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The International Politics of the Chinese Arms Embargo Issue

Nicola Casarini

The member states of the European Community (EC) imposed an arms embargo on the People's Republic of China (PRC or simply China) in June 1989 in response to the crackdown on students that occurred in Tiananmen Square.¹ Along with the EC, the United States and other Western countries also condemned the massacre and imposed similar restrictions. At the time, Europe-China relations were still derivative of Cold War dynamics. Fourteen years later, in a changing geopolitical environment, the member states of the European Union (EU) decided to start discussions on lifting the arms ban on China. According to those who advocate lifting, the ban no longer corresponds to contemporary global realities.

This article examines the international politics of the Chinese arms embargo issue. It begins with an overview of EU-China relations in the last years, which serves to contextualise the proposal to lift. Subsequently, it analyses the main technical and strategic questions related to the lifting, as well as US opposition to it. The whole question is placed in the framework of transatlantic relations and East Asia's evolving strategic balance and security perceptions. It is argued here that the arms embargo issue has gone beyond Sino-European bilateral relations to become a matter of regional (East Asia) and global (transatlantic) significance – and concern. Thus, an eventual solution not only depends on the interplay between EU and Chinese policymakers' interests and considerations, but is now interconnected with the complex and evolving interactions between China's domestic developments and regional posture, the security concerns of China's neighbours (Japan and Taiwan in particular), and the evolution of US-China and transatlantic relations.

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¹ "The European Council strongly condemns the brutal repression taking place in China... it thinks it necessary to adopt the following measures... interruption by the Member States of the Community of military cooperation and an embargo on trade in arms with China", *European Council Declaration on China*, Madrid, 26–27 June 1989.

The EU and China: ever closer partners?

The lifting of the EU arms embargo on China was officially proposed by France and Germany in December 2003 at a particularly propitious time for EU-China relations.² Only a few months earlier (October 2003), the EU and China had signed an agreement on the joint research and development of Galileo, the EU-led global navigation satellite system.³ In September 2003, the European Commission had released its last policy paper on China⁴ and at the sixth EU-China summit held in Beijing on 30 October 2003 the EU and China had established a comprehensive strategic partnership, only a few days after Beijing published its first ever policy paper on the EU.⁵ The proposal to lift the arms embargo was intended, in this context, to give further meaning and content to this newly established strategic partnership.⁶ For Chinese policymakers the lifting was instrumental for moving beyond Cold War thinking and for laying the ground for closer Sino-European cooperation and exchanges on political and security matters in a situation of buoyant commercial relations. For the EU this move was the logical extension into the security-strategic dimension of the policy of constructive engagement that had characterised Europe's approach to China since the mid-1990s.

European advocates of a policy of engagement with China propound the idea that protection of the EU's welfare will be increasingly linked to China's development and the capacity by European companies to acquire growing shares of the Chinese market. In 1998, Sir Leon Brittan clearly stated that "by engaging with China, we are not only in a position to point China towards a path of sustainable growth but we will also protect the welfare of Europe".⁷ In the 2004 European Competitiveness Report, the European Commission argued that securing market outlets and fair competition for European industries in China had become an issue of major concern for the EU.⁸ This point has been reiterated in the Commission's latest paper on China which focuses on the benefits of openness, competition, market access, as well as the need to

² The 12 December 2003 *European Council Presidency Conclusions*. Point 72 (p. 19) states, "The European Council invites the General Affairs and External Relations Council to re-examine the question of the embargo on the sale of arms to China".

³ Cooperation Agreement on a Civil Global Navigation Satellite System (GNSS) – Galileo – between the European Community and its Member States and the People's Republic of China, Beijing, 30 October 2003; for more details on the political and strategic implications of EU-China satellite cooperation, see Casarini, *Evolution of EU-China Relationship*.

⁴ European Commission, *A Maturing Partnership*.

⁵ Chinese Ministry of Foreign Affairs, *China's EU Policy Paper*.

⁶ At the time, the international press used terms such as "love affair" and "honeymoon" to describe the state of Sino-European relations. See, for instance, Murphy and Islam, "China's Love Affair with Europe", 26–9. Scholars dubbed the partnership an "emerging axis". See Shambaugh, "China and Europe", 243–8.

⁷ Sir Leon Brittan, "Engaging China", speech by the Vice-President of the European Commission, London, EU-China Academic Network Annual Conference, 2 February 1998.

⁸ European Commission, *European Competitiveness Report 2004*.

support EU firms doing business in China.⁹ Chinese policymakers have, in turn, stated that China's economic security and modernisation process increasingly depends on fostering relations with European countries, in particular to obtain advanced technology that would be more difficult (if not impossible) to obtain from the US or Japan.¹⁰

As a result of this linkage, EU-China commercial ties have grown impressively in recent years. Since 2004, China has become the EU's second biggest trading partner (after the US) and, according to China's customs service, the EU has become China's biggest trading partner – ahead of both the US and Japan. In 2006, two-way trade totalled €254.8 billion. Imports from China rose by 21 percent to €191.5 billion and EU exports to China rose by 23 percent to €63.3 billion.¹¹ As a result of these increases, China has displaced the US as the largest source of EU imports. If current trends continue, Beijing is poised to become the Union's most important commercial partner. Furthermore, a growing number of EU companies have invested and relocated productions in China, increasing the current stock of EU foreign direct investment (FDI) flowing towards Beijing.

Besides commercial considerations, the EU-China strategic partnership is underpinned by budding EU cooperation with China on a significant number of sectoral and technical issues, ranging from space technology to enterprise regulation, from environmental issues to education and the information society. Growing EU-China relations are also reflected at the institutional level. For instance, the Department of European Affairs in the Chinese Ministry of Foreign Affairs has become the largest department in terms of number of officials (more than 140 at the end of 2006).¹² In the same vein, a Chinese diplomatic mission to the EU was inaugurated in Brussels in 2006. On the European side, there are currently more than 100 professionals working on China in the European Commission, across the different directorate-generals.¹³ According to EU officials, China is the non-EU country that receives the most attention from Brussels – in terms of projects, cooperation agreements, issue specific dialogues, commissioners' visits, etc. EU member states are also devoting more and more time, energy and resources to developing relations with China in all fields and at all levels. China is one of the countries visited most frequently by European heads of state/government – for some EU members, such as France and Germany (in particular, during the

⁹ European Commission, *Competition and Partnership*. For a critical view, see Berkofsky, "Europe Gets Tough on China", 42–4.

¹⁰ See, for instance, Zha, "Chinese Considerations of 'Economic Security'", 69–87; see also *China's EU Policy Paper*.

¹¹ Data from Eurostat, March 2007; see also R. Atkins, "China exports more to the EU than the US for the first time", *Financial Times*, 23 March 2007, 4.

¹² Interview, Chinese Ministry of Foreign Affairs, March 2007.

¹³ Interview, European Commission, February 2007.

Schroeder governments: 1997–2005) even more than the US. At the societal level, an increasing number of cultural and people-to-people exchanges between Europe and China are taking place. Many Chinese are studying in European countries and more and more Europeans are attracted by China. The Middle Kingdom has also become increasingly visible across Europe; for instance, there has been a proliferation of the *Year of China* in European countries.

The above developments have been accompanied by the deepening and widening of political and security-military relations. At the political level, the 1985 EC-China Trade and Cooperation Agreement (TCA) was complemented in 1994 and 2002 by exchanges of letters establishing a EU-China Political Dialogue. Since 1998 a Dialogue on Human Rights has been institutionalised and an annual EU-China summit is held between European heads of state/government and Chinese leaders to discuss bilateral, as well as global issues. In October 2003, the two sides established a comprehensive strategic partnership. In the context of this new partnership, consultations on security and defence matters, military exchanges and joint manoeuvres with the People's Liberation Army (PLA) have been undertaken by some EU member states. For instance, Germany has held several rounds of high-level consultations on security and defence with China, underpinned by visits of high-ranking military and civilian representatives. Germany has also been training PLA officers. France and China have also established a strategic dialogue and held annual consultations on defence and security matters since 1997, complemented by the training of Chinese military officers. France and China held their first joint military exercises in the South China Sea in March 2004. Since 2003, the UK has also started an annual strategic security dialogue with Beijing and has been training PLA officers. Following France, in June 2004, the UK held joint maritime search-and-rescue exercises with the PLA.¹⁴ Finally, cooperation in the joint development of the Galileo satellite system and other space technologies is promoting both the EU's and China's space programmes. The proposal to lift the EU arms embargo on China must therefore be placed in this context of growing Sino-European relations across the board. Nevertheless, the proposal prompted an intense debate.

The debate

Those advocating an end to the arms embargo base their case on a number of arguments. First of all, they claim China has changed. Since the 1989 Tiananmen Square crackdown on students, Beijing has significantly reformed its system of government and its economy, and improved relations with neighbours. It should

¹⁴ For more details, see Stumbaum, "Engaging China - Uniting Europe?", 57–75.

be rewarded for this. Former French President Jacques Chirac, in particular, was in the forefront, dubbing the arms embargo as “outdated”. In January 2004, Chirac stated that “the ban no longer corresponds to the political reality of the contemporary world and therefore makes no sense today”.¹⁵ Former German Chancellor Gerhard Schröder, during a state visit to China in December 2003, also declared that the embargo should be lifted.¹⁶ Despite opposition from the Nordic countries, an EU-15 consensus on initiating discussions on the lifting was reached at the Brussels European Council in December 2003.

The official position in favour of lifting the embargo claims that the EU Code of Conduct (CoC) on arms sales and normal national arms export policies and controls will still apply, thereby preventing abuses when it comes to exporting arms to China. Moreover, EU officials say that by treating China as a respected interlocutor, they can encourage its peaceful integration into the international community. They even argue that European weapons are too expensive and that China has frequently declared that it has no intention of buying weapons from Europe. Thus, the end of the embargo would principally serve to show that the EU does not discriminate against Beijing but treats it on a par with nations such as Russia.¹⁷

However, the Nordic countries led by Denmark and Sweden have repeatedly voiced their criticism with regard to China’s failure to provide clear and specific evidence of improvement of its human rights record. The European Parliament and some national parliaments have also intervened in the debate, opposing the lifting. In October 2003, the German Parliament passed a resolution opposing Berlin’s attempts to lift the embargo. In November 2003, the European Parliament passed a similar resolution with 572 votes against 72. In the 2005 Annual Report on the CFSP (adopted in February 2006), the European Parliament, with 431 votes in favour and 85 against, urged the Council once again not to lift the arms embargo. In that Report, the MEPs “call on the Council not to lift the arms embargo until greater progress is made in the field of human rights and arms exports controls in China and on cross-strait relations”.¹⁸

Human rights concerns are not the only argument used by those opposed to the lifting of the embargo. From a security point of view, once the embargo is lifted, China may be able to acquire weapons systems – especially advanced early warning capabilities as well as surface-to-air and air-to-air missile

¹⁵ “Chirac renews call for end to EU arms embargo on China”, *Agence France-Presse*, 27 January 2004.

¹⁶ “Schröder backs sales to China of EU weapons”, *Wall Street Journal*, 2 December 2003.

¹⁷ Chinese officials stress the fact that the only other countries with which the EU has maintained an arms embargo are Zimbabwe, Sudan and Myanmar. Interviews, Chinese Ministry of Foreign Affairs, Beijing, and European Commission delegation in China.

¹⁸ European Parliament, *Report on the Common Foreign and Security Policy* (Brok’s Report, 28 November, 2005) discussed and adopted by the European Parliament on 2 February 2006. Quotation from point 34.

systems – from Europe that could affect the military balance across the Taiwan Strait in Beijing's favour. In this context, it is important to recall that French and British military exchanges and joint manoeuvres with the PLA took place in 2004, during the debate on the proposal to lift the arms embargo. Joint manoeuvres are an important component of cooperation in military and security matters. Yet, they are also about display of the latest military equipment and technology.

Washington has intervened to criticise – and oppose – strongly the proposal to lift the embargo. More specifically, since the beginning of 2004, the US government has voiced threats of retaliation in EU-US industrial and defence cooperation should this occur. In response to US criticism, EU officials have asserted that the lifting would be mainly a “symbolic gesture”.¹⁹ In other words, lifting the arms embargo would be a political act that would not suggest that the EU member states would seek to sell arms or defence technologies (which the embargo also covers) to China. EU policymakers have clarified that the lifting is not meant to change the current strategic balance in East Asia. In this context, EU members have been asked not to increase arms exports to China “neither in quantitative nor qualitative terms”.²⁰ Moreover, EU officials have stressed that a revised Code of Conduct will be put in place. This new CoC will amend the one adopted in 1998 and establish criteria for EU arms sales worldwide. However, what worries the US and Japan is that the embargo and the CoC are interpreted differently by EU members.

A question of technical provisions and strategic interests

When the EC/EU ban on arms sales to China was adopted on 27 June 1989, it took the form of a European Council Declaration. This was a non-legally binding political declaration whose scope was not clearly defined. As a consequence, EC/EU member states implemented it in various ways in conformity with their own national export control regulations and policies toward China. The EU arms ban on China is thus a series of national arms embargoes, based on different national export control laws and policies as well as on different definitions of what constitutes arms.²¹ In fact, this “patchwork” of national embargoes has not prevented some weapons sales to China

¹⁹ On the symbolism of the proposal to lift, see Vennesson, “Lifting the EU Arms Embargo on China”.

²⁰ European Council, *Presidency Conclusions*.

²¹ For instance, certain countries, given the importance of their arms exports for the national economy, interpret the items covered by the embargo more indulgently (e.g. France, Italy, the UK and the Czech Republic), while others have tended to adopt slightly stricter laws and interpretations (e.g. Germany and Spain). For more details on this point, see Anthony, *Military Relevant RU-China Trade*; Kogan, *European Union Defence Industry*.

from occurring. Moreover, the arms embargo on China does not encompass a good number of technologically sensitive items, which are covered, instead, by the EU's Dual Use Regulation.²² The latter is a legally binding instrument directly applicable to EU member states. It sets out all the requirements that have to be met and the procedures to be followed for an export license to be granted.

In the years since the adoption of the arms ban on China, EU member states' have sought to converge on arms export control policies. This is illustrated by the common criteria introduced for arms exports in 1991 and 1993 and by the subsequent drafting, in 1998, of the EU Code of Conduct on Arms Exports. The CoC lays down eight criteria against which EU members should assess applications to export military equipment.²³ In addition, the operative provisions of the CoC require, *inter alia*, the member states to publish an annual report on arms exports, containing statistical annexes. These have become increasingly detailed since the first EU annual report in 1999, so that they now contain figures on the number and value of licences granted per destination and on the number of denials issued, as well as the criteria on which those denials were based. On 23 June 2003, the European Council adopted a Common Position²⁴ on the control of arms brokering in order to avoid the circumvention of United Nations, EU or OSCE embargoes on arms exports. On 25 April 2005, in accordance with Operative Provision 5 of the Code of Conduct, the Council adopted a new version of the EU's Common Military List. In October 2005, in a further move, the EU member states adopted a *User's Guide to the EU Code of Conduct on Arms Exports*, with the aim of helping member states (in particular export licensing officials) apply the Code of Conduct.²⁵

According to EU officials, the above provisions are aimed at ensuring mutual political control among member states, as well as transparency and accountability. However, a report by the European Parliament released in October 2004 points out that both the embargo and the CoC have been varyingly and erratically applied by EU member states in the past.²⁶ In addition, the Council in its Eighth Annual Report on the EU Code of Conduct on Arms Exports declares that a number of EU member states partially sidestepped the embargo in 2005 by supplying China with components for military equipment. Among the EU-25, France accounted for the

²² Council Regulation (EC) No. 1334/2000 of 22 June 2000 setting up a European Community regime for the control of exports of dual-use items and technology. This was amended by Council Regulation (EC) No 394/2006 of 27 February 2006. With regard to dual-use items, the EU adopted a Joint Action (CFSP 401/2000) concerning the control of technical assistance related to certain military end-uses.

²³ EU Council, *EU Code of Conduct*; for instance, respect of human rights in the country of final destination (Criterion Two), preservation of regional peace, security and stability (Criterion Four), national security of the member states and of territories whose external relations are the responsibility of a member state, as well as that of friendly and allied countries (Criterion Five).

²⁴ (2003/468/CFSP).

²⁵ EU Council, *User's Guide to EU Code of Conduct*.

²⁶ EU Council, *Fifth Annual Report*.

largest share of exports (100 licenses issued for a value of €150 million), followed by the UK (44 licenses for a value of €88 million) and Germany (28 licenses for a value of €46 million). With regard to the items sold, the majority were in the ML10 category (aircraft, unmanned airborne vehicles, aero-engines and aircraft equipment) with 41 licenses granted, followed by the ML15 category (imaging or countermeasure equipment, specially designed for military use) with 38 licenses. It should be noted that France alone accounted for 37 ML15 licenses.²⁷ Thus, notwithstanding the embargo, some EU governments – and their arms manufacturers – have been able to circumvent it by selling components for arms or dual-use goods to China.

EU arms producers are very keen on entering the promising Chinese market. For Europe's aerospace and defence sector, China – and indeed, the whole of Asia – is just another market. Asia has, in fact, become an increasingly important market for an European defence industry that depends more and more on exports for the bulk of its revenues. The demand for aerospace products (both civilian and military) over the next 20 years is projected to come from outside US or European markets, mainly from Asia and, in particular, China.

Putting an end to the arms embargo is, however, unlikely to result in Beijing buying more European weapons and defence technologies. European defence firms cannot hope to compete with Russia's prices or technology-transfer arrangements, nor with the fact that Russian weapons are simply a better fit for a Chinese army based on Soviet design and technology. More likely, European arms producers would mainly provide the PLA with competing bids in order to extract better deals from Moscow. However, Europe's defence and aerospace companies might be able to sell components or subsystems to China that could contribute to the modernisation of the PLA and fill critical technology gaps, particularly in such areas as command and control, communications and sensors. Communications gear, hardened computer networks and night-vision cameras, as well as the most advanced early-warning systems and recognition satellites could contribute to putting Beijing in a position to counter Taiwan's weapons systems imported from the US.

Lifting the embargo would also allow EU aerospace and defence companies to sell Beijing weapons systems that use satellite positioning and targeting. For instance, the Franco-German-Spanish European Aeronautic Defence and Space Company (EADS) is directly involved in the manufacture of satellite-guided weapons systems. EADS is also Galileo's largest industrial partner. The EADS group includes, *inter alia*, Airbus (the aircraft manufacturer),

²⁷ EU Council, *Eighth Annual Report*, 265–6.

Eurocopter (the world's largest helicopter supplier), and MEDA, the world's second largest missile producer.²⁸ EADS is also a major partner in the four-nation (UK, Germany, Italy and Spain) Eurofighter consortium as well as the prime contractor for Ariane, the launcher that will deliver the Galileo satellites into orbit.²⁹ In sum, EU defence and aerospace companies would profit from the lifting of the arms embargo, since it would open the way for arms and defence technologies sales. China's is the second fastest growing procurement budget in the world after the US.

The problem facing EU policymakers and industrialists is that European defence and aerospace companies are still largely dependent on US cooperation in defence technology, as well as on the US defence market itself. The United States have repeatedly warned Europeans that retaliation could take the form of target sanctions on specific defence contractors who sell sensitive military-use technology or weapons systems to China. According to US policymakers, these companies could be restricted from participating in defence-related cooperative research, development, and production programs with the US in specific technology areas or in general. Such measures are permitted by the rules of the World Trade Organisation (WTO), which provide for protectionist measures based on national security concerns.³⁰ Washington is adamant that its advanced defence technology, currently shared with European allies, should not end up in Chinese hands. The hope in Brussels is that informal consultations with the US (and Japan) on what the EU member states intend to sell to China would prevent sensitive technology transfers and defuse a serious transatlantic dispute. However, this underestimates US opposition to the lifting of the embargo. Washington complains that even by proposing such a move the EU is acting "irresponsibly" towards East Asia, an area where the Union has few real strategic interests, but where the US is robustly committed to its security. The US has succeeded, so far, in having the decision on the lifting postponed.

The entire question has provoked a serious transatlantic rift. It also indicates that the US and the EU have different perceptions regarding China's rise and East Asia's strategic balance. This is mainly due to the different responsibilities towards the area. While the EU is largely absent, Washington is the true guarantor of East Asia's security.

²⁸ MEDA is a joint venture resulting from a merger in 2001 between Matra BAE Dynamics, EADS Aérospatiale Missiles and Alenia Marconi Systems.

²⁹ For more details on the European defence and aerospace sector, see Missiroli and Pansa, *La difesa europea*.

³⁰ US Code, Title 41, Chapter 1, Section 50. The US Congress voted against implementation of retaliatory measures because of the potentially adverse effects they would have on US companies' business interests.

The US and East Asia's security

America's alliances in East Asia and its military presence have provided a stable security structure for the region in recent decades. Almost 100,000 personnel is forward deployed in permanent bases in Japan and South Korea. Mutual defence treaties with Tokyo and Seoul – plus unofficial agreements with Taipei – underpin the US security presence in Northeast Asia. In Southeast Asia, the US has security treaties with Australia, the Philippines and Thailand.³¹ From an economic perspective, the US market is a major driver for many East Asian economies. In turn, East Asia has become the most important trading region for the US, having surpassed even North America. East Asia has in fact become the provider of inexpensive, high-quality products for US consumers, creating a huge US trade deficit with these countries. As a result, China's foreign reserves surpassed US\$ 1.2 trillion at the end of March 2007 (the largest in the world) followed by Japan (with more than US\$ 800 billion).³²

US-China relations are a key factor for stability in East Asia. At the economic level there seems to be an implicit trade-off with Beijing: Washington tolerates China's surging exports to the US and the resulting bilateral trade surplus for China, but China recycles its new wealth, helping to finance the US budget deficit. Economically, therefore, China and the US are increasingly interlocked.³³ Together, they have been driving the world economy in recent years. At the political level, though, things are different.

The Taiwan issue in US-China relations

In the 2002 National Security Strategy, the Bush administration stated that the US “welcome[s] the emergence of a strong, peaceful, and prosperous China”.³⁴ However, the US also believes that China's declared “peaceful rise” (and “harmonious development”) cannot be taken for granted and that the lack of democratisation and political liberalisation in China could presage tensions in future US-China relations. Moreover, the Taiwan issue continues to loom large on US-China relations. The US is committed to assisting the island under the Taiwan Relations Act, the 1979 law that accompanied the US switch of diplomatic recognition from Taipei to Beijing.³⁵ President Bush has repeatedly declared his firm commitment to the defence of Taiwan. At the same time, Chinese leaders reserve the right to use violence at home to keep China intact – and they stress that Taiwan is part of Chinese territory.

³¹ For more details, see Yahuda, *International Politics of Asia-Pacific*; Tow, *Asia-Pacific Strategic Relations*.

³² L. Vinciguerra, *Il Sole - 24 Ore*, 13 April 2007, 13.

³³ V. Mallet and G. Dinmore, “The rivals: Washington's sway in Asia is challenged by China”, *Financial Times*, 18 March 2005, 19.

³⁴ *National Security Strategy*.

³⁵ Section 2(b)(6), Taiwan Relations Act, P.L. 96–8, approved 10 April 1979.

China's fast-growing economy is providing Beijing with previously unimaginable financial and technical resources with which to modernise its armed forces.³⁶ Yet, blocked by the EU arms embargo and Washington's refusal to authorise arms sales to the mainland, Beijing has depended largely on Moscow as a supplier in recent years and – to a lesser extent – other countries like Ukraine and Israel.³⁷ China's real military budget is difficult to estimate. During the annual session of the National People's Congress in March 2007, Beijing announced a 17.8 percent increase in its official defence budget, to about US\$ 45 billion.³⁸ In 2005, the RAND Corporation concluded that China's total defence expenditures (based on 2003 data) were between 1.4 and 1.7 times the declared official number.³⁹

Beijing has repeatedly declared that the country is working towards a "harmonised world" and a "new security concept". This peaceful regional posture is explained by the firm belief that without peace and prosperity around China, there will not be peace and prosperity at home – and as the logic goes, without peaceful development at home the survival of the current CCP regime will be in serious trouble. This is a powerful argument in favour of a peaceful rise. However, the more hawkish policymakers in the United States do not fully buy into this argument and insist, instead, that China is focusing on procuring and developing weapons that would counter US naval and air power, especially in the Taiwan Strait. The 2006 Quadrennial Defense Review Report noted that China "has the greatest potential to compete militarily with the United States and field disruptive military technologies that could over time offset traditional U.S. military advantages absent U.S. counter strategies".⁴⁰ The last US Department of Defence Report on the Military Power of the People's Republic of China (MPPRC) concludes that the modernisation of the PLA has gone beyond preparing for a Taiwan scenario and is likely to threaten third parties operating in the area, including the US.⁴¹ The anti-satellite (ASAT) launch of January 2007 was interpreted by military analysts as a message to the world that China is now in a position to seriously affect US space assets in the area.⁴²

It is in such a context that the US continues to oppose strongly any move towards the lifting of the EU arms ban on China. The US claims that (i) the ban was originally imposed because of concern over human rights, and the human rights situation in China has not improved to the point that it merits lifting the ban; (ii) the EU's export controls are not secure and that the EU may not be

³⁶ See, for instance, Perkins, "China's Economic Growth", 363–86.

³⁷ Makienko, "Les ventes d'armes à la Chine", 29–38. See also, Medeiros *et al.* *New Direction for China's Defense Industry*, and Shambaugh, "China's Military Modernization", 67–104.

³⁸ "Reaching for a Renaissance: a special report on China and its region", *The Economist*, 31 March 2007.

³⁹ Crane *et al.*, *Modernizing China's Military*.

⁴⁰ US Department of Defense, *Quadrennial Defense Review Report*, 29.

⁴¹ US Department of Defense, *Report on Military Power of People's Republic of China*.

⁴² C. Harrington, "Chinese ASAT test prompts US rethink", *Jane's Defence Weekly*, 30 April 2007, http://www.janes.com/defence/news/jdw/jdw070430_1_n.shtml.

able to protect sensitive technology from being transferred to China. In particular, Washington is concerned that the EU Code of Conduct is not legally binding; that the embargo is interpreted differently by the now 27 member states of the EU; and that there could in any case be loopholes in a new CoC; (iii) it has obligations and interests in maintaining a balance between Taiwan and China and ensuring that Taiwan can defend itself. For Washington, the prospect of a China armed with weapon technologies from the EU facing US forces in the South China Sea is something that could change the post-Cold War geopolitical order forever. It would tilt East Asia's strategic balance in Beijing's favour, putting at risk American forces committed to the maintenance of the status quo.

Both the Republicans and the Democrats have argued that the proposal to lift the arms embargo is a "cynical ploy to open doors for the European defence industry" and that, even if arms sales remain limited, the EU is "tossing aside more than a decade of human rights concerns for economic gains."⁴³ American criticism gained pace at the beginning of 2005, when observers were expecting the EU to lift the 16 year-old embargo in coincidence with the thirtieth anniversary of the establishment of diplomatic relations between the EC and the PRC in 1975. On 2 February 2005, the US House of Representatives voted unanimously (411–3) to pass a resolution condemning the EU's moves toward lifting its arms embargo on China.⁴⁴

Washington's concerns about China's rising military power and regional posture are shared by Tokyo, whose worries were sharpened at the end of 2004, when a Chinese nuclear-powered submarine entered Japanese territorial waters. In addition, Sino-Japanese relations have been strained by repeated incursions by Chinese destroyers into a disputed part of the East China Sea, which is believed to contain rich oil and gas deposits. On 16 February 2005, the US and Japan held their regular top-level security talks at which they agreed to set new common security objectives to deal with what they called "unpredictability and uncertainty" in East Asia. The 2005 talks were also meant to boost the 1994 US-Japan Security Alliance, which is the linchpin of US interests in East Asia. In the joint February 2005 communiqué, the US and Japan declared that Taiwan is a "mutual concern" and that both sides have a common strategic interest in a peaceful resolution. The same day, Porter Goss, at the time director of the US Central Intelligence Agency (CIA), warned that China's military modernisation was tilting the balance of power in the Taiwan Straits and was increasing the threat to US forces in the region.

⁴³ Gill and Wacker, *China's Rise*.

⁴⁴ The resolution alleged that lifting the embargo could destabilise the Taiwan Straits and put the US Seventh Fleet at risk. 109th Congress, 1st Session H.Res. 57, *Urging the European Union to Maintain its Arms Embargo on China*.

Goss stated that China was making determined military and diplomatic efforts to “counter what it sees as US efforts to contain or encircle China”.⁴⁵

The Chinese Foreign Ministry condemned both Goss’ statement and the reference to Taiwan contained in the renewal of the US-Japan security alliance as interference in China’s internal affairs. The official *People’s Daily* newspaper wrote of a “brazen provocation which the Chinese people would not tolerate”, accusing the US and Japan of seeking an excuse to expand in the Pacific with the aim of containing China.⁴⁶ In March 2005, the Chinese National People’s Congress adopted the Anti-Secession Law (ASL) which reiterates the “sacred duty” for the PLA to take military action if Taiwan takes a decisive step toward declaring independence.

The ASL was passed precisely while the debate on the proposal to lift was underway in Europe and an EU Council delegation was in Washington trying to explain matters to the American ally. The ASL had been under preparation for some time. However, Chinese leaders had surely not foreseen the consequences that passing it would have on the EU’s proposal to lift the arms ban. In the end, at the Brussels European Council in June 2005, EU member states decided to postpone the issue finding the timing inappropriate for the lifting. To sum up, this was due to: (i) the strong opposition from the US; (ii) increasing uneasiness in many national parliaments and within the European Parliament; (iii) China’s failure to provide clear and specific evidence of improvement of its human rights record; (iv) the passing of China’s anti-secession law; (v) the new German government of Angela Merkel (which reversed the previous policy of Gerhard Schröder); and (vi) the accession to the EU of 10 new – and more Atlanticist – members. In a final move, at the 8th EU-China Summit in September 2005, the two sides agreed to set up a Strategic Dialogue to exchange views on East Asia’s strategic balance. Initiated in December 2005, it is meant to complement the EU-US and EU-Japan Strategic Dialogues on Northeast Asia (initiated respectively in May and September 2005). These newly established consultative mechanisms serve to move EU-China relations forward after the arms embargo impasse and, at the same time, to take account of US and Japanese concerns *vis-à-vis* a rising China.⁴⁷

New security dynamics in the Far East

China’s economic rise and defence modernisation are altering security perceptions throughout Asia and across the Pacific. Taiwan and Japan, to varying degrees, are

⁴⁵ “Global intelligence challenges 2005: meeting long-term challenges with a long-term strategy”, testimony of Director of Central Intelligence Porter J. Goss before the Senate Select Committee on Intelligence, Washington, 16 February 2005.

⁴⁶ *People’s Daily*, 17 February 2005.

⁴⁷ For more details on an EU strategy towards China, see Zaborowski, *Facing China’s Rise*; on the role of the EU in East Asia, see Bersick, “Role of European Soft Power”, 251–64.

also modernising their militaries and changing their security calculations to balance China's new capabilities. For instance, following the renewal of the US-Japan security alliance in October 2005, Tokyo and Washington jointly assented to long-pending changes in bilateral security collaboration over the next six years. The document issued by the Japan-US Security Consultative Committee outlines 15 areas of defence cooperation and seven measures designed to enhance policy and operational coordination. The move reflects a growing anxiety about China's increasing military capability and clearly signals that Japan has decided to adopt a more assertive stance towards Beijing. The new agreement should allow Tokyo to further extend its military cooperation with Washington, which is currently inhibited by Japan's pacifist constitution. It is expected that it will increase pressure for a revision of the war-renouncing article nine of the Constitution, something that the government of Shinzo Abe is keen on achieving. After having transformed the Japanese Defence Agency into a full Ministry of Defence with a cabinet minister, the next step is likely to involve changes in the current limited status of Japan's Self-Defence Forces (SDF), converting them into full-fledged military forces.⁴⁸

The Japanese government is actively working on building an "axis of freedom and democracy" with the not too covert aim of balancing China's rising regional posture and geopolitical reach. The initial elements of this axis were laid down on 13 March 2007 in Tokyo, when Australian Prime Minister John Howard signed a joint security declaration with Japan involving provisions for regular meetings between the two sides' foreign and defence ministries ("2+2") and joint military exercises, similar to those each country already has with the US. This is Japan's second bilateral security accord after the one with the US dating back to the postwar period. Tokyo and Canberra are Washington's closest allies in the region. The Japan-Australia security declaration was finalised shortly after Dick Cheney, the US Vice President, visited Tokyo and Canberra in late February 2007. The intention was to underline the strategic importance that the US attaches to enhanced relations with Japan and Australia, as well as to support their security agreement which, according to both sides, is not directed against China or any other country. This is quite understandable, as Beijing has become the most important regional commercial partner for both Tokyo and Canberra. However, Chinese leaders may have reason to be suspicious of the Australian-Japanese security-military *rapprochement* sponsored by the US.

In March 2006, Japan, Australia and the US also inaugurated a three-way security dialogue of foreign ministers. Moves have been made to include India in this security dialogue as well. Japan and India forged a strategic global partnership in December 2006, which includes boosting bilateral defence and

⁴⁸ Council on Security and Defense Capabilities, *Japan's Visions for Future Security*.

military exchanges. The previous year, the US and India signed a 10-year defence framework agreement which calls for enhanced bilateral security cooperation. Observers expect quadrilateral defence exchanges involving Japan, Australia, India and the US and a more structured “four-way” strategic dialogue. This would underpin what Shinzo Abe, the Japanese prime minister, is trying to achieve: an “axis of freedom and democracy” in Asia whose aim is to strengthen ties with countries that share common values such as freedom, democracy, respect for human rights, market economy and the rule of law – values that are not fully shared by China.

The key factor influencing East Asia’s security environment remains, however, the evolution of US-China relations. There is an intense debate in the US as to what kind of policy is best suited to dealing with a rising China. The containment versus engagement debate appears to be unable to capture the complexity of the US-China relationship and its consequences for the Asian region. A growing number of US scholars and policymakers maintain that there can be no question of engaging with China and supporting its new regional diplomacy, but that there is equally no good reason to pander to it and be less critical towards its authoritarian regime. These commentators tend to advocate a combination of the stick and the carrot: a firm security posture – especially with regard to any unilateral move by China to take Taiwan by force – but at the same time a constructive approach. The reasoning is that a provocative stance towards China, could force countries in the region to make a clear and unwelcome choice between Beijing and Washington, with the risk of jeopardising US policy in the region.⁴⁹ In a situation in which the US will continue to guarantee regional security for the foreseeable future, any initiative perceived as having a potential impact on East Asia’s strategic balance, and thus on US policy in the area, is likely to be met with suspicion – if not downright opposition – in Washington. And the proposal to lift the EU arms embargo on China is perceived as one just such an initiative.

Conclusion

The proposal to lift the arms ban remains a central issue in EU-China relations.⁵⁰ It reflects the EU’s distinctive approach to a rising China. The EU and its member states do not view China in the same way as the US or other East Asian countries such as Japan, South Korea and Taiwan. Contrary to the US, for instance, the EU does not regard China as a possible military threat or strategic peer competitor.

⁴⁹ Christensen, “Fostering Stability or Creating a Monster?”, 81–126; Brzezinski and Mearsheimer, “Clash of the Titans”, 46–50; Friedberg, “Future of U.S.-China Relations”, 7–45. Robert B. Zoellick, “Whither China: From Membership to Responsibility”, Remarks to the National Committee on US-China Relations, Washington, 21 September 2005.

⁵⁰ *Presidency Conclusions* of the 2771st GAERC Meeting, 6–12.

This largely explains Europe's invitation to Beijing to join in the development of Galileo, its proposal to lift the arms embargo and the continuation of European arms and defence technology sales to China. The US, instead, increasingly considers China a possible future competitor. US military planners are preparing for an eventual confrontation with China. In this context, the proposal to lift the embargo has become a contentious issue in transatlantic relations and raises the question as to whether the US and its East Asian allies' legitimate concerns regarding China's growing military capabilities can be reconciled with the legitimate interests of the EU in furthering relations – also in the security and strategic spheres – with China.

The EU is not faced with a simple decision. On the one hand, there are commercial considerations in favour of lifting the embargo. Doing so would mean rehabilitating China politically and sweeping the human rights question under the carpet. The Chinese leadership would reward EU companies for it. EU defence and aerospace companies would be allowed to sell Beijing the most advanced early-warning systems and recognition satellites, as well as weapons systems that use satellite positioning and targeting, but it is the EU's large commercial enterprises that would stand the best chance of benefiting from the lifting. On the other hand, there are human rights issues and the East Asian strategic balance to be taken into consideration. Some EU policymakers are still suspicious of the pace at which change is taking place in the People's Republic. In its last Communication on China, the European Commission set out new conditionality for the lifting of the embargo, including evident progress on human rights, cross-Straits relations and the transparency of China's military spending.⁵¹ This would maintain pressure on both Chinese and EU policymakers to work harder on exploring the possibilities and creating the conditions for building a consensus around the lifting. The conditionality is also a sign of changing perceptions in Europe *vis-à-vis* China⁵² and of the growing need felt by EU policymakers to take into consideration American and Japanese concerns. However, the final decision on the lifting rests in Europe's hands. The modalities and characteristics of its resolution will represent a crucial case study for testing the capacity of the EU to emerge as a responsible global actor.

What matters is the bigger picture. As argued earlier, the entire issue is now interconnected with the complex and evolving interactions between China's domestic developments and regional posture, the security concerns of China's neighbours, and the evolution of US-China relations and transatlantic relations. An eventual lifting would send a powerful political message to China, but it would be received differently by the other East Asian countries and the US. In this light,

⁵¹ European Commission, *EU-China: Closer Partners*, 11.

⁵² For more information on European doubts creeping into the relationship with China, see Menotti, *The European Union and China*.

the EU urgently needs to look beyond China and to come up with a common and comprehensive political vision of its interests in East Asia and the kind of security role that it would be able – and willing – to play in the region, including ways to involve the EU more in the area. Whether EU member states will be able to devise such a common stance remains to be seen. However, it is argued here that if the EU intends to proceed with lifting the embargo, it should be ready to accompany China's political rehabilitation with greater involvement in regional security affairs. This would demonstrate a commitment to regional peace and stability and contribute to the emergence of the EU as an effective and responsible player in East Asia. It would also imply a more structured transatlantic consultation mechanism and burden-sharing in the area. It would bond the EU with the Asia-Pacific powers and hopefully boost regional security mechanisms. This would ultimately transform the Chinese arms embargo from an issue of concern into an opportunity to create a “win-win” solution conducive to regional peace and stability.

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