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China and Europe: The Emerging Axis

DAVID SHAMBAUGH

One of the most important, yet least appreciated developments in world affairs in recent years has been the dramatic growth in ties between China and Europe. Not only are all European nations individually deepening their links with China, but the European Union is itself collectively engaging the People's Republic. The EU has taken the lead in conceptualizing and implementing a broad-based strategy to further ties and cooperate in a wide range of areas. The breadth and depth of Europe-China relations are impressive, and the global importance of the relationship ranks it as an emerging axis in world affairs. While this is appreciated in Asia and Europe, the United States has been slow to recognize what is transpiring in the EU-China relationship and its significance in the emerging global order.

TOWARD STRATEGIC PARTNERSHIP

The burgeoning growth in European-Chinese relations is apparent in many spheres, and in recent years has developed into a comprehensive and multidimensional relationship—even strategic partnership.

If current trade growth continues for the second half of the year, the EU and China will become each other's leading trading partner in 2004. The 44 percent growth in trade for the first half of 2004 stunningly surpassed the impressive 25 percent rate achieved in 2003. In 2003 Chinese customs statistics indicate total trade of \$125 billion, while EU figures are higher at 135 billion euros (€) (or \$165 billion at year-end exchange rates). Since 1978, when eco-

nomie reforms began in China, China-Europe trade has grown fortyfold. According to Chinese statistics, the EU is also the largest foreign supplier of technology and equipment to China, and one of the top foreign direct investors in China. The EU estimates that the total stock of European foreign direct investment in China amounts to more than \$35 billion to date. China and the EU also participate in a number of joint technology projects, including the European Galileo satellite navigation program and the world's largest cooperative science and technology research project, the EU-China Framework Program.

In the political realm, Chinese leaders hold regular meetings with European heads of state and with EU officials. Just in the first six months of 2004, Chinese President Hu Jintao and Prime Minister Wen Jiabao toured Europe (Hu and Wen also visited in the fall of 2003). During the same period, China played host to a number of European and EU leaders, including European Commission President Romano Prodi. Since 1997 an annual EU-China summit has rotated between Brussels and Beijing. This high level of interaction between the two sides has resulted in a number of substantive agreements.

In the military and strategic domain, each side has designated the other as a “strategic partner.” (Many individual European states also have variant types of such partnerships with China.) While no military exchanges have taken place yet between the EU and China, plans are on the drawing board to begin such exchanges to supplement what individual European nations have under way with the People's Liberation Army (PLA).

Already this year French and British naval ships have held joint search-and-rescue exercises with China's navy, both firsts in military-to-military

DAVID SHAMBAUGH, a professor of political science and international affairs and director of the China policy program at George Washington University, is a nonresident senior fellow at the Brookings Institution and a Current History contributing editor.

exchanges. Britain has run a training program for PLA personnel engaged in international peacekeeping operations, something in which China is becoming increasingly involved. Both the French and British governments conduct an annual “strategic dialogue” with Chinese civilian and military security experts, and Chinese military officers are being trained in German, French, and British military staff colleges. The addition of the 10 new East European members into the EU opens the possibility of more military exchanges with these nations. China quietly initiated a dialogue with NATO last year.

THE ARMS EMBARGO IMBROGLIO

China also appears eager to purchase arms and defense technologies from Europe, but these have been embargoed since 1989 following Beijing’s crackdown on the pro-democracy movement in Tiananmen Square. Over the past year, China has brought intense pressure to bear on the EU to lift the embargo—and, in return, the United States has exerted equal pressure to maintain it. As a result, Europe has been caught in the middle of an increasingly sensitive diplomatic imbroglio.

Lifting the embargo would require unanimous agreement among EU member states. EU officials estimate that 16 of the 25 member states currently favor lifting the embargo (led by France, Italy, Spain, and Germany), while Denmark, Sweden, Norway, Ireland, Portugal, Poland, and perhaps one or two other new East European members oppose lifting it. The United Kingdom and the Netherlands have thus far been studiously neutral on the issue, although both will be key to swinging the balance—given Britain’s prestige and the fact that the Dutch hold the rotating presidency of the EU and thus are in a position to drive and shape the debate. All European nations appear to agree that the embargo is anachronistic, given the overall health of Sino-European relations and the agreement on a “strategic partnership,” yet they also are sensitive to three sets of concerns.

The first is human rights. Europe implemented the embargo in 1989 in reaction to the Chinese military’s killing of civilians and subsequent draconian crackdown on dissent. EU member states still opposed to lifting the embargo (principally Ireland and the Nordic countries) argue that, even though the situation has improved greatly since 1989, human rights remain a major concern in China. They want tangible improvement to occur before the embargo is lifted. The EU, too, has repeatedly reminded the Chinese in high-level meetings over the past year that it seeks substantial progress “on

the ground,” particularly in the areas of political, civil, and religious rights (including in Tibet). The EU cites China’s imprisonment of political and religious dissidents as well as the failure of its parliament, the National People’s Congress, to ratify the UN Covenant on Social and Political Rights.

The second concern is the Chinese military’s growing capabilities vis-à-vis Taiwan and the balance of power in the western Pacific. Europe does not want to contribute to China’s power-projection capabilities and military intimidation of Taiwan. Indeed, only France seems interested in actually selling weapons to China. No other EU member states have indicated a desire to do so. They emphatically assert that lifting the arms embargo would be a politically symbolic act that does not suggest European nations seek to actually sell arms or defense technologies (which the embargo also covers) to the PLA. The EU believes it needs a mechanism to block such sales if they are deemed not to be in Europe’s overall interests. To this end, European officials point to a Code of Conduct that went into effect in 1998 and establishes criteria for EU arms sales worldwide. The code, however, is voluntary, not legally binding, and open to different interpretations.

The last concern is that lifting the embargo, not to mention actually selling weapons or defense technology to China, would further aggravate the already severely strained transatlantic relationship with the United States. The US House of Representatives already has discussed applying sanctions to European companies that sell military equipment or technology to China.

Because of these concerns, the EU is formulating several safeguards that it would put into effect when the embargo is lifted (perhaps as early as the next EU-China summit at the Hague in December). These likely will include three simultaneous steps. First, the release of a “political statement” that lifting the embargo is commensurate with the overall healthy state of EU-China relations and strategic partnership, but that it does not indicate a desire to arm China. Second, the release of a strengthened Code of Conduct (which is under revision) to better restrict the sale of end-use military items and technologies. Third, the promulgation of “internal criteria” among EU members to more clearly spell out categories of “offensive” and “defensive” arms and technologies. Under such criteria, “defensive” items such as radars and certain communication technologies would be eligible for sale.

Clearly, the EU arms embargo on China is a highly sensitive and contentious issue—between

China and Europe, between Europe and the United States, and within Europe. It remains to be seen how the EU will manage the issue and whether it will be able to mollify all concerned parties.

“A VERY SERIOUS ENGAGEMENT”

Ties between Europe and China are growing in other areas as well. In October 2003, at the annual EU-China summit, the two sides signed a series of agreements, including one on group tourism. EU officials believe that by 2005, as many as 600,000 Chinese tourists will visit the continent (and the United Kingdom) under the agreement. Chinese travel agencies are offering 10-day package trips to Europe for as little as 10,000 renminbi (\$1,220). Many of China's urban nouveau riche are eagerly taking advantage of the new travel opportunities, and it is not uncommon to encounter Chinese tourist groups in most major European cities today.

EU officials also estimate that as many as 100,000 Chinese students were registered in European universities and technical colleges during the 2003-2004 academic year, with perhaps half in the United Kingdom alone. This number considerably exceeds the approxi-

mately 60,000 Chinese students registered in the United States. Because strict US government visa restrictions are expected to cause an estimated drop of at least 100,000 foreign students on American campuses in 2004-2005, many of these, including Chinese, will go to Europe instead. Nearly 5,000 European students were registered in Chinese universities during the 2003-2004 academic year; Germany provided the largest contingent, 1,280 students.

Another area of interaction involves exchange between the Communist Party of China and a range of European political parties. For many years, the Chinese Communist Party had exchanges only with other communist or socialist parties, but that has changed since the 1980s. First the party embraced right-wing European parties in an attempt to bolster European opinion against the Soviet Union; then, with the end of the cold war and dissolution of the Soviet Union, it turned its attention to social democratic parties across Europe. There have been literally hundreds of exchanges with major and minor social democratic parties across the continent over the past decade. The Chinese Communist Party believes it has much to learn from social democrats in terms of its

own evolution and internal reform. This is intriguing since many European countries are currently in the midst of rolling back the social democratic welfare state model even as the Chinese Communist Party looks to borrow and adapt it to China.

The overall enthusiasm about these and other exchanges is palpable. China and Europe are enjoying a prolonged honeymoon and boon in interaction after years of underdeveloped and neglected ties. (“If it is not a marriage,” European Commission President Romano Prodi remarked recently, “it is at least a very serious engagement.”) Reflecting the euphoric “China fever” that is gripping Europe, the French government proclaimed 2004 the “Year of China,” commemorating it with no fewer than 378 exhibitions and events around the country.

To be sure, the new Europe-China marriage is not without its frictions. China's main complaints center on the EU embargo forbidding the sale of weapons or defense technologies to China, as well as the EU's refusal to grant China “market economy status”

(which would relieve China from charges of dumping several categories of goods on European markets). The EU's list of complaints is longer. It includes not only human rights, but

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also the “dumping” of exports, China's alleged failure to fully implement its World Trade Organization entry commitments, illegal immigration and restrictions on repatriation, the growing trade deficit (€55 billion in 2003 and on target to reach €80 billion in 2004), and concern over China's recent handling of Hong Kong. The EU and China are discussing these problem areas, however, and individual European member states that have their own concerns are also working to resolve them bilaterally.

BEHIND THE ROMANCE

Several factors help to account for the recent, dramatic development of European-Chinese relations. One is the historical hangover of the cold war. Prior to the 1990s, Europe's relations with China—and vice versa—were largely derivative of each side's relationships with Washington and Moscow. Neither side viewed the development of a relationship with the other as a worthwhile pursuit in its own right; it was seen in the context of relations with the superpowers. Thus, the relationship never developed its own independent dynamic, but was reactive to changes in US-Soviet relations.

Although most West European countries established diplomatic ties with Beijing in the 1970s (the Nordic nations and United Kingdom did so earlier, in 1950, and France in 1964), diplomatic contact was intermittent and trade remained restricted. The European Economic Community (the predecessor to the EU) officially established ties with China in 1975. China's ties with Eastern Europe were virtually nonexistent following the Sino-Soviet split of 1960. But the collapse of communist party-states in Eastern Europe in 1989 and in the Soviet Union in 1991 opened the way for Beijing to build commercial and political ties across the continent. Since that time, and particularly since the EU began to fashion a China strategy in 1994, the relationship has taken off. Although the former communist states in Eastern Europe have been slower to develop ties, they too are now showing signs of engagement.

A second factor that has facilitated the development of ties between China and Europe is the lack of a Taiwan issue to complicate the relationship, as is the case for the United States. All European states rigidly adhere to a "one China" policy and refrain from selling weapons to Taiwan or hosting its president, Chen Shui-bian, on "private" visits. (The European Parliament did invite Chen to address a conference in March 2003, but intense pressure from Beijing derailed the invitation and the visit.) European governments also keep Taiwan's representative offices on a strict leash, allowing them to promote trade but little else, while Europe's counterpart offices in Taipei similarly confine their activities. Nor has any European government (since France in 1992) dared sell Taiwan any weaponry or defense technologies—lest they risk Beijing's wrath, severance of diplomatic relations, or loss of lucrative contracts. No political "Taiwan lobby" exists in Europe, as in the United States, although the business community and some academics maintain strong ties with the island. Overall, the absence of a "Taiwan factor" removes a significant potential irritant in EU-China ties.

A third and related factor is that Europe (again unlike the United States) has no real military or strategic interests in East Asia. No European military forces are based in the region, and no security alliances or other commitments exist that would cause either side to view the other as a potential threat. This leaves China and Europe free to forge a

relationship unencumbered by two of the factors that most complicate US-China relations: Taiwan and a potential clash of strategic interests. To be sure, Europe has human rights and trade concerns in its relationship with China, but the general absence of security concerns removes intrinsic sources of friction that characterize Sino-American relations and China's posture in Asia.

Fourth, China and Europe share a convergence of views about the United States, its foreign policy, and its global behavior. This was the case prior to the administration of President George W. Bush, but the convergence has grown much closer since 2001. Both China and Europe seek ways to constrain American power and hegemony, whether through the creation of a multipolar world or through multilateral institutional constraints on the United States.

France has been in the forefront of both strategies, but the French are by no means alone in the effort. Germany, Spain, and the Nordic countries, as well as the EU itself, also share this perspective. As one European Commission official described it

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to me in Brussels recently, "The US is the silent party at the table in all EU-China meetings, not in terms of pressure but in terms of our mutual interest in developing multilateralism and constraining American [hegemonic] behavior." In fact, EU-China multilateral cooperation goes far beyond a mutual desire to constrict the United States, as both Brussels and Beijing increasingly share perspectives on a wide range of challenges to global peace, security, and the environment.

Fifth, China's and Europe's economies are in important respects complementary. While Europe cannot help to alleviate China's insatiable thirst for energy supplies and raw materials, European companies are able to fulfill many of China's technological needs and are more willing to transfer sensitive technologies than their American counterparts. For Europe, China offers a significant low-cost manufacturing base, a nearly inexhaustible market for exports and in-country sales (European auto manufacturers Volkswagen, Volvo, Peugeot, and others have done particularly well in China), an appealing destination for investment and business, and a source of technological innovation.

A sixth factor that explains the harmonious and rapid development in Sino-European relations is the

strategic framework that the European Union, through the European Commission and European Council, has set out to guide the development of the relationship. Beginning in 1995, the European Commission began to publish a series of policy papers to steer EU ties with China (all are available at http://europa.eu.int/comm/external_relations/china/intro/index.htm). For its part, China issued a policy paper on relations with the EU in October 2003. These documents illustrate the strategy that the EU has adopted in pursuing its relations with China, as well as the wide variety of programs and contacts under way.

THE EU STRATEGY

The European Union's strategy toward China appears to be targeted at three levels: engaging Beijing in global multilateral institutions and helping it to gain confidence in assuming its appropriate roles and responsibilities in such institutions; intensifying bilateral interaction (at the EU level); and improving China's "domestic capacity" to manage a range of governance challenges and improve the quality of life.

The EU is involved in a variety of efforts at each level. To some extent, the United States and other industrialized nations share the same goals, but in other ways they diverge.¹ Europe has long been a proponent of enhancing intergovernmental institutions to meet regional and global challenges of governance. Despite the continent's "realist" past, liberal institutionalism was invented in Europe and the EU itself is a prime example of how European states and societies believe in cooperative institutional responses to domestic and international problems. Especially since the end of the cold war, Europe has been at the forefront of trying to erect and strengthen international institutions to deal with a range of humanitarian challenges (even if the EU dramatically failed collectively to deal with the crisis in its own backyard in the former Yugoslavia). The rise of China fits into this strand of European thinking.

Not only have Europeans long believed that China will be easier to "manage"—and the chances of it becoming a "revisionist power" much diminished—if China is enmeshed in the full panoply of international institutions; they also believe that China must assume its rightful share of responsibility for dealing with global challenges. Europeans see China as a

great and global power with great and global responsibilities. Some Europeans, more wed to realist balance-of-power paradigms, also view China as a useful "pole" in a wished-for multipolar world order. As the most recent EU policy paper on China succinctly put it, "The EU, as a global player on the international stage, shares China's concerns for a more balanced international order based on effective multilateralism, and wants to engage China as a responsible power in the management of global issues."

Accordingly, the EU and European member states have engaged China in many international organizations. The EU worked hard to bring China into the World Trade Organization, and cooperates with China in institutions that seek to combat nuclear and missile proliferation, arms trafficking, terrorism, organized crime, drug smuggling, and many other problems. The EU and China also are both active in the United Nations and its agencies. As a Chinese Foreign Ministry publication recently stated: "Having no conflict of fundamental interest, China and the EU have identical or similar views on a large number of international issues of consequence."

Bilaterally, the EU engages the Chinese government on a wide range of concerns. Twenty separate dialogues and working groups cover issues that range from human rights to the textile trade, and from science and technology to intellectual property rights. This EU-China cooperation involves more than just dialogue. Each meeting catalyzes the respective bureaucracies to generate proposals and to negotiate tangible programs involving financial and human resources—thus marrying the respective bureaucracies and fusing them with common purpose. Many member states also carry on their own bilateral dialogues in similar areas with China. Human rights, for example, is an issue of considerable concern in European societies and parliaments, and Germany, France, Britain, Denmark, and Sweden have individual human rights dialogues with Beijing. EU and Chinese officials regularly meet in other forums as well. And all of this is to say nothing of meetings between leaders of individual European member states and their Chinese counterparts. In 2003 no fewer than seven European heads of state visited China.

The intensity of interaction between European and Chinese officials is thus considerable. The architecture of these official interactions is overlapping and often confusing, but the totality of exchanges is impressive. The level of candor and trust is also said to be very good, and differences are discussed and negotiated in a respectful fashion.

¹For an elaboration of the similarities and differences, see David Shambaugh, "European and American Approaches to China: Different Beds, Same Dreams?" *China Perspectives* (May–June 2002).

Interviews with Chinese officials and scholars indicate that China is particularly receptive to the businesslike and egalitarian approach adopted by European officials, which Chinese interlocutors often contrast (negatively) with the more arrogant, domineering, and dictatorial approach sometimes taken by the United States.

Perhaps the key dimension of the EU's strategy toward China involves the improvement of domestic "capacity" in the People's Republic. The capacity-building component is multifaceted and involves the allocation of considerable financial and human resources on the ground in China. The present portfolio of such in-country programs during the period between 2002 and 2004 includes 40 projects with a total value of approximately €260 million (\$338 million). These programs fall under three general headings. They support the social and economic reform process (implementing World Trade Organization rules, creating an information society, reforming social security, and developing human resources). They support environmental protection and sustainable development (protecting water resources and biodiversity). And they support good governance and the rule of law (reducing illegal migration and promoting civil society).

Examples of these in-country initiatives include a nationwide environmental management program, a tertiary education project in Gansu Province, a village governance initiative, an enterprise reform program, a natural forest management project, and a financial services project. These examples show that EU support is now going beyond traditional development assistance and poverty alleviation programs to include a broader array of activities promoting change in China. Civil society and media reform are two future priorities.

These on-the-ground projects are reaping tangible rewards and are improving China's domestic capacities to cope with a growing range of public policy challenges. The EU's efforts have won widespread praise within China. As the director of the Institute of European Studies in the Chinese Academy of Social Sciences bluntly put it recently, "America and other countries talk about engaging China, but the Europeans are really doing it!"

A NEW AXIS IN WORLD AFFAIRS

Prospects for the further development of ties between China and Europe are very positive, bolstered by a strong momentum in the relationship, a growing level of mutual trust and awareness, an absence of serious impediments and frictions, com-

plementary perspectives on world affairs, and a mutuality of economic interests. The two levels of European interaction with China—the bilateral national level and the multilateral EU level—reinforce each other. The tangible cooperation taking place in China across a range of program areas, and the substantial financial commitment made by the EU and many individual member states (particularly the United Kingdom and Nordic countries) to these projects, give substance to the rhetorical commitments of cooperation.

Clearly Europe and China are enjoying their new romance. Will the passion dissipate and the new marriage sour? This is doubtful. Given the absence of systemic or strategic conflict of interests—which always lurks in the background of Sino-American relations—there is every reason to believe that the China-Europe relationship will continue to grow and develop at a steady pace. Over time it will become a new axis in world affairs, and will serve as a source of stability in a volatile world. ■

A Current History Snapshot . . .



"Mao's mortality weighs heavily upon him. It is to be anticipated as probable that, as power slips further from his faltering hands, the Chinese pragmatists will reach out, take hold, and set the Chinese ship of state on a course different from that heretofore followed by Great Helmsman Mao Tse-tung. In view of China's great weaknesses and parallel great needs, Peking can be expected to return to something like the intermediate-zone policy of 1964. In that mellower character, China would before long almost certainly play a new and enhanced role in the community of nations. . . ."

This suggests that in the end, barring a nuclear Armageddon, the American-as-Western strategy of containment of China must fail."

"China and the Western World"
Current History, September 1968
 O. Edmund Clubb,
 American diplomat