.

While internal factors will play an important role in China's international development and policies, the views and actions of key outside powers, such as the U.S. and Europe, can potentially have a significant impact on Beijing. Thus, it is important that the U.S. and Europe maintain an open and continuing dialogue regarding China and coordinate and reinforce their approaches wherever possible.

Thus far, Europe has been focused primarily on economic and political issues and has exhibited only relatively modest concern about China as a security issue. For example, the annual EU program for 2005 sets as an objective the building of a strategic partnership with India, Japan, and China. In this way, the EU has appeared to place its relationship with China on the same level and in the same conceptual framework as its relationship with the two leading Asian democracies, Japan and India. At the same time, as noted above, the EU is beginning to become more focused on Asian regional security issues, including China.

It should be noted that there is in fact no single view on China policy within the European region. Indeed, views and policies in each nation can and have changed based upon national interests, domestic developments, or changing political leadership. Such changes can in turn result in shifts in the EU policy as well. This reality, therefore, allows for the possibility of heightened European and EU interest in contentious PRC-related security and economic issues, and also for U.S.-European cooperation with respect to China.

Further, as a result of the failure of Europeans to adopt the proposed new EU constitution, the prospects for a truly unified European policy towards China developed and implemented through the EU framework appear less likely at least in the shorter run. This means that there will likely be more room for individual European nations to work with the U.S. on specific aspects of China policy as they deem appropriate to their national interests.

For example, it appears likely that Germany, under the leadership of Prime Minister Angela Merkel, is becoming somewhat more willing to consider and take into account U.S. concerns about the PRC. For example, during her election campaign Merkel stated that she opposed the lifting of the EU's China arms embargo and on her first visit to the PRC as Chancellor Merkel highlighted her concerns about proliferation.

Separately, the declining political strength of French President Jacques Chirac may make France which has sought to push Europe towards accommodating Chinese interests less influential on China policy within Europe. It is also possible that Chirac's successor to be elected in 2007 will be more willing to work with the U.S. and to raise concerns about Chinese policies.

Recent developments at NATO indicate there may be an increasing awareness in Europe about China as a security issue. The NATO Parliamentary Assembly adopted in November 2005 a resolution that calls for NATO nations to initiate a discussion that will facilitate a coherent and, where possible, coordinated approach on China-related strategic issues and it also calls for a NATO-China dialogue.

Very importantly, NATO is also making efforts to establish closer ties with both Japan and Australia. China will inevitably be a priority issue for both nations in any discussions with NATO. Japan, in particular, has already raised its diplomatic profile with Europe regarding China by officially lobbying Europe not to lift the EU arms embargo.

In any event, Europeans appear more willing to take into account U.S. security concerns than in the past. In early 2005, it was widely believed that an EU decision to lift the embargo was a mere formality. However, despite French pressure, a decision has been delayed and the likelihood that the embargo will be lifted at least in the near future has diminished considerably.

Finally, the recent convergence of U.S. and European efforts for ending the Iranian nuclear program has implications for China as well. Thus, in recent months, both the U.S. and Europe have been working to persuade the PRC to cooperate actively with EU, U.S. and U.N. Security Council efforts to block Teheran's nuclear challenge.

In the post-Cold War world, the unity of the U.S. and Europe on security matters inevitably diminished, including with respect to Asia, especially since Europe has no direct strategic concerns related to that region. Nonetheless, there appears to be a growing realization in Europe that it does have significant China-related economic and even security interests and can clearly be affected by Asian developments.

Europe is gradually beginning to appreciate that its own security can be harmed by certain types of Chinese policies or actions, including the proliferation of advanced technologies that may end up in the hands of nations such as Iran. Europe also should take into account the fact that a serious conflict involving the PRC and the U.S. would inevitably have spillover effects on Europe.

Europeans may in some cases need to make a choice, for example with the EU arms embargo, between its China interests and its broader and more fundamental coincidence of interests with the U.S. and indeed with Asian democracies. At the same time, it is in the best interests of both Europe and the U.S. to identify and implement coordinated or at the least parallel actions in addressing common concerns about the PRC. Also, they need to encourage the PRC to evolve into an open society with no territorial ambitions.

A direct and fundamental clash between U.S. interests in the Pacific and China's rising aspirations could occur, but it is not inevitable. Europeans can play an important role in making such a conflict less likely. An active U.S.-European dialogue and policy coordination wherever practical, especially with respect to security matters, can help deter any potential Chinese expansionism. It can also become an important factor in ensuring that China's rise is truly peaceful and that China steadily evolves over time into a democratic nation which conducts itself in accordance with the political and economic norms of the democratic community of nations.

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