China-Europe Relations
Implications and Policy Responses for the United States

A Report of the CSIS Freeman Chair in China Studies

Authors
Bates Gill
Melissa Murphy

Foreword
Charles W. Freeman III

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Fax: (202) 775-3199
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Americans have spent much of the last 20 years or so unlearning our Cold War inclination to define our relations with the outside world, no less with Europe or China, by reference to a broader (and overriding) geopolitical context. In the wake of our sudden graduation to sole superpower status, it was difficult for some Americans to define a new context that did not involve more than mere acquiescence to U.S. leadership by Brussels or Beijing. Twenty years later, the United States has clearly begun to learn that, however indispensable a member of the international community it may be, its ability to act unilaterally is constrained by normative, economic, and even military realities.

Since the fall of the Soviet Union, the U.S. policy establishment has clearly been seized with the new contextual challenge (or opportunity, if you like) of a rising China. Some in that establishment may, in fact, see in China the potential for a new rival to replace the Soviet Union, although those are still few in number. Others see in China the emergence of an economic and political juggernaut that requires concerted planning and management in ways that defy the U.S. political cycle. Remarkably, however, questions with respect to the rise of China have not been much shared between U.S. policymakers and their European counterparts, despite what would seem to be the sharing of so many common interests, values, and perspectives with respect to China’s rise.

During a negotiating trip to the World Trade Organization (WTO) in Geneva in the spring of 2002, while serving with the U.S. trade representative, I sat down with colleagues from the European Commission to seek support on a trade issue of common concern. I was armed with cases of talking points on a range of issues (the usual fire-breathing, chest-beating, legal stiletto-wielding stuff with which U.S. negotiators are sent into battle) and ran through my issues with as much fervor as one can muster on a nice May afternoon by the lake. I turned to my EU counterpart and asked for his thoughts and whether the EU would support our position. He said, as politely as he could, but with a smile: “you seem very sure of yourself, but that just isn’t the European way.”

The next day, the United States breathed fire, beat its chest, and wielded stilettos. The European Union was silent. Inside the WTO there was a palpable sense that the United States had lost and that the EU had won in a competition to manage China’s WTO integration. China’s supposedly faulty trade practice, meanwhile, remained unaddressed.

Neither the United States nor Europe has a monopoly on how to deal with a rising China. Indeed, that may be precisely the point. Both Brussels and Washington have enormous interests in getting the equation right, yet for one reason or another—political mistrust, commercial competition, cultural differences, or others—both have more frequently been at odds over policy toward China than they should be.

Part of the problem, at least in Washington, is a basic lack of understanding of Europe’s relationship with China and how it has evolved in the days since the Cold War. Enter Bates Gill and Melissa Murphy with this excellent report on the subject. I can think of no better person than Bates Gill to take on the challenge of bridging the gap between Europe and the United States on
China policy. He is, after all, one of the preeminent American China scholars, now transplanted to the Stockholm International Peace Research Institute, where he serves as director. Bates is a man of uncommon intellect and uncluttered analytical vision. This is who you want to spearhead the change in thinking among European and American thinkers about a common approach to China! He is joined ably in this endeavor by Melissa Murphy of the CSIS Freeman Chair in China Studies. British-born and educated, yet a long-time U.S. resident, Melissa’s transatlantic credentials are similarly unassailable, and her insights into the intricacies of Chinese policymaking are a source of great strength at the Freeman Chair. In addition to laying out the current state of play in Europe-China relations, they very coherently set out an appropriate framework for U.S.-European cooperation on China matters.

If the United States is, as some would suggest, about to change the way it operates in the international community in ways that are less unilateral, or at least less fixed on assumptions about what it means to be the sole superpower, finding ways to reconcile with Europe on approaches to a rising China seem about as useful a start as any. Those approaches need not yield architectures that are confrontational or threatening to China’s rise. At a minimum, however, preparing common approaches can only assist in preparing our own domestic publics and political leadership to address the real issues that China raises.

Charles W. Freeman III
Freeman Chair in China Studies
CSIS
This has been a subject of great interest to the authors for a number of years, and we have been fortunate to work with an interesting circle of interlocutors and colleagues as this study progressed. First and foremost, we are grateful to the Smith Richardson Foundation for its support and particularly to Allan Song at the foundation for his interest and guidance in the early stages of the project.

We would also like to thank the growing numbers of officials, scholars, and businesspersons in China, in Europe, and in the United States who have come to recognize the importance of China-Europe relations and their implications for U.S. interests and who gave so generously of their time and insights. A short, but far from exhaustive list these very helpful individuals must include Ian Anthony, Kjell-Erik Brodsgaard, Jean-Pierre Cabestan, Chen Zhimin, Robert Cooper, Feng Zhongping, Leila Fernandez-Stembridge, François Godement, Michael Green, Christian Hauswedell, Franz Jessen, Heinrich Kreft, Börje Ljunggren, James Moran, Mary Teresa Moran, Michael Pulch, Ruan Zongze, Eberhard Sandschneider, David Shambaugh, Song Xinning, Michaela Spaeth, Volcker Stanzel, Gudrun Wacker, Wu Jianmin, Michael Yahuda, Zhang Huiyu, Zhang Tiejun, Zhang Zuqian, and Tyler Jost. The authors would also like to thank David Shambaugh for his excellent comments on earlier drafts of this report.

Finally, the authors would like to thank Charles Freeman III, the CSIS Freeman Chair in China Studies, for his thoughtful foreword to set the scene for this report and for his continuing support and interest in the study as he transitioned to the Freeman Chair.

In the end, while we can thank all of these persons for their many contributions to what we think are the report’s great merits, we take responsibility for what defects remain.
China-Europe Relations: What Is at Stake for the United States?

Today, as China's influence in the world grows and as the European Union moves to strengthen its position as a more cohesive and effective voice in international affairs, it is all the more critical for U.S. policy leaders to take careful stock of China-Europe relations and their implications for U.S. interests. Europe-China relations have become increasingly regularized, institutionalized, and mutually beneficial, encompassing a broadening range of political, economic, military, scientific, technological, educational, and cultural ties. The China question has arisen as an area of potential transatlantic disagreement, especially over the arm embargo issue, but also on broader concerns of global order, multipolarity, balancing U.S. power, and economic competition.

Given the political, economic and security-related importance of China and Europe to the United States, and their steadily improving relationship, these developments pose important challenges and opportunities for U.S. interests. These developments may not only challenge the U.S. position vis-à-vis China and Europe; they also could contribute to an increasingly competitive, confrontational, and ultimately detrimental deterioration in traditionally strong transatlantic relations, while also further exacerbating persistent mistrust in U.S.-China ties. Were U.S.-Europe-China relations to deteriorate, Washington could lose out on the enormous strategic opportunities that would encourage positive political, economic, and security-related outcomes in China, which favor U.S., European, and Chinese interests over the longer term.

Key questions need to be addressed. What are the most important drivers and developments in contemporary China-Europe relations? Will rapidly developing China-Europe relations drive a strategic wedge into transatlantic relations? Will intensifying China-Europe relations result in closer Sino-European ties, damaged U.S. strategic interests, and diminished transatlantic relations? What needs to happen in the United States, in Europe, and in transatlantic relations to avoid or alleviate a strategic rift over China? Do the United States and Europe share more common interests and values vis-à-vis China than differences? How can the United States and Europe achieve complementarity and bring their respective strengths to bear in their approaches to China?

Given these high stakes, potential challenges, and difficult questions, Washington needs to vastly improve its understanding of China-Europe relations on the one hand and broaden transatlantic common ground regarding China's growing influence in the world on the other.

Developments in Contemporary China-Europe Relations

China-Europe relations, both at the China-EU level and across the range of China's bilateral relations with European countries, have greatly intensified. In the early 2000s, with the deterioration
of U.S.-Europe relations—in large measure resulting from differences over the U.S. approach to the global war on terror and the war in Iraq—analysts considered the EU-China relationship as part of a new restructuring in global great power relations. China-EU statements of the time, reflecting thinly veiled concerns with U.S. “unilateralism” and muscle flexing, emphasized the need for a more “multipolar world” with an enhanced role for the United Nations to address international security challenges.

The years 2006 to 2007, however, saw the EU-China relationship start to flatten out as new irritants emerged. Going into this period, trade and economic ties grew more tense as Europeans began to feel the pinch of economic competition with China. Different leaders also emerged across Europe in the 2006–2007 period who had more skeptical views toward China than their predecessors. The EU also took the decision in August 2007 to recalibrate and diminish its development aid to China. Tough negotiations also marked the preparation of the Joint Statement for the 10th China-EU summit in November 2007, with strained discussions over such issues as economic and trade relations, China’s currency valuation, the EU arms embargo, Africa, and Chinese human rights practices. These developments reflect, and are reflected by, increasingly negative views among the European public toward China.

The remainder of this section details China-Europe cooperation in areas of interest and concern for the United States: economic, trade, and socioeconomic ties (including currency valuation and the EU trade deficit, unfair Chinese trade practices and WTO disputes, intellectual property rights, dangerous and tainted goods, China’s market economy status, and socioeconomic cooperation and development aid); security-related exchanges (including global and regional security concerns, nonproliferation and arms control, peacekeeping, military transparency and defense exchanges, military technology transfers and the arms embargo, and issues related to Taiwan); and other important interaction related to human rights, science and technology, space-related cooperation, energy, the environment, education, and culture.

Assessing China-Europe Relations: Implications for the United States

Europe and China are at a complex and interesting crossroads in their relationship. As the role of China and Europe grows in a globalizing world, the two sides find they have an increasing range of interests or at least increasing contact—in economic, political, diplomatic, and security terms—in an increasing number of places around the world. Both sides see value in deeper relations but also have doubts about how far and how fast.

Europe and China, especially since the mid- to late-1990s, have seen a steady and overall convergence of interests. At the broadest level, neither side views the other as a main strategic threat. To the degree European policymakers see “threats” emanating from China, they tend to be either on questions of “soft security,” such as economic competition, illegal immigration, transnational crime, smuggling of drugs and contraband, environmental issues, and human rights, or on “hard security” issues that have only an indirect impact on European security, such as Chinese proliferation.

While important differences persist in Europe-China relations—and will thwart the achievement of a true “strategic partnership” between them—their relations are likely to expand and deepen in nearly all areas in the years ahead, if at a somewhat more steady and judicious pace. In brief, the relationship can be said to be transitioning from the “honeymoon” to a more mature and realistic relationship.
Three major issue areas will dominate this more complicated picture in the coming years. First, the most prominent feature of Europe-China relations in the near term will be continuing growth and concomitant tensions in their economic and trade relationship. Second, issues of security and politics, including human rights—long given a lower priority in Europe-China relations—will continue to rise to greater prominence and at times garner even greater attention in their relationship than economic and trade affairs. Third, the two sides will find a greater sense of common ground by focusing more of their cooperation in the area of energy, environment, and sustainable development. These are areas where both sides, especially the Europeans, have placed great priority. Looking ahead, under certain scenarios, there may be a window of opportunity for the EU and China to make greater progress in all three areas and improve the relationship beyond what may seem possible today.

For the United States, while on balance there are more commonalities than differences in the respective European and American approaches toward China, there are nevertheless some critical differences that should be recognized.

For example the Chinese government, as well as many European capitals and citizens, share a concern with what they see as an overly unilateralist United States, preferring instead a global order in which U.S. power might be constrained and even countered. European and Chinese views also favor a greater role for the United Nations and other multilateral organizations and generally seek a more “multipolar” and less “unipolar” world. In addition, Europeans and Americans often differ over how to deal with the problems that could result from China’s emergence as a global player.

Unlike Europe, the United States maintains significant strategic and political interests around China’s periphery in the form of alliances and a host of other critical political-military relationships. The United States also maintains complex and critical security relationships with other key countries around China’s periphery, such as Kyrgyzstan, Singapore, Pakistan, and India. Some aspects of these relationships are or could readily be geared toward countering or containing potential threats from China.

Unlike the United States, Europe has no strategic military commitments or alliances in the Asia Pacific, and it seems highly unlikely China would threaten the remaining small territorial outposts in the possession of European powers in the Asia Pacific. Perhaps most importantly, Europe’s relations with China are unfettered by the complicated and important relationship the United States has with Taiwan, an issue over which the United States and China could come into conflict. It is also true that European and American businesses are in fierce competition in the China market, and that the United States and Europe will also compete in the future for the talent pool in global knowledge production in order to sustain the high-value-added basis of their economic strength—many of these highly skilled scientists, engineers, researchers, and technicians will come from China and go to the highest bidder.

But while such differences exist and can arise to disrupt transatlantic relations, the United States and its European counterparts also share important and fundamental goals in common vis-à-vis China. Transatlantic differences arise most out of how these goals can best be achieved in their relations with China, not so much over the goals themselves.

For example, official U.S. and European approaches seek to maintain a stable, peaceful, and prosperous East Asia, including China. They also share the view that a stable, peaceful, and prosperous China should be integrated into the global order, rather than isolated from it, and that the integration process should go forward as smoothly as possible. The United States and Europe also share an interest in seeking greater Chinese participation as a constructive international player, contributing more readily and capably to the alleviation of global challenges.
In addition, U.S. and European officials and citizenry alike would agree on the need to foster changes in China, such that the country emerges from its current transition to become more responsive to the legitimate rights and needs of its people, more capable of delivering public goods, and more pluralized, equitable, and just. Relatedly, the United States and Europe share an interest to help China avoid or deflect the worst consequences of its ongoing economic, political, and social transformation. Importantly, as noted above, in recent years the EU, as well as most individual European states, have come out with far stronger statements regarding relations with China—including on economic competition, trade, Taiwan, Chinese military modernization, Chinese policies abroad, and China’s political situation and domestic socioeconomic transformation—which have helped close the gap between U.S. and European policies.

In short, while the United States and Europe have seen some divergence in their respective approaches toward China in recent years, the balance weighs heavily in favor of converging interests.

**Recommendations: Building a Comprehensive, Constructive Framework for Transatlantic Relations vis-à-vis China**

Given the deepening dynamic of China-Europe ties and the importance of both Europe and China in world affairs and to U.S. interests, U.S. policy will need to take a more global and comprehensive view of the U.S.-Europe-China triangle. A prudent, pragmatic and balanced approach should:

- Strengthen transatlantic relations;
- Improve transatlantic consultation and cooperation with the aim of encouraging China’s emergence as a constructive and responsible international partner; and
- Foster cooperation across Europe-China-U.S. relations to more effectively address the global challenges of the twenty-first century.

Five broad areas for improvement and action are recommended:

- Give higher priority to understanding and addressing the challenges and opportunities that Europe-China relations pose for the United States;
- Sustain and deepen transatlantic dialogue and consultation regarding China;
- Gain a better understanding of and act on the comparative advantages the United States and Europe can bring to relations with China, and harmonize approaches where possible;
- Take a more long-term, level-headed, and effective approach to the EU arms embargo on China;
- Build and establish effective mechanisms of trilateral cooperation and action on global and regional governance, security, and developmental challenges.

Such a comprehensive approach by Washington to U.S.-Europe-China relations will be as demanding as it is necessary. Yet there are obvious limitations on the United States, as well as on Europe and China, to pursue such an agenda, and expectations at this stage must remain modest. Nevertheless, it behooves the United States, European governments, and China to recognize that their interrelationships are becoming ever more complex, global in scope, and more than the sum of the bilateral legs of this strategic triangle. At the same time, the challenges facing these power
centers and the world more broadly are likewise becoming more complex, difficult, and transna-
tional in nature. The United States, Europe, and China not only have the greatest stakes in seeing
these challenges mitigated, they are also in many ways best positioned to directly respond to them.
One big step in this direction would see the United States reinforce, adopt, and sustain a com-pre-
hensive and integrated approach to Europe-China relations that strengthens transatlantic rela-
tions, harmonizes U.S.-Europe policies to encourage China’s emergence as a constructive global
partner, and fosters U.S.-Europe-China cooperation to realize a more open, just, prosperous, and
sustainably developed China in the twenty-first century.
CHINA-EUROPE RELATIONS
WHAT IS AT STAKE FOR THE UNITED STATES?

Today, as China’s influence in the world grows and as the European Union moves to strengthen its position as a more cohesive and effective voice in international affairs, it is all the more critical for U.S. policy leaders to take careful stock of China-Europe relations and their implications for U.S. interests. The United States and Europe have already experienced some painful years over differences toward the war on terror, the wars in Iraq and Afghanistan, and the Israel-Palestine conflict. The China question has also arisen as an area of potential transatlantic disagreement, especially over the arms embargo issue, but also on broader concerns of global order, multipolarity, balancing U.S. power, and economic competition. Closer strategic political relations between Europe and China could favor the further “multipolarization” of global affairs and possibly weaken the already vulnerable diplomatic, economic, and security position of the United States.

These developments may not only challenge the U.S. position vis-à-vis China and Europe; they could also contribute to an increasingly competitive, confrontational, and ultimately detrimental deterioration in traditionally strong transatlantic relations, while also further exacerbating persistent mistrust in U.S.-China ties. Were U.S.-Europe-China relations to deteriorate, Washington could lose out on the enormous strategic opportunities that would encourage positive political, economic, and security-related outcomes in China that favor U.S., European, and Chinese interests over the longer term.

Given these high stakes and potential challenges, Washington needs to vastly improve its understanding of China-Europe relations on the one hand and broaden transatlantic common ground regarding China’s growing influence in the world on the other.

Consider the broad trends in China-Europe relations over the past five years: they have become increasingly regularized, institutionalized, and mutually beneficial, encompassing a broadening range of political, economic, military, scientific, technological, educational, and cultural ties. The breadth of the 2008 "Joint Statement of the 10th China-EU Summit"—a 47-item document outlining bilateral views and activities ranging from political dialogue, to multilateralism and the role of the United Nations, to counterterrorism, to economics and trade, regional issues such as Iran, North Korea, Darfur, and Burma, and to business, educational, and cultural exchanges—is a remarkable testament to the wide range of issues China and the EU intend to jointly address.

These two major power centers are constructing a relationship characterized by an unprecedented degree of comity and common interest, manifested in both substantive and normative ways. In the words of Chinese and European leaders in 2005, the Europe-China relationship is

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1. Throughout this report, while certain bilateral relationships between China and individual European states are discussed, greater emphasis is given to relations between the European Union and China.

“fast maturing into a comprehensive strategic partnership.” In 2007, the two sides proclaimed the “growing maturity of their comprehensive strategic partnership.” Two prominent European observers stated in early 2008 that “China is now one of the European Union’s two main external partners, second only to the United States.”

However, given the political, economic and security-related importance of China and Europe to the United States, and their steadily improving relationship, the implications of these developments are not well understood by policymakers in the United States. On the one hand, Washington’s policy elite remains largely unaware of the remarkable scope and nature of China-Europe ties and their implications for U.S. political, diplomatic, and economic interests for the years ahead. Preoccupied with challenges in Iraq, in Afghanistan, and with the broader global effort to counter terrorism, and in the midst of a lengthy presidential campaign, Washington has not focused much attention on the interesting and important developments in China-Europe relations in recent years. The most intensive period of tightening Europe-China relations has been since 2001, precisely a period during which U.S. policy resources and interests have been focused elsewhere.

On the other hand, to the extent that most senior U.S. policymakers, politicians, and pundits have given attention to China-Europe relations, they have tended to fixate on the specific and highly politicized issue of the European Union arms embargo—an issue they do not fully grasp and which, in any event, is too narrow a problem from which to build an appropriate and comprehensive policy response. In the early part of this decade, when U.S. policymakers and analysts gave some greater thought to China’s burgeoning relationship with Europe, the reaction was largely negative, zero-sum, and counterproductive, seen in terms of Europe and China teaming up to counterbalance or even constrain U.S. action on the international stage.

With these considerations in mind, this study raises and addresses several important questions.

- What are the most important drivers and developments in contemporary China-Europe relations?
- Will rapidly developing China-Europe relations drive a strategic wedge into transatlantic relations?
- Will intensifying China-Europe relations result in closer Sino-European ties, damaged U.S. strategic interests, and diminished transatlantic relations?
- How much China-Europe bilateral cooperation reflects true strategic convergence, and how much is actually less-substantive “window-dressing”?
- What needs to happen in the United States, in Europe, and in transatlantic relations to avoid or alleviate a strategic rift over China?
- Do the United States and Europe share more common interests and values vis-à-vis China than differences?

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• How can the United States and Europe achieve complementarity and bring their respective strengths to bear in their approaches to China?

• What are the strategic interests that all three share in common, and can these be effectively expanded?

To address these questions, this report is organized in three principal sections. First, the report provides an overview of contemporary developments in China-Europe ties, with a particular focus on economic, security, and other important dimensions of the relationship. In doing so, the report provides a baseline of accurate, pertinent, and digestible information on China-Europe relations relevant to the Washington policy community and others.

Second, the report assesses these developments in contemporary EU-China relations and draws out the key implications for the United States.

Third, the report concludes by outlining a set of recommendations to support a more strategic, proactive, and effective U.S. approach to the broadening China-Europe relationship, which aims to strengthen transatlantic ties regarding China and improve the collaborative capacity of U.S.-Europe-China relations to address common global challenges.
From “Distant Neighbors” to “Strategic Partners”

For much of the postwar period, the China-Europe relationship was best characterized as “weak” and “far away,” as the two sides considered themselves to be “distant neighbors.” It is true that many West European countries opened up diplomatic relations with China much earlier than the United States—for example, Denmark, Finland, Sweden, and the United Kingdom in 1950, Norway in 1954, and France in 1964—but many others, especially those in Eastern Europe, did not, especially after the Sino-Soviet split in 1960. The EU (then the European Community) and China established formal diplomatic relations in 1975, but it was not until 1998 that the two sides began holding regular summits.

Even so, while China-Europe relations overall have steadily improved in recent decades, the two sides continued to have political difficulties, such as persistent concerns—especially among European parliaments and civil society—about China's human rights record and China's concerns with the U.S./NATO campaign against Yugoslavia (and associated accidental bombing of the Chinese embassy in Belgrade) in 1999. As such, it was not until 2001 that the two sides formally declared their intention to create a “comprehensive strategic partnership.”

Since that time, China-Europe relations—both at the China-EU level and across the range of China’s bilateral relations with European countries—greatly intensified. Both China and the EU issued major policy documents in 2003 that outlined their relationship and aimed for a continued strongly positive strategic relationship overall. In the early 2000s, with the deterioration of U.S.-Europe relations—in large measure resulting from differences over the U.S. approach to the global war on terror and the war in Iraq—analysts considered the EU-China relationship as part of a new restructuring in global great power relations. China-EU statements of the time, reflecting thinly veiled concerns with American “unilateralism” and muscle flexing, emphasized the need for a more “multipolar world” with an enhanced role for the United Nations to address international security challenges. According to former EU ambassador to China Klaus Ebermann in early 2005:

Relations between the European Union and China have intensified tremendously in recent years… To some extent this is the natural consequence of China’s impressive economic


growth and increasing importance on the world stage. But substantial impetus for this rapid development also stems from shared interests… In many of these areas China and the EU face similar problems and favor similar approaches to solving them.4

In October 2006, an EU Commission communication, entitled “EU-China: Closer Partners, Growing Responsibilities,” outlined the EU’s strategy for responding to China’s renewed strength; the release of this communication was accompanied by a working paper on the EU’s approach to trade and investment issues with China.5 Commenting on the EU’s evolving strategy toward China, Benita Ferrero-Waldner, commissioner for external relations and neighborhood policy, said:

Getting the partnership between Europe and China right is a key challenge for this Commission and the EU. Our new China initiative represents an ambitious agenda. To tackle the key challenges facing Europe today—like climate change, economic growth, migration, and international security we need to leverage the potential of a dynamic relationship with China. Our joint goal should be to join efforts and offer joint solutions to today’s global problems.6

At the end of 2006, the EU Council endorsed the communication and working paper and issued its own conclusions. The EU Council found that while it is “strongly committed to the maturing of the EU’s comprehensive strategic partnership with China…[f]or this partnership to develop to its full potential, it must be balanced, reciprocal and mutually beneficial.”7

A steady and ongoing series of top-level exchanges have ensued between China and Europe. In 2006, for example, French president Jacques Chirac, German chancellor Angela Merkel, and Italian prime minister Romano Prodi visited China, as did half of the EU’s commissioners and more than 70 members of the European Parliament (EP). In July 2006, EP president Josep Borrell paid the first visit to China by an EP president in 13 years.

Following visits to several European nations by Chinese president Hu Jintao in November 2005, in September 2006, Chinese premier Wen Jiabao visited Finland, Germany, and the United Kingdom, and attended the ninth EU-China summit meeting in Helsinki. At the second China-Europe Forum meeting held in Hamburg during the same visit, Premier Wen said:

China-Europe relations have a solid basis. Both sides share many common views in politics. China and Europe pursue multilateralism and stand for democratizing international relations and protecting the authority of the United Nations… Based on their common interests and reciprocal needs, China and Europe have strengthened and will continue to strengthen their cooperation so as to achieve the goal of trusting each other politically,

making their economies complementary to each other, conducting mutual cultural exchanges, and engaging in common development.8

The deepening of the relationship continued in 2007, though the EU evinced a more sober and demanding view of China, as evident in the aforementioned 2006 communication. Two-thirds of the EU commissioners made a visit to China, as did dozens of EU parliamentarians. The heads of state or government of 14 European countries also visited China in 2007. The most high-profile visit to China from Europe was by German chancellor Angela Merkel in August 2007, her second visit in two years. During the 10th China-EU summit in November 2007, the two sides agreed to launch a High-Level Economic and Trade Dialogue to address their burgeoning relationship in this field.

The years 2006 to 2007, however, also saw the EU-China relationship start to flatten out as new irritants emerged.9 Many of the new difficulties were foreseen in the EU Council conclusions issued at the end of 2006.10 That document states that while the EU is committed to the continued “maturing” of relations with China, those relations “must be balanced, reciprocal, and mutually beneficial.” The conclusions called for EU members and the EU Commission to “take stock” of ongoing sectoral dialogues and seek interactions that are “focused and have practical results.” In its strongest language, the conclusions said that the “Council continues to have serious concerns about the human rights situation in China and deeply regrets the fact that there has been little progress in a number of areas,” and specifically cites concerns over political detentions, the rights of minorities, access to information, unfair judicial procedures, and freedom of religion, expression, and association, among other items.

Going into this period, trade and economic ties grew more tense as Europeans began to feel the pinch of economic competition with China. The EU’s trade deficit with China reached €159 billion in 2007, a jump of over 25 percent from the previous year. European economic and trade officials stepped up their calls for a revaluation of the Chinese currency. European authorities also stepped up their scrutiny and recalls of dangerous toys, food, and other tainted products exported by China.

Different leaders also emerged across Europe in the 2006–2007 period who had somewhat “tougher” and more skeptical views toward China than their predecessors: Chancellor Angela Merkel in Germany, President Nicolas Sarkozy in France, Prime Minister Gordon Brown in the United Kingdom, and Peter Mandelson as EU trade commissioner. Shortly after her August 2007 visit to China, Chancellor Merkel met with the Dalai Lama in Berlin, resulting in a furious response from Beijing and a temporary suspension of senior-level Sino-German contact. In March 2008, in reaction to violence in Lhasa, Tibet, Merkel announced she would not attend the Beijing Olympics. Her decision was preceded by similar announcements by Prime Minister Donald Tusk of Poland and by President Vaclav Havel of the Czech Republic.

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8. “Full Text of Wen Jiabao’s Speech at China-Europe Forum Second Meeting,” Xinhua Domestic Service, September 14, 2006, translated in Open Source Center (OSC): CPP20060914063007. The China-Europe Forum is aimed at providing a platform for cooperation between Chinese and European enterprises. The first forum was held in Hamburg in November 2004 and was attended by Chinese vice premier Zeng Peiyan.


The EU also took the decision in August 2007 to recalibrate and diminish its development aid to China, taking into account that it is a developing country in some ways, but is also a “significant player on the world stage in economic and political terms on the other.” Tough negotiations also marked the preparation of the Joint Statement to for the 10th China-EU summit in November 2007, with strained discussions over such issues as economic and trade relations, China's currency valuation, the EU arms embargo, Africa, and Chinese human rights practices. In particular, the two sides struggled over two issues: the EU wanted to establish the High-Level Economic and Trade Dialogue, and China wanted tougher language out of Europe regarding Taiwan.

These developments at the EU level reflect, and are reflected by increasingly negative views among the European public toward China (see table 1). According to the Pew Global Attitudes survey for 2007, Europeans have become much more critical of China since 2005. Those holding favorable views of China in the United Kingdom have fallen from 65 percent in 2005 to 49 percent in 2007; in France from 58 percent to 47 percent; and in Germany from 46 percent to 34 percent during the same period. There are also fears among Europeans about whether China’s growing power is a good thing for their country, drawing them closer to views expressed among the general public in the United States.

Table 1. How China's Growing Power Affects Your Country (in percent)

<table>
<thead>
<tr>
<th>Growing Military Power</th>
<th>Growing Economic Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good thing</td>
<td>Bad thing</td>
</tr>
<tr>
<td>United States</td>
<td>15</td>
</tr>
<tr>
<td>Spain</td>
<td>15</td>
</tr>
<tr>
<td>France</td>
<td>15</td>
</tr>
<tr>
<td>Britain</td>
<td>12</td>
</tr>
<tr>
<td>Sweden</td>
<td>9</td>
</tr>
<tr>
<td>Italy</td>
<td>7</td>
</tr>
<tr>
<td>Slovakia</td>
<td>10</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>10</td>
</tr>
<tr>
<td>Poland</td>
<td>8</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>8</td>
</tr>
</tbody>
</table>


According to a Harris opinion poll published in April 2008, China had replaced the United States as the greatest threat to global stability according to Europeans surveyed. China was the “biggest threat” for 36 percent in France, up from 22 percent in 2007; for 35 percent in Germany, up from 18 percent; and for 27 percent in the UK, up from 16 percent.14

Another barometer of the China-EU relationship is the September 2006 agreement by the two sides to launch negotiations to achieve a single, over-arching Partnership and Cooperation Agreement (PCA), as “the practical basis for the comprehensive strategic partnership,” a move endorsed by the EU Council in December 2006. By updating and replacing the 1985 Trade and Economic Cooperation Agreement, currently the legal basis governing EU-China relations, the PCA is intended to cover not only traditional economic issues, such as energy, the environment, agriculture, and science and technology, but will also provide a comprehensive and legally binding basis for an enhanced political relationship.15 In January 2007, Ferrero-Waldner visited China for the inaugural talks on the new pact and in May 2007, a Chinese delegation headed by Assistant Foreign Minister Kong Quan attended the first steering meeting on the PCA in Brussels. Commenting on the meeting, China’s former foreign minister Li Zhaoxing noted that China and the EU are “not only trade partners but all-round strategic partners,” who “share broad common interests and common positions.”16 Negotiations on the PCA continue, with the two sides addressing “easier” issues first and leaving “tougher” questions—such as the EU arms embargo, China’s human rights record, and language regarding Taiwan—until later in the process.

In spite of emergent difficulties, a more realistic and sober view of one another, and the likelihood of some tougher discussions ahead, Chinese foreign minister Yang Jiechi took a longer-term view in December 2007 when he spoke to the common interests between China and Europe: “The common challenges we face and the common responsibilities we carry require us to share opportunities, elevate the China-EU comprehensive strategic partnership to a new high and work together to meet the challenges, promote peace, and pursue development… We need each other more, not less.” Yang made the point that the two sides do not have a fundamental conflict of interest or “outstanding historical issues” standing between them and that they both “advocate multilateralism and support upholding the authority of the United Nations….” By building on these and other commonly shared views, he said, China and Europe should “elevate [the] China-EU comprehensive strategic partnership to a new high.”17

In short, in spite of continuing stresses on this burgeoning relationship, China-Europe ties, particularly at the official level, continue to intensify over a broad range of areas and have been further formalized through several agreements on economics, trade, science and technology, international security, and other matters. It is also possible that the coming years will prove to be a window of opportunity for some new thinking in China-Europe relations. The two sides will have ample opportunity for exchanges in 2008: the new High-Level Economic and Trade Dialogue has been launched; the president of the European Commission, José Manuel Barroso, led an extraordinary delegation of some seven EU commissioners to Beijing in April; Chinese and European leaders will meet at the G-8 summit in Japan, as part of ceremonies surrounding the Olympics,

16. Ibid.
and at the EU-China summit in Lyon; and China will for the first time host the Asia-Europe Meeting (ASEM) in Beijing in October. With some 40 European and Asian heads of state expected to be in attendance at ASEM, it will be an opportunity for Beijing to further solidify its ties with European counterparts. Meanwhile, over the past several years, the EU tripled its staff at the delegation office in Beijing, which now numbers more than 100 persons.

The following pages go into greater detail on China-Europe cooperation in areas of interest and concern for the United States: economic, trade, and socioeconomic ties; security-related exchanges; and other interaction related to human rights, science and technology, energy, the environment, education, and culture.

### Economic, Trade, and Socioeconomic Ties

The most obvious area of growth and common interest in Europe-China relations has to do with business. Economic and trade ties have become increasingly robust over the past three decades, with EU-China trade growing 100-fold since the establishment of diplomatic relations between the two sides in 1975. As noted in table 2, bilateral EU-China trade reached approximately €259 billion at the end of 2006. China is the second-biggest trading partner for the EU (after the United States), and the EU became China's largest trading partner in 2004. As shown in table 3, investment flows have likewise grown in recent years, with EU companies investing on average U.S.$4.645 billion annually since 2000 and with total EU investment stock reaching over U.S.$52 billion by 2006.

#### Table 2. EU-China Bilateral Trade, 2000–2006 (in billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports</td>
<td>74.369</td>
<td>81.620</td>
<td>89.610</td>
<td>105.389</td>
<td>127.444</td>
<td>158.098</td>
<td>195.038</td>
</tr>
<tr>
<td>Exports</td>
<td>25.758</td>
<td>30.554</td>
<td>34.869</td>
<td>41.170</td>
<td>48.189</td>
<td>51.796</td>
<td>64.101</td>
</tr>
<tr>
<td>Total</td>
<td>100.127</td>
<td>112.174</td>
<td>124.479</td>
<td>146.559</td>
<td>175.633</td>
<td>209.894</td>
<td>259.139</td>
</tr>
<tr>
<td>Balance</td>
<td>-48.611</td>
<td>-51.066</td>
<td>-54.741</td>
<td>-64.219</td>
<td>-79.255</td>
<td>-06.302</td>
<td>-130.937</td>
</tr>
</tbody>
</table>


As part of its “Closer Partners, Growing Responsibilities” strategy outlined in October 2006, the EU Commission released a policy paper on EU-China trade and investment, entitled “Competition and Partnership,” which concluded:

European trade policy towards China will seek to promote openness and cooperation to mutual benefit, taking into account the significant domestic challenges China faces. Europe seeks reciprocity from China in a trade partnership of equals. It should be accompanied by strong policies to assist those bearing the burden of economic adjustment
in Europe. Europe should accept fierce competition. China should ensure that it is fair competition.\textsuperscript{18}

In February 2007, the EU released the findings of a study assessing the “Future Challenges and Opportunities in EU-China Trade and Investment relations” in key sectors, namely: machinery, chemicals, automotives, pharmaceuticals, ICT equipment, agriculture, financial services, retail, construction, telecommunications services, sustainable technologies, and the environment.\textsuperscript{19} In addition to specific policy recommendations for each sector and highlighting particular trade issues, the study recommended that high-level dialogue on strategic economic issues be strengthened; awareness of the risks associated with investing in China be enhanced; coordination among member states regarding trade policy be pursued in order to present a coherent “EU voice” to China; the EU’s presence in China be expanded; and efforts to meet the goals of the Lisbon Agenda be stepped up.\textsuperscript{20}

However, while economic and trade relations have deepened, it has not been without emergent frictions. Since late 2006 and accelerating since the latter half of 2007, economic and trade problems have taken a more prominent place in EU-China relations across a range of issues: the

\begin{table}
\centering
\caption{EU Foreign Direct Investment in China, 1990–2006 (in U.S. dollars in million)}
\begin{tabular}{llll}
\hline
 & Contracted & Utilized & Contracted & Utilized \\
\hline
1990 & 224.2 & 147.4 & 1999 & 4,095.7 & 4,479.1 \\
1991 & 759.4 & 245.6 & 2000 & 8,855.2 & 4,479.5 \\
1992 & 963.6 & 243.0 & 2001 & 5,152.8 & 4,182.7 \\
1993 & 3,181.8 & 671.2 & 2002 & 4,506.9 & 3,709.8 \\
1994 & 5,629.9 & 1,537.7 & 2003 & 5,854.3 & 3,930.3 \\
1995 & 7,419.8 & 2,131.3 & 2004 & 8,361.9 & 4,239.0 \\
1996 & 6,759.2 & 2,737.1 & 2005 & ---- & 5,194.78 \\
1997 & 4,228.8 & 4,171.2 & 2006 & ---- & 6,778.29 \\
1998 & 5,939.8 & 3,978.7 & Total & 71,933.3 & 52,856.67 \\
\hline
\end{tabular}
\end{table}


\textsuperscript{20} Ibid. In March 2000, the EU heads of states and governments agreed to make the EU “the most competitive and dynamic knowledge-driven economy by 2010,” which became known as the Lisbon Agenda.
EU trade deficit, unfair trade practices, intellectual property rights violations, currently valuation, and the export of dangerous and tainted goods by China. In July 2007, speaking before the European Parliament in Strasbourg, the EU commissioner for trade, Peter Mandelson, declared that the EU-China trading relationship is at “a crossroads” and that China must act to meet its World Trade Organization (WTO) commitments, remove barriers to EU exports, protect intellectual property, and stop dumping practices.21 Mandelson subsequently warned China “of both rising public hostility and frustration among European governments that would put him under pressure to shut European markets to mainland exports.”22 Mandelson’s counterpart, Chinese vice premier Wu Yi, “reacted furiously” according to media reports, saying she was “extremely unhappy” with his remarks, while other Beijing officials accused him of “inventing false problems.”23 Reflecting growing European concern on these questions, and to address these issues more closely, it was agreed at the 10th China-EU summit in November 2007 that the two sides would establish a High-Level Economic and Trade Dialogue, to begin in early 2008 (these frictions are discussed in more detail below). China and the United Kingdom also agreed to establish a bilateral Economic and Financial Dialogue, slated to have its first meeting in April 2008.

Beyond trade and investment in the private sector, the two sides engage in a range of “sectoral dialogues” that are intended to address areas of common concern, explore areas of common interest, exchange know-how, and provide a more solid foundation for EU-China relations. As of early 2008, the EU and China conducted 23 sectoral dialogues, most of them set up since 2002. They take place at various levels, from the working level to ministerial level, and involve a range of participants including officials, politicians, and business persons. Current EU-China sectoral dialogues cover the following areas:24

- Agricultural dialogue
- Civil aviation
- Competition policy
- Consumer product safety
- Customs cooperation
- Education and culture
- Employment and social affairs
- Energy
- Environment
- Food safety
- Global satellite navigation services
- Information society
- Intellectual property rights

Currency Valuation and the Trade Deficit

Two of the most important and interrelated problems in current EU-China economic relations involve the valuation of the Chinese currency, the renminbi (RMB), and the growing EU trade deficit with China. The RMB has appreciated by approximately 10 percent between July 2005 and the end of 2007. However, over the same time the RMB depreciated by nearly 13 percent against the euro. This is because RMB is managed in relation to a basket of currencies heavily weighted to the U.S. dollar. Thus, the U.S. dollar’s slide has exacerbated the EU trade deficit with China.

As a result, and as in the United States in recent years, the EU is facing an ever-growing trade deficit with China, and the issue is becoming a bigger problem for EU-China relations. The EU trade deficit with China grew by 65 percent between 2004 and 2006 (see table 2). It is estimated that the trade deficit is growing at €15 million an hour and as of late 2007 was expected to reach €170 billion for that year. This problem continues to garner attention not only from bureaucrats in Brussels but also among the increasingly frustrated public for whom China has rightly or wrongly become a symbol of the negative impact of globalization on Europe—another contributor to the souring public mood about China noted in table 1 above. In contrast to the EU’s previously soft touch on the topic of RMB appreciation, in November 2007, EU ambassador to China Serge Abou told reporters that the EU would “demand Beijing take steps to address its swelling trade surplus and allow faster appreciation” of the RMB.

In late November 2007, the two sides agreed, in addition to establishing the High-Level Economic and Trade Dialogue, to set up a working group between the European Central Bank and the People’s Bank of China to address exchange rate issues. Meeting with EU commission president Jose Manuel Barroso at the time, Chinese premier Wen Jiabao made no concrete pledges other

than to say that the “Chinese government will further let the market determine the RMB exchange rate and allow more flexibility in its trading band.”

**Unfair Trade Practices and WTO Disputes**

The EU was an enthusiastic supporter of China’s entry into the WTO, and in 2002, former EU commissioner for trade Pascal Lamy addressed how the EU intended to deal with future trade issues with China, by saying:

> We are taking a distinctively European approach… Our approach is not to swing the club straightaway, but to address the questions rapidly in a rather positive way with the Chinese. We are also avoiding the rather excessively legalistic approach used by some other major trading partners of China.  

By 2007 the mood had changed. A series of trade disputes that erupted over textiles and shoes in 2005–2006 led to charges from Brussels of unfair Chinese trading practices and from Beijing of rising European trade protectionism. The issue further spotlighted the impact of EU enlargement on EU-China economic relations as an apparent split appeared between “free trade” North European countries, whose retailers profit from cheap Chinese imports, and “protectionist” South and Central European countries, for whose manufacturers they pose a serious threat.

China is currently the largest target of trade investigations by the EU, with 41 antidumping measures in place against Chinese imports, and more than 100 antidumping and other measures being considered or applied. In a WTO Trade-Related Investment Measures (TRIMs) case filed in March 2006 related to auto parts, the EU joined the United States as a co-complainant for the first time. In March 2008, the EU and United States filed a joint complaint at the global trade body over Chinese restrictions on foreign news providers of financial news.

The 2006 publication of the EU Commission’s more sober EU-China policy paper was followed in February 2007 by the release of a second study, entitled “The Future Opportunities and Challenges in EU-China Trade and Investment Relations, 2006–2010,” which charged that due to Beijing’s ongoing discriminatory policies “European companies do not compete on a level playing field in China.” In November 2007, the EU issued a document, “EU-China Trade in Facts and Figures,” which stated that while EU exports to China grew 82 percent between 2002 and 2006, “[b]arriers to trade in China…are estimated to cost EU businesses €20 billion in lost trade oppor-

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tunities every year” and that “European services companies find it very difficult to break into the Chinese market and are often discriminated against.”

**Intellectual Property Rights**

Another thorny issue between the two sides involves intellectual property rights (IPR). According to EU sources, some 80 percent of the counterfeit goods confiscated at EU borders is from China, and 7 out of 10 European companies with operations in China claim they have suffered IPR violations. For 2007, the EU estimated that IPR violations cost European companies 20 percent of their potential revenues.

The two sides set up a formal dialogue on IPR issues in October 2003, and the EU Commission began financing an IPR technical cooperation program, which includes enforcement issues. However, in a sign of growing impatience with what Brussels views as Beijing's lax IPR enforcement efforts, the EU joined as an observer in a U.S.-initiated WTO case on Chinese IPR theft in April 2007, leading Beijing to cancel the annual IPR dialogue meeting with Brussels.

In November 2007, EU trade commissioner Mandelson warned China that “Europe has so far held back from testing China's practice on intellectual property protection in the WTO—preferring to prioritize dialogue and cooperation instead” but that “the sincerity of our approach, I must say, is being tested and I regret it is hard to see how much longer our patience can last if treatment is not improved.”

**Dangerous and Tainted Exports**

A Joint Technical Group was established between the two sides in 2002 to deal with regulatory questions regarding food and product safety of imports from China. A memorandum of understanding between the EU Commission's Directorate General for Health and Consumer Protection (SANCO) and the Chinese Quality Supervision, Inspection, and Quarantine Agency (AQSIQ) is aimed at enhancing cooperation on these issues. However, in the wake of the public outcry over a string of scandals involving unsafe Chinese imports including food and children's toys at the end of 2007, the commission said it would consider a ban on such imports if China failed to make significant progress on product safety. At the International Food Safety Forum held in Beijing in November 2007, EU trade commissioner Mandelson pointed out that although Chinese officials claim less than 1 percent of exports to Europe had alleged health risks, as Europe imports half a billion euros worth of goods every day, “even 1 percent is not acceptable.” In response, then Chinese vice premier Wu Yi said she was “extremely dissatisfied” with Mandelson’s comments and “accused importers of Chinese goods of using food and product safety as an excuse for protectionism.”

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Market Economy Status

While defending itself against charges of unfair trade practices and responding with countercharges that it is a victim of rising trade protectionism in Europe, China also continues to criticize the EU for its reluctance to grant China market economy status, which even some foreign observers regard as a “relic of the Cold War.” Pointing to the fact that both Russia and Ukraine, who do not qualify for WTO membership, have been granted market economy status, China charges that it is a victim of realpolitik: without market economy status, China remains an easy target of foreign antidumping measures. A Chinese Ministry of Commerce spokesman said that a June 2007 EU study, which concluded Beijing still did not meet the criteria for market economy status, “failed to fully and objectively reflect the true situation of China’s market economy development.”

The issue is further complicated by intra-EU political and economic considerations—the north versus south split alluded to above—which will remain a source of potential China-EU friction moving forward.

Socioeconomic Cooperation and Development Aid

The EU, individual European countries, and European civil society organizations also seek to provide support for China’s socioeconomic transition process, sustain China’s economic and social reforms, and integrate China further into the international community and world economy. These initiatives include support for sustainable economic development and poverty alleviation, a special emphasis on compliance with World Trade Organization commitments, environmental and natural resource protection, and transition to a more open society based on the rule of law and respect for human rights. For the period 2002–2006, the EU set aside €250 million to finance such cooperative socioeconomic programs with China. For the period 2007–2010, the “indicative budget allocation,” subject to a midterm review, for cooperative programs of the European Commission with China will be €32 million a year. Many individual European states also have similar programs, and the EU also teams up with others to provide such programming. For example, in May 2007, the EU and United Nations Development Program (UNDP) signed an agreement to help strengthen the rule of law and enhance the participation of nongovernmental organizations (NGOs) in China.

Security- and Military-related Ties

Security- and military-related ties between the EU and China have also intensified over the past decade, but they have also had a fair share of controversies, especially related to the EU arms embargo on China. The bulk of EU-China security and military relations are largely in such “soft” activities as strategic dialogues, military-to-military diplomacy and educational exchanges, port visits, peacekeeping training, and some basic joint military exercises. On the “harder” side of military-related ties, some European countries and China are conducting joint space technology

programs, which could be militarily relevant; some low-level licensed production of European military hardware continues; and high-technology trade between Europe (and others) and China could have military applications as the line between ostensibly “civilian” and “military” technologies gets more obscure and the grey area between them continues to expand.

Overall on security issues, European policies have steadily moved in the direction of deeper, more constructive, and more positive relations that still tend to see far greater opportunities than threats in relations with China. This is certainly true in comparison to the China-U.S. relationship. Indeed, key European countries—including France, Italy, Spain, and the United Kingdom—have established “strategic partnerships” with China, characterized by regular, senior-level contacts, including security and defense consultations and a range of concrete, cooperative programs across public and private sectors.

The following pages outline some of the most important developments in five key areas: global and regional security concerns; nonproliferation and arms control; peacekeeping, military transparency, and defense exchanges; military technology transfers and the arms embargo; and issues related to Taiwan.

Global and Regional Security Issues

The EU Council has stated that the EU has a “significant interest and stake in East Asian stability, security and prosperity.” The council has also declared that it “welcomes steps taken to lower military and security tensions in East Asia [including] greater transparency in equipment development and acquisition, doctrine and planning, and wider participation in/observation of military exercises” and “welcomes deepening dialogue and cooperation with China aimed at supporting stability in East Asia through multilateral arrangements.” The principal means through which the EU seeks to accomplish these steps are dialogue at the annual EU-China summit, as well as participation, along with China, in the Association of Southeast Asian Nations (ASEAN) Regional Forum (ARF) and the Asia-Europe Meeting (ASEM). The seventh ASEM meeting will be held in China in 2008, which will be another important opportunity for China and Europe to better define their common ground on East Asian security issues.

The EU and China regularly issue joint statements commenting on a range of global and regional developments in Asia and beyond. These are often associated with the regular vice ministerial level dialogue on international and regional security issues that the two sides agreed to establish beginning in late 2005. At the EU-China summit in November 2007, the EU and China jointly spoke to the importance of “effective multilateralism” and their “strong support for a fair, just and rules-based multilateral international system with the UN playing a central role” and the need for a stronger, reformed, and more effective UN to cope with emerging security challenges. They also touched on their joint commitment to combating terrorism (and the importance of adhering to UN conventions and international law in doing so). The joint statement also called for “more practical cooperation by the two sides through their respective existing cooperation mechanisms with Africa,” “reaffirmed” their joint commitment to realizing peace, stability, and “effective denuclearization” on the Korean peninsula, and “confirmed their full support” for the good offices of UN secretary general special adviser Ibrahim Gambari, “with a view to advancing democracy in Myanmar.” Other topics considered in the joint statement included the emerging regional architecture in Asia, the Israeli-Palestine conflict, and Kosovo. (See below for their joint comments

related to Iran.) In addition, China has also established formal bilateral counterterrorism and defense consultation dialogues with France, the United Kingdom, and Germany.

Looking ahead, it is likely that China’s expanding role in Africa will become an area of greater concern and consultation between the EU and its individual member states and China. This will be particularly true with the expected expansion of the European Force in Chad and the Central African Republic (EUFOR/Chad/RCA) and with the neighboring deployment of the UN Assistance Mission in Darfur (UNAMID), where blue-helmeted Chinese People’s Liberation Army (PLA) engineering teams are taking an early role in the hybrid UN/African Union force. The EU Council conclusions of December 2006 stated it was looking forward to establishing a “structured dialogue” with China on Africa, an area of “key strategic interest” to the two sides.

Nonproliferation and Arms Control

The EU and China signed the Joint Declaration on Non-Proliferation and Arms Control at the 2004 EU-China summit, which recognized the need to work together as “strategic partners in the area of disarmament and non-proliferation.” The joint declaration encompassed a broad range of priority areas for cooperation, including: the implementation of UN Security Council Resolution 1540 on nonproliferation of weapons of mass destruction; promotion of and compliance with all nonproliferation and disarmament treaties, other international agreements and additional protocols; and strengthening of export controls on weapons of mass destruction–related materials, equipment, and technologies, as well as of conventional weapons.

Under such a framework, the EU has been able to work with Chinese counterparts to offer additional guidance and strengthen existing export control legislation and mechanisms for efficient implementation. Senior officials and experts from the EU and China convened a working group meeting in Beijing in January 2005 to discuss potential cooperation and share ideas on preventing the trafficking of technology for nuclear or chemical weapons. EU high representative Javier Solana’s personal representative on nonproliferation of weapons of mass destruction (WMD), Annalisa Giannella, headed the EU delegation and shared with the Chinese participants EU efforts to prevent proliferation of WMD, regulations for controlling exports, as well as coordination between various European agencies to prevent WMD proliferation.

At the ninth EU-China summit, both sides also reiterated their willingness to deepen cooperation in the fields of nonproliferation and disarmament, particularly in preparation for the review conferences on Biological and Toxin Weapons Convention and the Treaty on the Non-Proliferation of Nuclear Weapons in 2006. At the 10th summit in November 2007, only modest emphasis was placed on the need to “enhance dialogue and deepen practical cooperation…such as export

47. “Supplementary memorandum by Dr Annalisa Giannella, Permanent Representative of the Secretary General/High Representative, General Secretariat of the Council of the EU,” Select Committee on European Union Minutes of Evidence, January 24, 2005, http://www.publications.parliament.uk/pa/ld200405/ldselect/ideucom/96/50118a05.htm.
control.” More time was devoted to noting the cooperation between China, France, Germany, the United Kingdom, and the high representative of the EU (along with the United States and Russia) regarding Iran’s nuclear program.49

Peacekeeping, Military Transparency, and Defense Exchanges

The EU has officially encouraged greater Chinese peacekeeping activity. The EU high representative, Javier Solana, in his speech at Tsinghua University in March 2004, addressed in part the similarities between China and Europe regarding peacekeeping and welcomed China’s contributions.50 European member states continue to engage China in becoming a more active contributor to UN peacekeeping. As of January 2008, China had a total of 1,963 PLA troops and civilian police officers in 13 out of the 17 UN peacekeeping operations, once again becoming the top contributor to UN peacekeeping operations among the permanent five members of the UN Security Council.51 European and Chinese soldiers and experts are already working alongside one another in support of several UN missions, including Kosovo, Darfur/Sudan, Liberia, and the Democratic Republic of the Congo (DRC). Building on China’s increasing openness to support peacekeeping missions, several European countries, such as the United Kingdom, France, Sweden, and Norway, have engaged the PLA on peacekeeping matters and provided peacekeeping training assistance. In particular, the United Kingdom and China have conducted the Joint Peacekeeping Doctrinal Seminar on an annual basis since 2001. The United Kingdom has also been involved in the training of PLA officials prior to their deployments in UN peacekeeping missions in Liberia and the DRC. In addition, China has exchanged military officers with France, Germany, and the United Kingdom for training at their respective defense colleges.

In another sign of the changing nature of China-Europe military diplomacy, the past several years have seen unprecedented exchanges between the two sides involving port visits and military exercises. In August 2003, China for the first time allowed foreign military personnel from 15 countries—including the United States, the United Kingdom, France, Russia, Germany, Canada, Tanzania, Thailand, and Turkey—to observe Chinese military exercises involving 5,000 Chinese troops at the country’s large tactical training base in Inner Mongolia. In September 2004, military representatives invited from France, Germany, the United Kingdom, and Mexico observed an amphibious landing exercise along the coast of Guangdong Province. More recently, in 2007, the Shenyang Military Area Command (MAC) invited foreign military officers for the first time to witness a live-ammunition exercise, “Warrior 2007.” According to the MAC officials, 55 military observers from Europe, Central Asia, and the Asia-Pacific were invited.

In 2004, China held separate joint naval exercises off the Chinese coast with two European navies. The first was held in March 2004, involving Chinese and French naval vessels.52 The France-China naval exercise was followed in June 2004 with joint maneuvers between China and the United Kingdom, focusing on communication exercises, fleet formation changes, shipboard helicopter landings, and search and rescue efforts.

Since 2001, the Chinese navy has also made three sets of port visits to Europe. The first was in September 2001, when Chinese ships paid calls in France, Germany, Italy, and the United Kingdom. The second set of visits was in 2002 during the Chinese navy’s first circumnavigation of the globe, a trip that included port calls in Greece and Portugal.

In September 2007, two Chinese naval vessels, the missile destroyer Guangzhou and the replenishment ship Weishanhu, visited three West European countries—the United Kingdom, Spain, and France—as well as Russia. It was the first time an active duty Chinese naval vessel crossed into the Baltic Sea. More important, it was the first time Chinese vessels conducted exercises with British, Spanish, and French ships in the Atlantic Ocean and the Mediterranean Sea. The Chinese and British naval vessels also conducted their first joint exercise involving an aircraft carrier. The naval exercises with the French and Spanish naval vessels included an aerial defense operation map exercise and marked the first time foreign military helicopters took off and landed on Chinese naval ships. They also involved communication exercises, fleet formation changes, and search and rescue efforts. Several European navies have visited Chinese ports, with France leading the way with more than 12 naval port visits to China dating back to the early 1980s. The United Kingdom, Italy, Ireland, and Germany have also sent naval vessels to China.

In 2007, Chinese naval fleets also partook in two important multilateral joint maritime exercises. The “Peace 2007” exercise involved warships, aircraft, and special armed units from the United States, United Kingdom, France, Bangladesh, Pakistan, Turkey, and China and was aimed at promoting cooperation and exchanges among the navies and increasing their capabilities to jointly combat terrorist attacks. The Chinese navy also sent a frigate to participate in a naval exercise under the framework of the Western Pacific Naval Symposium in Singapore. More than 20 warships from the United States, France, Japan, Australia, New Zealand, India, Pakistan, South Korea, Singapore, and China participated in four drills that included crossing mined areas, search and rescue, and target shooting.

**Military Technology Transfers and the Arms Embargo**

The principal roadblock to increased Europe-China military-technical cooperation is the 1989 EU arms embargo and the 1998 EU Code of Conduct on Arms Sales. However, neither of these is well understood by most outside observers.

First and foremost, the term “embargo” is somewhat inaccurate and confusing. Unlike the U.S. embargo on arms trade with China, which is codified as law and prohibits specifically designated military end-use items on the U.S. munitions list, the EU embargo is contained in a single phrase, issued as part of a broader political statement condemning the Tiananmen crackdown in June 1989. The statement reads that EU members will embargo “trade in arms” with China, without defining “arms” and without stipulating any formal penalties. In this sense, the EU “embargo” is better understood as “the sense of the European Community membership” (the EU did not exist in 1989) at the time the statement was made some 17 years ago. It is not legally binding, and in practice, individual EU member states largely interpret the statement and take their own decisions based on their national export control laws.

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53. Ibid.

54. The following paragraphs on the EU arms embargo draw from a more detailed discussion in Bates Gill, “Lifting of the EU Arms Embargo on China,” testimony before the U.S. Senate Foreign Relations Committee, March 16, 2005.
A second, potentially more restrictive set of guidelines, the 1998 EU Code of Conduct on
Arms Exports, is arguably a more important document. Like the “embargo,” Code of Conduct on
Arms Exports is not a legally binding statement, and in the end it falls to the member states to
interpret it. However, the code does provide more specific guidance to EU members to consider in
making arms sales decisions (to all countries, not just China). This guidance consists of eight cri-
teria that EU governments should weigh before exporting weapons, including such considerations
as the human rights record, support for terrorism, and internal stability in the importing country,
and the “security of the [EU] member states, their territories, and the national security of friendly
and allied countries.”

Even after the “embargo” was issued several European states continued to export or allow for
the licensed production of military systems to China, including military-use helicopters, jet en-
gines, and avionics packages (see appendix). In addition, the export of militarily relevant subsys-
tems, technologies, and expertise has expanded since the mid-1990s, but this kind of trade is even
more difficult to define under the terms of the EU “embargo.” Europe and China are also expanding
science and technology cooperation, which in some cases may have an impact on China’s
military modernization programs. As the line between “military” and “civilian” technologies
increasingly blurs, European (and other countries’) exports and investments in commercial high-
technology and expertise continue to expand and may contribute to improvements in Chinese
defense production capabilities.

For example, the Chinese have taken advantage of ongoing licensed and/or copy production
of European systems for the military modernization effort. Chinese Z-8 transport helicopters
(based on the French SA-321H Super Frelon helicopter) and Z-9 medium-sized transport helicopt-
ner (based on the French AS-365N Dauphin II helicopter) are embarked on Chinese frigates and
destroyers and carry out transport, surveillance, antisubmarine, and antiship roles; some Z-9s are
apparently configured for antitank missions. South Aeroengine, a Chinese commercial and mili-
tary producer, has worked with the French Turbomeca Company to develop the Chinese version
of the Arriel 1C and Arriel 1C1 turboshaft engine, known as the WZ8A, which powers the Z-9 heli-
copter. The Chinese FM-80, FM-90 (both land-based systems), and the FM-90N (naval system)
surface-to-air missile systems appear to be copied and/or license produced from the French R-440
Crotale air defense systems (including missiles, missile launchers, fire control radars, and tactical
data management system).

The avionics upgrades provided by the United Kingdom and Italy for China’s F-7M and Q-5M
aircraft programs, respectively, are still operational, and China likely drew significantly from these
technologies to develop and upgrade systems of their own. The British “Searchwater” airborne
early warning radar system sold to China in 1999 was probably deployed on a transport aircraft
and follow-on “copy” production in China may continue. Some 17 Italian naval fire control radar
systems known as the RTN-20X, which were exported to China in the early 1990s, have been
adapted by the Chinese for use on its Luhu, Luda, and Luhai class destroyers, as well as on smaller
patrol and fast attack craft.

The British Rolls Royce Spey Mk 202 engine, first transferred to China in the late 1970s, is
now produced in China as the WS-9 by the Xian Aeroengine Company. The engine will power the
made-for-export Chinese fighter bomber known as the FBC-1 (for “Fei Bao” or “Flying Leopard”),
a twin-seat, twin-engine, all-weather, supersonic fighter bomber. While the FBC-1 is seeking ex-

55. For the text of the EU Code of Conduct on Arms Exports, see http://www.fas.org/asmp/campaigns/
code/eucodetext.htm.
port markets, the aircraft is currently produced by the Xian Aircraft Industry Corporation under the name JH-7 for the Chinese domestic market.

In addition to the acquisition of complete weapons systems at home and abroad, China has also expanded its ability to access and integrate foreign subsystems and other militarily relevant technologies for military-use applications. These developments are difficult to quantify in terms of their direct contribution to Chinese defense-industrial development. By establishing joint venture and subcontracting arrangements, Chinese companies receive an influx of foreign start-up capital and export revenues; acquire advanced design and production technologies and industrial equipment; receive training, education, and technological expertise in advanced production and management techniques; and often work side by side with foreign designers, engineers, and administrators, all of which can be indirectly utilized to assist in reforming and improving research, development, and production related to military-use output. Chinese defense-related companies will increasingly turn to this form of cooperation in the years ahead.

The Chinese aviation and shipbuilding industries provide good examples of this approach. China has long carried out subcontracting work in the aviation sector, typically producing Western standard parts and components such as parts of airframes, doors, engines, and electrical parts and other subcomponents for the world’s major aircraft and helicopter companies. Work related to aeroengines is particularly notable in this regard: the four major aeroengine producers—General Electric, Rolls Royce, Pratt & Whitney, and Snecma—have set up cooperative arrangements such as joint ventures and subcontracting deals with Chinese partners. Aviation Industries of China I (AVIC I), China’s largest aircraft manufacturing conglomerate, claimed in 2003 that its aeroengine-related subcontracting work is valued at approximately U.S.$60 million annually, about half of AVIC I’s total subcontracting revenues. This work includes production of engines rings and seals, turbine and compressor blades, and the licensed production of helicopter engines.

Similarly, the Chinese shipbuilding industry increasingly engages in joint venture and subcontract production arrangements with foreign partners. According to the Web site of the China Shipbuilding Trading Corporation (CSSC), in 2003 China’s shipbuilding industry had undertaken at least 29 licensed production and 10 coproduction arrangements with foreign companies. These included such products as diesel engines, gas turbine engines, propellers, and maritime control panels, involving companies from Austria, Denmark, Finland, France, Germany, the Netherlands, Norway, Sweden, Switzerland, Ukraine, United Kingdom, and the United States.

In recent years, and particularly in the period 2004–2005, there was increasing pressure from Beijing and from certain quarters within the EU to lift the arms embargo on China. Certain EU states in the past favored lifting the ban—such as France, Germany, Italy, and Spain—arguing it no longer reflects the increasingly positive EU-China relationship. With a strong U.S. backlash to the idea in early 2005, and with new leadership in Germany in particular, European political interest in lifting the embargo has been shelved for now. In the end, lifting of the embargo would require the unanimous assent of all EU members, many of which—such as the Nordic countries and some Central European members—are opposed to the idea. Nevertheless, recent joint statements from EU-China summits have suggested the EU’s interest to “work towards lifting the embargo” without providing any specific timeframe. It is possible that under strong French leadership of the EU presidency in the latter half of 2008 there will be an effort to lift the embargo while putting in place a stronger set of internal EU controls on military-related exports to China (and others).
The full joint statement on the arms embargo at the November 2007 EU-China summit was as follows:

Leaders also discussed the EU arms embargo. The Chinese side reiterated its view that lifting the arms embargo would be conducive to the sound development of the EU-China relations and urged the EU to lift the arms embargo at an early date. The EU side recognized the importance of the issue and confirmed its willingness to carry forward work towards lifting the embargo on the basis of the Joint Statement of the 2004 EU-China Summit and subsequent European Council Conclusions.56

Cross-strait Relations and Taiwan

The EU’s policy on cross-strait relations and Taiwan became more explicit in the EU Council conclusions, “EU-China Strategic Partnership,” released in December 2006. The position stated in that document is as follows:

The Council remains committed to its One China policy. The Council is convinced that stability across the Taiwan Straits is integral to the stability and prosperity of East Asia and the wider international community. The Council welcomes initiatives by both sides aimed at promoting dialogue, practical co-operation and increased confidence building, including agreement on direct cross-strait flights and reductions in barriers to trade, investment and people-to-people contacts. The Council encourages both sides to continue with such steps, to avoid provocation, and to take all possible measures to resolve differences peacefully through negotiations between all stakeholders concerned. The Council encourages both sides to jointly pursue pragmatic solutions related to expert participation in technical work in specialized multilateral fora.57

The formulation of this position was in part a reflection of the EU’s concern with China’s adoption of the “anti-secession law” (ASL) in 2005, which included explicit reference to the possible use of “non-peaceful means.” Shortly after the passage of the ASL, the EU issued a public statement expressing its concern with the buildup of the Chinese military along the Taiwan Strait and calling on the two sides to resolve the cross-strait situation through peaceful dialogue.

The EU also hardened its views toward former Taiwan president Chen Shui-bian’s efforts to create greater political space between Taiwan and mainland China. The EU has publicly stated that it is in “opposition to any measure which would amount to a unilateral change of the status quo” and its policy toward Taiwan was spelled out in greater detail in its communication on EU-China relations in October 2006. More recently, at the 2007 EU-China summit, the EU reiterated its concerns over Taiwan’s planned referendum on UN membership and “opposed” the move as it could lead to a unilateral change of the status quo across the Taiwan Strait. This portion of the joint statement also added, “[t]he EU expressed its concern over the Taipei authorities’ intentions about the future status of the island.”58 This was the strongest high-profile statement to date from the EU

targeting the intentions of the Chen Shui-bian government and reflected in part very strong insistence by Beijing that it be included as part of the joint document.

The EU does not support Taiwan's efforts to become a member in international fora where statehood is required. As such, it is also opposed to Taiwan's bid for the World Health Organization (WHO). The EU has instead promoted a more pragmatic approach and it proposed in May 2004 that the WHO should invite Taiwanese experts to take part in “practical cooperation on technical issues.” More recently, the EU helped broker a compromise agreement in May 2007 within the World Organization for Animal Health (OIE) that allows for both China and Taiwan to participate as members; Taiwan, which had been a part of the organization since the early 1950s, had to change its name within the organization to “Chinese Taipei.”

The EU Council issued “Guidelines on the EU’s Foreign and Security Policy in East Asia,” approved in January 2008, which devoted an entire section to discussing cross-strait relations. Noting the EU has a “significant stake in the maintenance of cross-strait peace and stability” and it “fully understands the sensitivity of this issue on both sides of the Taiwan Strait, and for China’s relations with the U.S. and Japan,” the document states the EU needs to encourage dialogue and confidence building, pursue pragmatic solutions regarding the role of Taiwan in multilateral fora, and make clear to Beijing and Taipei that EU interests are threatened when there are threats to stability and peaceful dialogue across the strait. In addition, recognizing the potential connection between cross-strait developments and EU arms exports, the guidelines also state:

The EU should also, in consultation with all partners, deepen its understanding of the military balance affecting the cross-strait situation, of the technologies and capabilities which, if transferred to the region, could disturb that balance; of the related risks to stability including the risk of miscalculation; and factor that assessment into the way that Member States apply the Code of Conduct in relation to their exports to the region of strategic and military items.59

Other Key Areas of EU-China Relations

Human Rights and the Rule of Law

The issue of human rights remains one of the most sensitive issues in China-EU relations. Members of the European Parliament (EP) continue to urge EU leaders to push Beijing more forcefully on human rights, the rule of law, and the protection of minority rights in China. In January 2008, EP lawmakers called on China to release political activist Hu Jia from detention and called on member states to “reconsider” their participation in the Beijing Olympic Games until the human rights situation “improved.”60

In the wake of the events in Tibet in March 2008, the EU Presidency issued a declaration saying that it was “deeply concerned” about the situation in Tibet and called for restraint on all sides.61 An EU Council statement was also issued that continued to express concerns over the Chinese government’s handling of the situation and implying that it could adversely impact the

Olympic Games. The statement said that EU sports ministers had adopted a declaration “where they, together with the Presidents of the National Olympic Committees of the EU Member States, the Western Balkan countries and Norway, emphasized the importance of the Olympic ideal and values in promoting and supporting human rights. Ministers have spoken out against a boycott. However, they have not discussed the attendance at the opening ceremony.”

In a speech to the EP in December 2007, EU commissioner for external relations Benita Ferrero-Waldner acknowledged that China had made “remarkable progress” in the human rights field in recent years but noted that:

The Commission remains concerned by the situation of human rights in China in general and more specifically in the field of civil and political rights. We have in mind, in particular, freedom of expression, religion and association with the protection of the rights of minorities in Tibet and the province of Xinjiang.

The commissioner did, however, welcome the ongoing China-EU dialogue on human rights, which was launched in 1996 and held its 24th meeting in October 2007 in Beijing. The EU also continues to be involved in human rights and good governance issues at the grass-roots level in China. In 2005, under the Human Rights Micro-Projects Programme, €435,000 was made available to NGOs working in China on strengthening civil society, raising police and law enforcement authorities’ awareness of human rights, and protecting the rights of national minorities.

In a reminder of the sensitivity with which Beijing views these “internal domestic” issues, however, China protested German chancellor Merkel’s decision to break a longstanding taboo and meet with exiled Tibetan leader the Dalai Lama in November 2007, saying that it had “severely impaired Sino-German ties and damaged the common interests of both countries.” In March 2008, China expressed “strong dissatisfaction” over EU discussions of and comments on the ongoing situation in Tibet, saying it is “completely China’s internal affair” and no foreign countries “have the right to interfere in it.”

Science and Technology Cooperation

The two sides have also seen an increase in science and technology (S&T) cooperation, with an EU-China office for research, development, science, and technology cooperation established in Beijing in 2001, and a key S&T agreement penned in 1999 renewed in 2004. The EU-funded CO-REACH project, launched in 2005, helps to identify priorities and channels for future S&T

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67. For the text of the EU-China science and technology agreement, see http://www.delchn.cec.eu.int/en/Science_Technology/S&Tagreement.pdf.
collaboration with China. In October 2006, the “China-EU Science and Technology Year” was launched, pursuing the possibility of further cooperation in the areas of health, renewable energy, mobility of research personnel, the environment, and biotechnology. In October 2006, the “China-EU Science and Technology Year” was launched, pursuing the possibility of further cooperation in the areas of health, renewable energy, mobility of research personnel, the environment, and biotechnology. 68 The latest statistics available for 2006 show that some 130 joint research projects involving a total investment of around €850 million have been initiated with over 150 Chinese participants. 69

In addition to EU-level agreements, China has established formal government-to-government S&T agreements to support specific scientific and technical cooperation and collaborative research with numerous European partners, including Austria, Finland, France, Germany, Hungary, Italy, Ireland, Lithuania, Monaco, Norway, Poland, Portugal, Romania, Spain, Sweden, Switzerland, and the United Kingdom. British prime minister Gordon Brown noted in early 2008 that Chinese researchers publish more joint findings with British scientists than with any other European country, and the UK Research Councils opened an office in Beijing. 70

In March 2007, visiting head of the European Commission’s S&T section Georges Papageorgiou told reporters that there were “strong prospects for increasing cooperation” with China, particularly through the Seventh Framework Program for Research and Technological Development (FP7), the EU’s largest scientific research project that runs from 2007 to 2014 with a budget of €53 billion. Papageorgiou noted that China was heavily involved in the FP6 program, participating in over 200 S&T projects and receiving €46 million over five years. 71 With a projected shortfall of highly skilled scientists and technicians in Europe to sustain reasonably high levels of research and development as a proportion of gross domestic product, many expect the EU and individual European states will increasingly look to China to help fill that human resources gap.

Space-related Cooperation

At both the EU and national government levels, China and European partners have significantly stepped up space-related cooperation in recent years, especially in the areas of Earth observation satellite and training initiatives such as the Double Star and Dragon programs. Chinese and European scientists work closely together in the design, technology development, manufacture, and operation phases of these joint satellite programs. The Double Star program began with a July 2001 agreement signed between the European Space Agency (ESA) and the China National Space Administration (CNSA). The program allowed two Chinese satellites to work in tandem with a constellation of four European satellites to analyze the Earth’s magnetosphere. The first phase of this project wrapped up at the end of 2007 and follow-on work is expected.

The Dragon program, begun in September 2003, allowed for Chinese scientists to draw data from European remote-sensing satellites to carry out oceanic, terrestrial, and atmospheric analyses for environmental and agricultural purposes. A “Dragon II” program is envisioned based on the success of the first phase. 72 A dialogue on cooperation in space science, applications, and technol-

69. Ibid.
72. For information on the Double Star and Dragon programs, see China National Space Administration, http://www.cnsa.gov.cn; European Space Agency, http://www.esa.int; “The Dragon Programme’s Architect—Interview with Jose Achache,” http://www.esa.int/export/esaEO/SEM0UA77ESD_index_0.html;
ogy has been launched, and high-level meetings exploring areas of cooperation, particularly earth observation satellite and training regarding Global Monitoring for Environment and Security (GMES), took place in July 2006.

China has signed numerous official government-to-government cooperation agreements aimed at fostering the Chinese space industry, including with such European partners Italy, Germany, the United Kingdom, France, Sweden, and Spain. For example, Chinese and French authorities agreed in late 2001 that China would be able to directly access, obtain, and process imaging signals from a French geo-resource observation SPOT satellite at China’s remote-sensing satellite ground station outside Beijing. In establishing this collaboration, the Chinese ground station designed, developed and installed specialized receiver equipment with assistance from the French State Aerospace Research Center. The ground station is operated by the General Armaments Department of the People’s Liberation Army, and the images will be of Earth landscapes as large as 72,000 square kilometers. China has provided low-cost and effective space launch services to both public and private European satellite ventures.

One of the most important space-related agreements reached between the EU and China relates to the Galileo navigation satellite program. Galileo will consist of 27 operational satellites and is expected to reach full operation by 2008. According to a 2003 China-EU agreement, in return for China’s commitment to the project of approximately U.S.$230 million (roughly one-fifth the cost of building the satellite network), it could expect to take part in some joint research, development, market development, and training, as well as manufacturing and technical work.

A major initiative associated with the EU-China Galileo agreement involves the establishment of the China-Europe Global Navigation Satellite System Technical Training and Cooperation Center. It will engage international experts for lectures and technical collaborations focusing exclusively on Galileo projects and other aspects of satellite navigation. Several European companies are planning to invite Chinese partners to submit proposals for developing the application market for the Galileo program. For example, Chinese partners will submit a component for possible use as a search and rescue application in the Galileo satellites. However, access to the most advanced aspects of the Galileo program are denied to the Chinese to prevent the leakage or other acquisition of sophisticated technological and other proprietary information.

In another important area of collaboration, the European Space Agency provided support from its ground station network, including stations in Spain and French Guiana, for the Chang’e-1 lunar orbiter mission launched in November 2007. The ESA is expected to also collaborate with...
its Chinese counterparts to assist in the second phase of this project, which envision landing an unmanned rover on the moon.78

**Energy and the Environment**

The EU recognizes that China's increasing appetite for energy has significant repercussions on global markets and on the environment. As such, the EU and China have formalized their working relationship on energy security issues under the framework of a “sectoral dialogue,” which is intended to address areas of common concern, explore areas of common interest, exchange know-how, and provide a more solid foundation for EU-China relations.79 This dialogue has been in existence since 1994, with an annual senior-level working group meeting and a biannual conference on energy cooperation. Topics of this ongoing dialogue include energy policy and development strategy, the evolution of energy markets, and security of supply and sustainable development.

In recent years, both sides have been able to reach some breakthroughs on energy cooperation. One of the main outcomes of the 2005 EU-China summit was the memorandum of understanding (MOU) signed by both sides on transport and energy strategies. The MOU outlined concrete actions for closer collaboration in areas such as energy regulation, renewable energy (including alternative transport fuels), energy efficiency, natural gas, clean coal technology (near zero emissions), and other new technologies in the energy sector. That same year, the European Commission's Directorate General for Transport and Energy (TREN) and the Chinese Ministry for Science and Technology (MOST) also implemented an Action Plan on Clean Coal and terms of reference for an Action Plan on Industrial Cooperation on Energy Efficiency and Renewable Energies.

An MOU on transport and energy strategies was concluded at the 2006 EU-China summit, covering areas such as energy regulation, renewable energy (including alternative transport fuels), energy efficiency, natural gas, as well as clean coal technology.80 The first meeting of the EU-China Strategic Dialogue on Energy and Transportation Strategies was held in March 2006.

Both the EU Council conclusions of December 2006 and the joint statement of the EU-China summit in November 2007 made clear that energy and climate change issues would become central aspects of the bilateral relationship (the November 2007 joint statement devoted five lengthy articles to a discussion of cooperation on energy, climate, biodiversity, and sustainable development). Energy security, climate change, and environmental protection were the focus of the inaugural EU-China Partnership and Cooperation Agreement negotiations held in January 2007.

At the 2007 EU-China summit, leaders from both sides further endorsed the idea of establishing a China-EU Clean Energy Center in 2008, which would pave the way for further cooperation on energy security and environmental issues through more regularized ministerial-level dialogues, working group contacts, and cooperation programs. At the 2007 summit, the EU also agreed to provide a €500-million framework loan to China to support projects combating climate change.

In 2008, the EU and China will hold other meetings on technical cooperation related to energy issues—the Seventh EU-China Conference on Energy Cooperation and the Second China-EU Dialogue on Energy and Transport Strategies—to discuss ways to maximize efficiencies in the use of coal, an abundant and increasingly important source of energy for China, and the development

80. Ibid.
of near-zero-emissions coal technology. This would assist both sides in securing the economic and environmental benefits of recent developments in coal technologies and practice.

**Education and Culture**

China and Europe have likewise intensified their relations in terms of educational, cultural, and other people-to-people exchanges. For example, as of 2007, it was reported that European universities now host some 170,000 Chinese students, with approximately 75,000 of those in the United Kingdom, both numbers significantly higher than the 67,000 Chinese students in the United States. Given more stringent U.S. visa requirements in recent years, that gap can be expected to widen as more and more Chinese scholars choose Europe for their studies. At the ninth EU-China summit held in September 2006, the Chinese side expressed interest in concluding an EU-China Education Cooperation and Exchanges Agreement and announced the launch of a five-year Chinese government scholarship program to provide 100 scholarships annually to enable students from the EU to study in China. According to official Chinese statistics, 2007 saw some 26,300 European students studying in China.81 Out of the 210 Confucius Institutes—centers for promoting Chinese language and culture at universities in some 64 countries around the world—in operation in early 2008, 26 are in Europe (see table 4).

**Table 4. Confucius Institutes in Europe (as of March 2008)**

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<td>The Confucius Institute for Scotland, University of Edinburgh</td>
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<td>University of Leeds</td>
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Leisure travel, cultural exchanges, and other “people-to-people” interactions are also on the rise. With the signing in 2003 of the EU-China agreement on tourism, a big increase in China-to-Europe travel resulted. According to Chinese figures, more than 1 million Chinese tourists, part of China’s growing middle and upper class, will travel to and around Europe in 2008, and 3 million Europeans will travel as tourists to China. In 2005, Beijing hosted its first ever EU film festival, and a European cultural festival kicked off in September 2005 in Beijing as well. The French government officially declared the period October 2003 to July 2004 as the “Year of China,” accompanied by several hundred exhibitions, exchanges, and other cultural events; this was followed by a “Year of France” in China. China launched a “Year of Spain” in 2007. The largest-ever exhibition of Chinese culture in the United Kingdom, “China Now,” opened in London in February 2008. China is expected to hold a “Year of Germany” in 2009.

The Europe-China Relationship: From “Honeymoon” to “Maturing Relations”

Europe and China are at a complex and interesting crossroads in their relationship. Both are seeking to become more influential actors in the international system and have taken some significant steps in this direction in recent years: witness China’s remarkable increase in contributions to UN peacekeeping operations, the increased presence of European armed forces in places such as Afghanistan and in Africa, China’s spectacular impact on the world economy, and the growing strength of the euro. Moreover, as the role of China and Europe grows in a globalizing world, the two sides find they have an increasing range of interests or at least increasing contact—in economic, political, diplomatic, and security terms—in an increasing number of places around the world. Both sides see value in deeper relations, but they also have doubts about how far and how fast those relations should change.

As detailed in the previous section, Europe-China relations have gone through an intense period of dramatically deepening interactions, characterized by expanded cooperation and contacts across the spectrum of public and private engagement. Business and trade relations, while the most expansive, are only the most obvious. The relationship has also built out understandings and greater appreciation of one another in other aspects, including in security, foreign policy, and political dimensions.

Europe and China, especially since the mid- to late 1990s, have seen a steady and overall convergence of interests. At the broadest level, neither side views the other as a main strategic threat. Chinese assessments of relations with Europe are generally favorable, seeing “no fundamental conflict of interest” between China and Europe and recognizing that relations with Europe have “obvious advantages” over relations with other major powers such as the United States, Japan, and Russia.1 Looking back at 2007—a comparatively tough year for Europe-China relations—the official Chinese assessment stated, “On the whole, China-Europe relations have remained good and cooperation in various fields has widened and become more in-depth,” while “the China-Europe consultation mechanism has continually improved,” and “[b]oth sides’ cooperation on major international and regional issues has increased.”2

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To the degree European policymakers see “threats” emanating from China, they tend to be either on questions of “soft security,” such as economic competition, illegal immigration, transnational crime, smuggling of drugs and contraband, environmental issues, and human rights, or on “hard security” issues, which have only an indirect impact on European security, such as Chinese proliferation. In any event, Europe-China relations on these kinds of security questions are far from tense or confrontational. Under these conditions, relations between Europe and China are generally moving in the direction of deeper, more constructive, and more positive relations that tend to see far greater opportunities than threats in relations with one another.

Europe and China came to recognize and appreciate the other as an emerging force in world affairs following the end of the Cold War. At the end of 2001 and beginning of 2002, with China’s entry into the World Trade Organization and burgeoning economy, and with the introduction of the euro and Europe’s economic success (in contrast to economic vulnerabilities in the United States), each side saw in the other an even greater interest in partnership. In addition, both sides also tend to find common cause in supporting the role of the United Nations and the value of multilateral solutions to global and regional challenges. Relatedly, from late 2001, with the advent of the U.S. “global war on terror,” the U.S.-led invasion of Iraq in 2003, and other U.S. moves on the international stage, many capitals of Europe found common cause with China in their opposition to U.S. “unilateralism.” In some respects, China is seen by many EU and European member state officials as a kind of test case for how global players will need to cooperate to face the transnational challenges of the twenty-first century—terrorism, international crime, social justice, economic stability, resource scarcity and depletion, environmental degradation, intellectual property, and the globalization of knowledge, and other critical challenges.

Since 2005, the two sides entered into a more sober phase in their relationship with one another. Economic competitiveness from China, as well as the growing perception in Europe that China is engaging in unfair and damaging economic, trade, and business practices, will remain a problematic political obstacle for significant progress in Europe-China relations. The EU’s reconsideration of lifting the arms embargo in the face of U.S. pressure in 2005 and, in the same year, the failure to secure passage of the EU’s Constitution prompted Beijing to rethink the reliability of the EU as a strategic partner. Chinese actions, such as passage of the Anti-Secession Law in early 2005, its failure thus far to ratify the International Covenant on Civil and Political Rights, the anti-satellite test of January 2007, and Beijing’s crackdown on dissent, including in Tibet, in the run-up to the August 2008 Olympics, prompted Europeans to rethink ties with China as well. Other emergent and specific issues, such as China’s expansive role in Africa, likewise can stand out as issues of concern rather than cooperation. The EU and China have just begun to negotiate a potentially far-reaching Partnership and Cooperation Agreement, mostly at Brussels’ urging, and to be successful will face tough choices and trade-offs to address sensitive issues including Taiwan, the EU arms embargo, China’s market economy status, and human rights.

Nevertheless, while these differences will persist—and will thwart the achievement of a truly “strategic partnership” between China and European counterparts—Europe-China relations are likely to expand and deepen in nearly all areas in the years ahead, if at a somewhat more steady and judicious pace. In brief, the relationship can be said to be transitioning from the “honeymoon” to a more mature and realistic relationship. As such, the Europe-China relationship will become even more complex, with a decidedly mixed character of cooperation and controversy. Three major issue areas will dominate this more complicated picture in the coming years.

First, the most prominent feature of Europe-China relations in the near term will be a continuing growth and concomitant tensions in their economic and trade relationship. The High-
Level Economic and Trade Dialogue, along with other dialogues, such as between the European Central Bank and the People’s Bank of China on currency issues, will assure a high degree of political attention on Europe-China relations in this area, even as the overall EU trade deficit and other economic concerns noted above persist. It is likely the Europeans will be more inclined to seek relief through WTO actions against China, possibly in cooperation with the United States and others.

Second, issues of security and politics, including human rights—long given a lower priority in Europe-China relations—will continue to rise to greater prominence and at times garner even greater attention in their relationship than economic and trade affairs. Europe will be more open in expressing its concerns about, and urging more constructive Chinese policies on, a host of regional security issues where Chinese and European interests come into contact: Burma, Iran, the Middle East, Central Asia, and Africa. Security-related cooperation between Europe and China will not unfold in traditional “hard power” aspects—alliance relations, war-fighting exercises, intelligence sharing, or arms transfers. Rather, in the near to medium term, security-related ties between Europe and China will largely involve “softer” and less direct—though sometimes militarily relevant—channels of engagement, from senior dialogues, to discussions of regional security, to military exchanges, to port calls and basic exercises, to technology transfers. If the EU and China are serious about completing the negotiation of the Partnership and Cooperation Agreement, they will have to resolve and find common language on such difficult security and political issues as Taiwan, the arms embargo, and China’s human rights record.

Third, the two sides will find a greater sense of common ground by focusing more of their cooperation in the area of energy, the environment, and sustainable development. These are areas where both sides—especially the Europeans—have placed great priority. The European public and private sectors have great experience and expertise to offer in these areas, and the Chinese side increasingly recognizes how much needs to be done to secure energy resources, reverse its environmental degradation, and implement more sustainable growth strategies.

Looking ahead, under certain scenarios, there may be a window of opportunity for the EU and China to make greater progress in all three areas and improve the relationship beyond what may seem possible today. As noted above, over the course of 2008, European and Chinese leaders will meet at the senior-most levels about every two months. This includes the visit of EU Council president Barroso and several EU commissioners to Beijing in April, the G-8 summit in July, the Olympics in August, the opening of the UN General Assembly in September, the ASEM summit in October, and the EU-China summit toward the end of the year. In addition, if the Treaty of Lisbon moves ahead, the EU could emerge as a more confident and trusted partner for China. Likewise, the Chinese leadership may come out of 2008 more confident as well—following the further entrenchment of the “fourth generation” of leaders and their protégés and if the Olympics proceed relatively smoothly. The Taiwan question appears to be moving toward a more stable situation following the sweeping victories of Kuomintang (KMT) candidates in early 2008 elections, which may provide Chinese leaders with additional confidence to pursue deeper cooperation with Europe. A strong French presidency of the European Union in the latter half of 2008 may also seek breakthroughs with China, including on the arms embargo issue, among other outstanding impediments to closer relations.
Implications for the United States and Transatlantic Relations

What do these developments mean for the United States and transatlantic relations vis-à-vis China? While on balance there are more commonalities than differences in the respective European and U.S. approaches toward China, there are nevertheless some critical differences that should be recognized.

For example, as mentioned above, the Chinese government, as well as many European capitals and citizens, share a concern with what they see as an overly unilateralist United States, preferring instead a global order in which U.S. power might be constrained and even countered. European and Chinese views also favor a greater role for the United Nations and other multilateral organizations and generally seek a more “multipolar” and less “unipolar” world. In addition, Europeans and Americans often differ over how to deal with the problems that could result from China’s emergence as a global player. For example, not only are Europeans far less likely than U.S. observers to see China as a traditional power projection threat, they are also more likely than U.S. observers to see the real problems as emanating from a weak China in the form of unregulated economic practices, illegal migration, environmental degradation, unresponsive government, rising internal unrest, overzealous crackdowns on dissent, and an inability to stem criminal activities, including proliferation and corruption. Hence, the strong European concern to assist Beijing in its effort to smoothly and sustainably transition toward a more open and marketized socioeconomic system while averting destabilizing unrest and other domestic challenges.

Unlike Europe, the United States maintains significant strategic and political interests around China’s periphery in the form of alliances and a host of other critical political-military relationships, such as with Japan and Taiwan, on the Korean peninsula, and with allies such as the Philippines, Australia, and Thailand. The United States also maintains complex and critical security relationships with other key countries around China’s periphery, such as Kyrgyzstan, Singapore, Pakistan, and India. Some aspects of these relationships are or could readily be geared toward countering or containing potential threats from China, for example, with regard to a Taiwan contingency.

Unlike the United States, Europe has no strategic military commitments or alliances in the Asia Pacific, and it seems highly unlikely China would threaten the remaining small territorial outposts in the possession of European powers in the Asia Pacific. Perhaps most importantly, Europe’s relations with China are unfettered by the complicated and important relationship the United States has with Taiwan, an issue over which the United States and China could come into conflict.

It is also true that European and American businesses are in fierce competition in the China market. Looking ahead, Europe and the United States could also become competitors over China’s burgeoning foreign exchange reserves, either in the form of inward investments in the United States and Europe, through the purchase of dollar- versus euro-denominated assets, and through China’s purchase of sovereign debt. The United States and Europe will also compete in the future for the talent pool in global knowledge production in order to sustain the high value-added basis


of their economic strength—many of these highly skilled scientists, engineers, researchers, and technicians will come from China and go to the highest bidder.

But while such differences exist and can arise to disrupt transatlantic relations, the United States and its European counterparts also share important and fundamental goals in common vis-à-vis China. Transatlantic differences arise most out of how these goals can be best achieved in their relations with China, not so much over the goals themselves.

For example, official U.S. and European approaches seek to maintain a stable, peaceful, and prosperous East Asia, including China. They also share the view that a stable, peaceful, and prosperous China should be integrated into the global order, rather than isolated from it, and that the integration process should go forward as smoothly as possible. The United States and Europe also share an interest in seeking greater Chinese participation as a constructive international player, contributing more readily and capably to the alleviation of global challenges.

In addition, U.S. and European officials and citizenry alike would agree on the need to foster changes in China, such that the country emerges from its current transition to become more responsive to the legitimate rights and needs of its people, more capable of delivering public goods, and more pluralized, equitable, and just. Relatedly, the United States and Europe share an interest to help China avoid or deflect the worst consequences from its ongoing economic, political, and social transformation. Importantly, as noted above, in recent years the EU, as well as most individual European states, have come out with far stronger statements regarding relations with China—including on economic competition, trade, Taiwan, Chinese military modernization, Chinese policies abroad, and China’s political situation and domestic socioeconomic transformation—which have helped close the gap between U.S. and European policies.

In short, while the United States and Europe have seen some divergence in their respective approaches toward China in recent years, the balance weighs heavily in favor of converging interests. Given the increasing complexities of Europe-China relations and the increasing importance of China and Europe to U.S. interests, Washington should seek to rebuild and deepen relations with Europe over a host of issues, including those concerning a more consultative, cooperative, and constructive approach toward China’s rise. The concluding section puts forward a modest agenda on how that can be done.
Given the deepening dynamic of China-Europe ties and the importance of both Europe and China in world affairs and to U.S. interests, U.S. policy will need to take a more global and comprehensive view of the U.S.-Europe-China triangle. A prudent, pragmatic, and balanced approach should:

- strengthen transatlantic relations;
- improve transatlantic consultation and cooperation with an aim to encouraging China’s emergence as a constructive and responsible international partner; and
- foster cooperation across Europe-China-U.S. relations to more effectively address the global challenges of the twenty-first century.

Five broad areas for improvement and action are detailed below.

Give higher priority to understanding and addressing the challenges and opportunities that Europe-China relations pose for the United States. Until quite recently, far too little effective attention has been given within the administration, within Congress, and within the U.S. policy community more broadly to understanding and responding to the dynamic evolution and expanding scope of China-Europe relations—and particularly the unfolding policy debates within Europe on current and future engagement with China. When attention has been focused in the past, it has been sporadic and short-lived, politicized, typically suspicious, condemnatory, and often ill informed. To rectify this situation, the U.S. policy community should:

- bring forward greater investments for research and analysis on China-Europe relations, keeping a good eye in the near term on such issues as the ongoing debate about the EU arms embargo, increasing EU-China cooperation in advanced sciences, such as space-related cooperation, high-tech trade, and investment between Europe and China, and the role and cooperation of Chinese and key European players, including the EU itself, in multilateral fora at the global and regional levels;
- engage the growing number of academic, nongovernmental, and private-sector specialists on both sides of the Atlantic who work in the realm of China-Europe relations and can shed light on their evolution, dynamics, and prospects;
- encourage the private business and philanthropic sectors to support more in-depth research and analysis on understudied aspects of China-Europe relations such as science and technology cooperation, research and development activities, human resource management and education, labor mobility policies, environmental stewardship, energy security, rule-of-law programs, and social welfare, demography, and public health research and programming.
Sustain and deepen transatlantic dialogue and consultation regarding China. It was not until May 2005, following the imbroglio over the possible lifting of the EU arms embargo, that Brussels and Washington agreed to carry out a regular transatlantic dialogue on Asia, to include discussions regarding China. When U.S. officials travel to Brussels for the dialogue, they also often take advantage of the trip to meet directly with counterparts among EU member governments such as France, Germany, and the United Kingdom. This is a positive development, and these regular meetings have continued twice a year since 2005, though U.S. participation has more recently involved mid-ranking officials. More worryingly, it is not clear whether the dialogue will continue under the next U.S. president.

As such, in its relations with Europe regarding China, U.S. policy should:

- continue to carry out a regularized and senior-level U.S.-EU dialogue on Asian affairs and on China—both at the EU Brussels level and among key European countries such as France, Germany, and the United Kingdom—as a welcome and normal aspect of transatlantic consultations;
- involve appropriate and high-ranking officials with responsibility for Asian and Chinese affairs from the White House, the Department of State, and the Department of Defense to take active part in these discussions;
- include in this dialogue the full range of relevant U.S. and European issues regarding China: economic, trade and financial concerns, military-related engagement and technology transfers, domestic governance issues, human rights, and other topics;
- send an early signal in the next administration of its intention to sustain and deepen transatlantic dialogue on China and Asia more broadly.

Gain a better understanding of and act on the comparative advantages the United States and Europe can bring to relations with China, and harmonize approaches where possible. Concerns emergent in the United States in recent years of Europe and China joining forces in strategic condominium have been, and continue to be, over exaggerated. As this report demonstrates, U.S. and European partners have numerous common interests and goals in China but may take differing approaches to realizing them, depending on their priorities and strengths. For example, individual European states appear prepared to take on a far more proactive role in engaging China across a range of security discussions and activities, particularly in terms of military-to-military relations, which the United States may not be prepared to do. Likewise, European governments, nongovernmental organizations, and businesses have invested very heavily in China’s domestic development and in assuring the country makes a relatively smooth and sustainable transition—politically, economically, socially—toward the future, often in ways their U.S. counterparts (particularly the U.S. government) are not prepared to do.

At the end of the day, far greater emphasis should be placed on solidifying those areas of convergence in U.S. and European views and expectations regarding China and on harmonizing respective U.S. and European approaches if possible. China is reluctant to be seen as an outlier or isolated on most issues of global concern, and consistent, defensible messages from the United States, Europe, and other key players in the international community will be taken seriously in Beijing.
As such, the United States should:

- work, within both the public and private sectors on both sides of the Atlantic, to sensibly avoid duplicative technical assistance and other forms of development support;
- retool, on a consultative basis with European partners, approaches to development assistance in China, bringing greater emphasis to programming on rule of law, social welfare, good governance, e-government, human rights, poverty alleviation, environmental protection, energy efficiency, health care, and education;
- consult closely with European governments on issues where they are in many ways more deeply engaged with Chinese counterparts: on military-to-military exchanges, for example, or regarding China domestic socioeconomic and sociopolitical transition;
- steer clear of temptations to achieve lockstep coordination with Europe vis-à-vis China—which, even if possible, would only be perceived in Beijing as “ganging up” and hence would likely be counterproductive—but do not shy away from speaking with one voice when warranted;
- seek regular clarification of U.S. and European policy thinking and decisions to avoid surprises and, at the very least, achieve some complementarity;
- avoid as best as possible the situation where Beijing might be tempted to find and take advantage of divisions in transatlantic positions, especially in sensitive areas such as on Iran, Burma, Taiwan, militarily relevant transfers to China, and on certain issues on China’s domestic front, such as Tibet and broader human rights concerns;
- encourage European partners to also take account of other important views within the U.S. alliance system, especially in East Asia, such as from Japan, Australia, and South Korea;
- build on areas of common ground to forge more harmonized positions toward China in such areas as Chinese currency valuation, intellectual property protections, WTO compliance (including cooperating in bringing cases before the WTO), and market access.

**Take a more long-term, level-headed, and effective approach to the EU arms embargo on China.** Transatlantic concerns and consultations should focus on how over time to put in place a more effective mechanism to replace the arms embargo. The nature of advanced technologies today and their broadening applications to militarily relevant purposes have far outstripped the ability of a simple declaration of intent pronounced a decade and a half ago to truly stem the flow of sensitive technologies to China. It is unlikely China will seek major weapons platforms from the Europeans, nor will Europeans likely be willing or able to make such sales. The latter seems all the more so now that European companies see some greater prospects in the U.S. defense market.

Rather, of immediate concern is the ongoing transfer of certain value-added subsystems, technologies, and systems integration skills—many of which are ostensibly civilian in nature—which the Chinese military requires to boost its capabilities, such as projecting and coordinating military force in a maritime environment, involving naval, aerospace, aviation, and command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) assets.

In this sense, it is not the lifting of the embargo but rather what comes to replace the embargo, both at the EU and national levels, that will truly affect how European military-technical relations with China will or will not contribute to Chinese military modernization.
With these understandings and aims in mind, the U.S. side should:

- aim for a resolution of the arms embargo question that keeps the most critical priorities in mind: preserving transatlantic cohesion, stemming the flow of militarily relevant technologies to China, and gaining greater Chinese adherence to norms and policies more convergent with U.S. and European interests;
- take into careful account the arguments by moderates within Europe for the need to pursue a lifting of the embargo, but to do so in a strategic and judicious way that has demonstrably positive outcomes;
- consider and offer support to a more comprehensive package that (1) replaces the embargo with a more effective and legally binding EU-wide export control mechanism to stem the flow of militarily relevant systems and technologies to China; (2) leverages lifting the embargo to gain stronger assurances from China that it will resolve its differences with Taiwan peacefully and to gain meaningful commitments from China on questions of human rights, religious freedom, freedom of expression, and the rights of ethnic minorities, including Chinese ratification of the International Covenant on Civil and Political Rights; and (3) reflects close consultation with key allies such as the United States and Japan;
- initiate a serious dialogue and research effort with European partners on the question of high-technology trade and investment with China and how it might contribute to Chinese military modernization, including exchanges on the kinds of ostensibly civilian-use exports the United States and European partners find problematic and on the recently implemented U.S. “verified end-user program” concerning exports of certain categories of advanced technologies to China.1

Build and establish effective mechanisms of trilateral cooperation and action on global and regional governance, security, and developmental challenges. In spite of differences in their respective approaches to one another and regarding their respective strengths and priorities on the international scene, these three power centers have a number of strong and shared interests. Translating these interests into action will require improved understanding and more visionary thinking in China, Europe, and the United States.

Within this strategic triangle, the U.S.-China leg would appear to be the weakest in terms of such thinking. On the other hand, the U.S.-Europe relationship, while having experienced some considerable setbacks in recent years, will nevertheless remain far more highly developed and capable of action in comparison to EU-China relations. This will be all the more true if and as transatlantic relations continue to patch up past problems going in to 2008 and 2009. As detailed in this report, China and its European partners are also active in jointly pursuing these goals. Europe would appear to have both the capacity and political will to take on a more activist, multilateral agenda regarding security and development. However, Europe lacks the strategic resources that the United States and, to a lesser extent, China, can bring to bear in Asia.

Broadly speaking, all three power centers share an interest in improving regional stability and economic development, especially in Asia. In addition, all three powers—and U.S and European partners in particular—share an interest in encouraging a greater and more responsible role for China across a range of global and regional issues. Such an approach would help build in China a

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greater awareness of its responsibilities as a growing global power; would embed and invest China more deeply in global and regional stability; and would draw Beijing away somewhat from a more insular, narrow, and potentially dangerous overemphasis on its regional rivalries and problems—especially with Taiwan, but also Japan and the United States. Beijing’s leaders have clearly come to recognize the benefits of becoming more open to and dependent on a globalizing outside world, a view that over time may lead the country to recognize the importance of regional stability for Chinese interests both around China’s periphery and even farther afield. In recent years and on certain issues, China has demonstrated a more constructive and active approach toward the global challenges of unstable regions, failing states, and terrorism.

Moreover, the three powers also share an interest in seeing China succeed in its ongoing socio-economic and sociopolitical transition and emerge in the years to come as a more politically open, socially just, economically prosperous, and developmentally sustainable country. Such an outcome would likely bring enormous benefit to global development and security.

In short, addressing the world’s principal challenges cannot be done without engaging China or without more effective trilateral U.S.-Europe-China consultation and cooperation. Given these caveats and conditions, Washington should work with European partners to explore, support, and implement trilateral forms of cooperation with China in three broad areas.

Concerning global economic growth and development:

- strengthen common approaches to global development challenges, especially harmonizing best practices and coordinating development assistance and financing in Africa, including engagement of the China Development Bank, the China Export-Import Bank, China Investment Corporation, and other financing and investment bodies;
- encourage China to take on a greater role within global economic, trade, and financial institutions and mechanisms, including the World Bank and the G-8 process;
- work within the United Nations and other global mechanisms, such as the G-8 process, to reach a stronger consensus on the need and capacity for Great Powers to manage and coordinate responses to natural disasters and to provide humanitarian relief.

On transnational and regional security challenges:

- draw China out to engage more responsibly as a Great Power to deal, recognize, and address emergent transnational security issues, and particularly so on issues—such as global health, energy security, resource depletion, and environmental concerns—where China is having an increasing impact beyond its borders;
- encourage China to take a more active part in the UN reform process, including such questions as greater accountability and transparency of operations, recalibrating the balance of membership dues and contributions, and further empowering the United Nations to address regional security challenges;
- work within the UN Security Council, the G-8 process, and regional mechanisms where the three parties are members (such as the ARF) to reach a stronger consensus on the need and capacity for Great Powers to manage, alleviate, and if necessary, contain regional conflicts;
- strengthen the capacity of the United Nations and other multilateral bodies, such as the African Union, to provide effective conflict prevention and post-conflict security and reconstruction, including the encouragement of an even greater role for China in peacekeeping activities;
empower regional institutions, such as the ARF and the Shanghai Cooperation Organization (SCO), through forms of trilateral cooperation to address regional security challenges to include preventive diplomacy, conflict resolution, counterterrorism, money laundering, and smuggling of contraband, including opening the SCO and its Regional Anti-Terrorism Structure in Tashkent to outside exchanges and consultations with U.S. and European authorities;

increase consultations and consensus regarding the international response to developments in such countries as North Korea, Burma, Sudan, and Iran, including the possibility of stronger and more cohesive UN Security Council action;

courage greater military-to-military ties and defense-related exchanges with China, especially regarding observation of and participation in peacetime military exercises, defense college exchanges, peacekeeping training;

strengthen global norms on arms control and nonproliferation within the bodies where the United States, European countries, and China share membership, including the Nuclear Non-Proliferation Treaty, the Chemical Weapons Convention, the Comprehensive Test Ban Treaty, the Australia Group, the Zangger Committee, and the Nuclear Suppliers Group;

expand cooperative programs aimed at strengthening China’s export control system and related to China’s protection, control, and accounting of its supplies of fissile materials.

On China’s domestic challenges:

strengthen and expand cooperation with China to assist the country in addressing its domestic developmental challenges—with a particular focus on rule of law, administrative reform, and regulatory capacity; social welfare and efficient provision of public goods; government accountability, transparency, and responsiveness; poverty alleviation, health care, and education; and environmental protection and energy efficiency.

Caveats and Conclusions

Such a comprehensive approach by Washington to U.S.-Europe-China relations will be as demanding as it is necessary. Yet there are obvious limitations on the United States, as well as on Europe and China, to pursue such an agenda, and expectations at this stage must remain modest. The United States is likely to remain preoccupied with the wars in Iraq and Afghanistan and with the threats posed by international terrorism more generally. Moreover, the unilateralist strain in U.S. foreign policy, coupled with continued wariness toward partnerships with continental Europe and China, will persist for the foreseeable future. For the coming year, the United States will also be focused on its presidential election campaign and the installation and adjustment to power of a new president.

Europe too faces its own set of internal challenges, including the achievement of the goals of the Lisbon Treaty and building and implementing a credible Common Foreign and Security Policy (CSFP), not to mention the ongoing internal concerns of individual European states. China will remain in many ways a developing world country, its leaders largely focused inward on domestic internal problems and unable and unwilling to take on a greater global role at this stage. At the end of the day, in spite of its spectacular growth on the world stage, China does not have the diplomatic and economic capacity and experience, not to mention the political will, yet, to play at a global and regional level in the same way that the United States and many major European countries are able to play.
Nevertheless, it behooves the United States, European governments, and China to recognize that their interrelationships are becoming ever more complex, global in scope, and more than the sum of the bilateral legs of this strategic triangle. At the same time, the challenges facing these power centers and the world more broadly are likewise becoming more complex, difficult, and transnational in nature. These challenges include the negative fallout from globalization, rising nationalist and protectionist tendencies, unsustainable global fiscal and current account imbalances, climate change, energy and other resource insecurity, terrorism and religious fundamentalism, emerging and reemerging infectious diseases, and illegal and potentially destabilizing flows of weapons, sensitive technologies, capital, contraband, and people.

The United States, Europe, and China not only have some the greatest stakes in seeing these challenges mitigated, they also are in many ways best positioned to respond directly to them. One big step in this direction would see the United States reinforce, adopt, and sustain a comprehensive and integrated approach to China-Europe relations that strengthens transatlantic relations, harmonizes U.S.-Europe policies to encourage China’s emergence as a constructive global partner, and fosters U.S.-Europe-China cooperation to realize a more open, just, prosperous, and sustainably developed China in the twenty-first century.
APPENDIX
TRANSFERS OF MAJOR CONVENTIONAL WEAPONS

The following table shows transfers of major conventional weapons, sorted by supplier (deliveries or orders made from 1989 to 2007). The table is sourced from the Stockholm International Peace Research Institute (SIPRI) Arms Transfer Database, as of March 30, 2007.
<table>
<thead>
<tr>
<th>Supplier/recipient (R) or licenser (L)</th>
<th>Number ordered</th>
<th>Weapon designation</th>
<th>Weapon description</th>
<th>Year of order/license</th>
<th>Year(s) of deliveries</th>
<th>Number delivered/produced</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>France</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>R: China</strong></td>
<td>(6)</td>
<td>DRBV-15 Sea Tiger</td>
<td>Air/sea surv radar</td>
<td>1986</td>
<td>1987-1999</td>
<td>(6)</td>
<td>For 2 Luhu (Type-052) and 2 Luhai and modernization of 2 Luda-1 (Type-051) destroyers; probably produced in China</td>
</tr>
<tr>
<td></td>
<td>(240)</td>
<td>HOT-2</td>
<td>Anti-tank missile</td>
<td>1987</td>
<td>1988-1989</td>
<td>(240)</td>
<td>Deal worth $29.7 m incl 8 SA-342L helicopters</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>SA-342K/L Gazelle</td>
<td>Light helicopter</td>
<td>1987</td>
<td>1988-1989</td>
<td>(8)</td>
<td>Part of $29.7 m deal; armed version (with anti-tank missiles); deal incl Chinese involvement in development of EC-120 (P-120L) helicopter</td>
</tr>
<tr>
<td></td>
<td>(2)</td>
<td>Compact 100mm</td>
<td>Naval gun</td>
<td>(1988)</td>
<td>1989</td>
<td>(2)</td>
<td>Incl for 1 Jianghu-2 Class (Type-053) frigate</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>DUBV-23</td>
<td>ASW sonar</td>
<td>(1988)</td>
<td>1991</td>
<td>2</td>
<td>For 2 Type-051 (Luda) destroyers produced in China; produced in China as SJD-7</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>DUBV-23</td>
<td>ASW sonar</td>
<td>(1990)</td>
<td>1994-1996</td>
<td>2</td>
<td>For 2 Type-052 (Luhu) frigates produced in China; produced in China as SJD-7</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>DUBV-43</td>
<td>VDS sonar</td>
<td>(1990)</td>
<td>1994-1996</td>
<td>2</td>
<td>For 2 Type-052 (Luhu) frigates produced in China; produced in China as SJD-7</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>DUBV-23</td>
<td>ASW sonar</td>
<td>(1996)</td>
<td>1999</td>
<td>1</td>
<td>For 1 Type-051B (Luhai) frigate produced in China; produced in China as SJD-7</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>PC-2.5 Diesel engine (SH)</td>
<td>(2001)</td>
<td>2004</td>
<td>1</td>
<td>For 2 Fuchi support ships produced in China; designation uncertain</td>
<td></td>
</tr>
<tr>
<td><strong>L: Crotale</strong></td>
<td></td>
<td>SAM system</td>
<td>(1978)</td>
<td>1992-2007</td>
<td>(32)</td>
<td></td>
<td>Produced in China as HQ-7 (FM-80) and FM-90</td>
</tr>
<tr>
<td><strong>R-440</strong></td>
<td></td>
<td>SAM</td>
<td>(1978)</td>
<td>1990-2007</td>
<td>(985)</td>
<td></td>
<td>R-440N version; for Type-052 (Luhu), Type-051B (Luhai) and modernized Type-051 (Luda-1) destroyers and Type-054 (Jiangkai) and Type-053H3 (Jiangwei-2) frigates; Chinese designation HQ-7 (US designation CSA-N-4)</td>
</tr>
</tbody>
</table>

*continued on next page*
<table>
<thead>
<tr>
<th>Supplier/recipient (R) or licenser (L)</th>
<th>Number ordered</th>
<th>Weapon designation</th>
<th>Weapon description</th>
<th>Year of order/license</th>
<th>Year(s) of deliveries</th>
<th>Number delivered/produced</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>(14) China</td>
<td>Castor-2</td>
<td>Fire control radar</td>
<td>(1986)</td>
<td>1994-2002</td>
<td>(14)</td>
<td>For 2 Luhu (Type-052), 1 Luhai and modernization of 3 Luda-1 (Type-051) destroyers and for 8 Jiangwei-2 frigates; probably assembled/produced in China; for use with Crotale EDIR (Chinese designation HQ-7) SAM system</td>
<td></td>
</tr>
<tr>
<td>(29) China</td>
<td>PA-6</td>
<td>Diesel engine (SH)</td>
<td>(1990)</td>
<td>1991-2005</td>
<td>29</td>
<td>For 2 Type-054 (Jiangkai) frigates and 7 Type-037/2 (Houjian or Huang) FAC(M) produced in China</td>
<td></td>
</tr>
<tr>
<td>(12) China</td>
<td>Compact 100mm</td>
<td>Naval gun</td>
<td>(2001)</td>
<td>2004-2007</td>
<td>10</td>
<td>For 2 Type-051C and 4 Luyang (Type-052) destroyers and 6 Jiankai (Type-054) frigates produced in China</td>
<td></td>
</tr>
<tr>
<td>Germany (FRG)</td>
<td>14</td>
<td>MTU-1163</td>
<td>Diesel engine (SH)</td>
<td>(1987)</td>
<td>1994-2005</td>
<td>14</td>
<td>For 4 Luyang, 1 Luhai and 2 Luhu destroyers produced in China</td>
</tr>
<tr>
<td>(4) China</td>
<td>MTU-493</td>
<td>Diesel engine (SH)</td>
<td>(1989)</td>
<td>1999</td>
<td>4</td>
<td>For 1 Type-039 (Song) submarine produced in China</td>
<td></td>
</tr>
<tr>
<td>(6) China</td>
<td>MTU-883</td>
<td>Diesel engine (AV)</td>
<td>(1989)</td>
<td>1998-2007</td>
<td>(200)</td>
<td>For Type-98 (ZTZ-98) and Type-99 (ZTZ-99) tanks produced in China; incl 150HB883 version</td>
<td></td>
</tr>
<tr>
<td>L:</td>
<td>(4000)</td>
<td>BF-8L</td>
<td>Diesel engine (AV)</td>
<td>(1981)</td>
<td>1982-2006</td>
<td>(4000)</td>
<td>For YW-531/Type-63, YW-531H/Type-85, YW-534/Type-89, Type-90/YW-535, WZ-551 and WMZ-551 APC (incl IFV and other versions) and Type-85 self-propelled gun produced in China; BF-8L413 and BF-8L513 version</td>
</tr>
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</tr>
<tr>
<td>(48)</td>
<td>MTU-396</td>
<td>Diesel engine (AV/SH)</td>
<td>(2000)</td>
<td>2001-2006</td>
<td>(48)</td>
<td>For 12 Type-039G (Song) submarines produced in China; probably produced in China</td>
<td></td>
</tr>
</tbody>
</table>

**Italy**

| R: China | (85) | Aspide Mk-1 | BVRAAM | 1989 | 1990-1991 | (55) | For F-8-II (J-8-II) combat aircraft; status of last 30 uncertain after F-8-II development stopped 1990 |

**Switzerland**

| L: | (17) | RTN-20X Orion | Fire control radar | (1985) | 1991-2001 | (17) | For 2 Luhu, 1 Luda-3 and 1 Luhai destroyers and 6 or 7 Houjian FAC produced in China; Chinese designation Type-347G |

**UK**


| R: China | 140 | Spey | Turbofan | (1988) | 1997-2007 | (106) | For JH-7 combat aircraft produced in China; incl some 80 ex-UK; probably more to be produced in China as WS-9 |
| (6) | Searchwater | AEW aircraft radar | 1996 | 1999-2001 | (2) | $62-66 m deal; for Y-8 AEW and MP aircraft; no. may be up to 8; uncertain if all delivered or used in operational AEW aircraft |

Note: The ‘No. delivered/produced’ and the ‘Year(s) of deliveries’ columns refer to all deliveries since the beginning of the contract. Deals in which the recipient was involved in the production of the weapon system are listed separately. The ‘Comments’ column includes publicly reported information on the value of the deal. Information on the sources and methods used in the collection of the data, and explanations of the conventions, abbreviations and acronyms, can be found at URL <http://www.sipri.org/contents/armstrad/at_data.html>. The SIPRI Arms Transfers Database is continuously updated as new information becomes available.
ABOUT THE AUTHORS

Bates Gill is director of the Stockholm International Peace Research Institute (SIPRI) in Sweden. Prior to his appointment at SIPRI, he held the Freeman Chair in China Studies at CSIS in Washington, D.C. He has previously held positions at the Brookings Institution, where he was the inaugural director of the Center for Northeast Asian Policy Studies, and at the Center for Nonproliferation Studies of the Monterey Institute of International Studies. He is a member of the Council on Foreign Relations and the International Institute for Strategic Studies and has consulted for a number of multinational corporations and government agencies. From 1993 to 1997, he initiated and led the East Asia Arms Control and Security Project at SIPRI. Dr. Gill has a long record of research and publication on international and regional security issues, particularly regarding arms control, nonproliferation, strategic nuclear relations, peacekeeping, and military-technical development. In recent years, this research has broadened to encompass other security-related trends in the post–Cold War world, including multilateral security organizations and the impact of domestic politics and development on the foreign and security policies of states. He is the author of Rising Star: China’s New Security Diplomacy (Brookings, 2007) and a coauthor of China: The Balance Sheet (PublicAffairs, 2006). Dr. Gill received his Ph.D. from the Woodrow Wilson Department of Government and Foreign Affairs at the University of Virginia. He has lived more than two years in China and Taiwan and more than five years in Europe (in France, Sweden, and Switzerland), and he has carried out research-related travel in more than 40 countries. Dr. Gill speaks, reads, and writes Chinese, English, and French.

Melissa Murphy is a research associate with the CSIS Freeman Chair in China Studies, where she works on issues related to China’s domestic political and socioeconomic developments. Prior to joining CSIS, she was a China specialist with the international law firm Dewey Ballantine, focusing on U.S.-China economic and trade relations. Before attending graduate school, Ms. Murphy spent seven years working in Hong Kong and Okinawa for the Foreign Broadcast Information Service, where she monitored developments in Asia for U.S. government officials. She is the author of Decoding Chinese Politics: Intellectual Debates and Why They Matter (CSIS, 2008). Ms. Murphy is from the United Kingdom and received an M.A. and B.A. with honors in history and political science from Cambridge University. She graduated from Harvard University with an M.A. in East Asian studies, concentrating on China’s political and economic transformation.