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ANALYSIS

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THE EUROPEAN UNION AND CHINA: A RUDE AWAKENING

EXECUTIVE SUMMARY

The EU is a newcomer to East Asian affairs, but its stake in the region is growing rapidly in light of China's economic clout. The European approach to China's rise differs profoundly from that of the US, due to geopolitical realities and a general belief in the benign effects of economic interdependence.

However, the EU has so far failed to pursue a coherent common policy which takes into account the security implications of European actions, such as the announcement of the decision to revoke the arms ban on China imposed in 1989. This issue came to a head in 2004-2005, when France and Germany pressed to lift the embargo, met strong opposition from Washington and were persuaded by other EU members to postpone the move. China had become a transatlantic issue.

Since then, a new phase has begun, involving a better appreciation of the evolving balance of power in Asia, which is leading to a more strategic and consistent perspective in European capitals. China's inroads into regions such as the Middle East and Africa are contributing to this development, although the EU will continue to be affected by differences and competition among its larger members.

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THE EUROPEAN UNION AND CHINA: A RUDE AWAKENING**Introduction**

Several European accounts of the links between Europe and China begin with a reference to the Venetian, Marco Polo. This thirteenth-century merchant, who travelled to China and wrote his famous memoirs that mixed hard facts and flights of fantasy,¹ seems to have captured all that is good and bad in Sino-European relations. On the positive side, geographical distance is not necessarily an obstacle, and cultural barriers can be at least partly overcome through mutual (particularly commercial) interests and intellectual curiosity. On the negative side, Marco Polo's travels occurred seven hundred years ago; however Europe still seems to be 'discovering' China.

The rise of China – in the form of the breakneck growth of its economy and exports – is forcing every major international actor to position itself vis-à-vis an emerging (in fact re-emerging) great power. This is also true for the European Union (EU) as a collective actor, which views itself as part of a triangular relationship also involving Beijing and Washington.

Although the unique nature of EU decision-making (as well as geographical distance from Australia) may often make European policies hard to understand, the big strategic questions are clear: how will Europe try to manage China's growing international profile while adapting the traditional transatlantic alliance to new circumstances? And can Europe broaden its current perspective to include Asia and the Pacific in the equation?

For all its stated ambitions and economic potential, the EU is a regional – and currently a

rather inward-looking – actor. Its natural political horizon includes the European continent, its southern and eastern vicinities (defined in somewhat imprecise terms), and the complex transatlantic relationship with the United States (and Canada). Given the global role of the US, that relationship has many dimensions that go well beyond the relative 'comfort zone' of Europe's neighbourhood. Although most Europeans may not adopt an American framework to look at the wider world, they still have a habit of reaching for the transatlantic filter when global problems get intractable. There are both pragmatic reasons for such an attitude, in light of the limits of European power projection, and more profound cultural realities, particularly for the United Kingdom, and to a lesser extent countries such as the Netherlands and the most recent EU members. But this creates a dilemma for the EU, because the more autonomous global role to which it aspires also involves, by definition, more independence from the United States.

The Asia and China policies of the EU have been caught in this dilemma and have inevitably suffered from serious inconsistencies. These came to a head in 2004-2005 in relation to the proposed lifting of the 1989 EU arms embargo on China, when the 'American factor' kicked in.

The larger strategic question raised by the discussions on the embargo was whether the Europeans had been free-riding on the US security guarantees to various Cold War allies in East Asia, and were now trying to benefit further from China's economic clout at the risk of endangering direct American security interests.

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The American and European approaches to China's growing role are indeed significantly different.² Many Europeans genuinely believe in China's 'peaceful rise' as the most likely outcome of its economic and political trajectory. They can point to Beijing's gradual integration into the major multilateral organisations and the relatively cautious style of its diplomacy in Asia, which is seen as confirming the primacy of domestic concerns. Furthermore, this view is rooted in the European experience of economic integration supporting both stable democracy and peaceful regional relations. The EU's traditional penchant for an orderly, rule-based international system is usually framed in terms of 'multilateralism', but the Europeans often seem quite relaxed about the end of the US-centred 'unipolar moment'. This has profoundly different implications, to which we shall return at the end of this analysis.

House Republican Henry Hyde wrote in early 2005 that 'the choice for Europe could not be clearer: it is between policies that promote the development of democracy in China or those that support China's military buildup and threaten US security interests.'³ However, many Europeans would say that democratisation can actually be promoted by facilitating a modernisation of China's armed forces, as part of a much wider process of modernisation of the country's economic fabric. Largely thanks to their lack of security commitments in East Asia, Europeans seem much more inclined to take some risks in order to deepen their 'engagement' with China. For example, they take the view that if the sale of certain dual use technologies is the key to unlock the door for large-scale contracts in the civilian sector, then so be it.

Why should Australians be interested in European perceptions of and policies toward China? There are at least three answers to this question. First, China poses problems (and opportunities) of a systemic magnitude, and as such it demands systemic responses involving all responsible stakeholders in today's global system. Second, Beijing's leaders have learned the importance of wooing – or at least engaging – influential actors well beyond their own immediate sphere of interest; it is essential that the established democratic countries do the same to avoid being played against each other. Finally, Australians share with Europeans the dilemmas of reconciling their special relationship with the only current superpower, on one hand, and the mother of all rising powers, on the other.

The EU's evolving Asia policy

The EU is a latecomer to Asia. This reflects the fact that the Union only began to formally develop its Common Foreign and Security Policy in 1986 – and in practice only very gradually after the decision was made. Until then, the EU's external projection was almost solely commercial in nature.

Three main phases can be identified in the EU's attitude toward Asia since the end of the Cold War.

Stage 1

The first phase, from 1989 to 1995, saw the setting of some general goals, mostly in terms of promoting the Europeans' preferred 'multilateral' worldview. Not accidentally, the emphasis was placed mostly on ASEAN as a

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natural counterpart to the EU (building on the EU-ASEAN link established in 1980 with the EU's participation in the first ASEAN Regional Forum). This was also due to the repercussions of the 1989 Tiananmen events in China, which had resulted in wide-ranging EU sanctions (mostly lifted in 1992), including an arms embargo.

As European diplomats were absorbed by conflicts in the Balkans and the management of post-Cold War Europe through the enlargement process and new relations with Russia, Asia was viewed as a massive economic phenomenon but a distant political reality. A debate started on possible forms of regionalism, both looking at East Asia and the global scale, which can be summed up in a sharp choice: open versus closed regionalism. The EU advocated the 'open' type against the suggestion of a sort of 'trans-Pacific' bloc linking North America and East Asia – which in any case has since failed to materialise.

The event which triggered a more serious European focus on Asia, and certain practical steps, was the emergence of APEC in the early 1990s.

Stage 2

The second stage involved a reaction to the shift of the global economic centre of gravity toward the Pacific. The EU Commission issued its first 'Asia Strategy' in 1994 and its first China policy paper in 1995, and a bilateral 'political dialogue' with China was formally established through an exchange of letters. Most importantly, the EU developed its diplomatic response to APEC: the ASEM (Asia Europe Meeting) process launched in 1996,

which initially involved ten Asian countries (Brunei, China, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand, and Vietnam).⁴ In theory, ASEM is even more ambitious than APEC in scope, giving equal weight to the political, economic and cultural dimensions of potential cooperation. It shares with APEC the key features of informality – not being an international organisation – and inclusiveness.⁵

The EU often describes itself as a possible model of close cooperation and integration for other regions, and in the wake of the first ASEM meeting there was continuing interest in the potential of the EU-ASEAN relationship. Inevitably, however, the unique role of China became increasingly evident in the course of the 1990s, vindicating the approach adopted since the 1994 political dialogue between Brussels and Beijing, based explicitly on China's status as an emerging power on the international scene.

By the late 1990s, the Chinese economy was not only growing at an 'Asian tiger' pace, but showing signs of sustaining such a path for a long time.

Stage 3

This trend provided a strong incentive for a closer relationship, which the Europeans have attempted to develop since around 2000, with an injection of security issues after September 2001. EU-China trade doubled between 2000 and 2005, for instance, with the result that Europe is now China's largest export market and China is Europe's largest source of imports.⁶ The title of the 2003 Policy Paper by the EU Commission⁷ ('A maturing partnership

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– shared interests and challenges in EU-China relations’) captures the current phase. As this document clearly indicates ‘strategic partnership’ is actively being sought, but it remains out of reach. (An inclination to use the term ‘strategic’ too loosely in official statements on China produces strange situations. For instance, China may soon be put – nominally at least – on the same level as NATO (an alliance of which 21 of the 27 EU countries are full members), since the EU-NATO relationship is also described as a strategic partnership.)

The first goal indicated by the Commission in the 2003 Policy Paper is ‘Engaging China further, through an upgraded political dialogue, in the international community’. Open-ended engagement – as opposed to any form of containment, much less confrontation – is probably the simplest description of the EU’s overall approach.

In any case, we are now on the verge of the next stage, hopefully one of strategic reflection to fully incorporate some recent lessons. When a new approach crystallises, we will most likely recognise that the change of gear was caused by the arms embargo affair.

The EU’s arms embargo on China

While most sanctions (both political and economic) imposed by the EU in response to the 1989 Tiananmen crackdown were lifted by 1992, an arms embargo which prohibits military-related sales, except through special export licences, remains in force.⁸ The embargo is not legally binding, and each member state is responsible for enforcing it according to its national legislation. It has been widely noted

that its practical impact has been limited: it is far from foolproof and most of its effects could equally be achieved by strict export controls. Indeed, some European countries have been selling defence-related technologies to China, exploiting the obvious loophole in an embargo which is interpreted as covering only lethal weapons. (In any case, the embargo is linked specifically to human rights; logically, therefore, its end should be conditional on improvements in that field.)

Of course, the Europeans are not alone in having to tread carefully on arms sales to Beijing: Australia lifted its own embargo as early as 1992 and since then has consistently stressed its good working relationship with China – amid rapidly growing trade links – while applying rather strict export control rules on sensitive technologies. This decision has so far attracted little criticism from Canberra’s US ally although it has caused some domestic controversy.

In the course of 2004, the possibility that the EU ban might soon be lifted became a prominent issue, after several months of Chinese pressure behind closed doors and through official statements. On a visit to China in December 2003, Germany’s Chancellor Gerhard Schroeder committed himself to doing his best to get the embargo lifted, with solid backing from France. The issue was discussed by EU foreign ministers in January 2004, but no firm decision was made at the time. By that stage, the UK in particular had come under strong US pressure to veto any moves to lift the embargo.

On a visit to Beijing in April 2004, the then European Commission President, Romano

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Prodi, emphasised the significance of China's participation in the EU's satellite navigation system, Galileo, which is potentially an alternative to the US-based Global Positioning System (GPS). This statement increased the level of irritation in Washington, especially as it was accompanied by confirmation that member states were 'considering' the option of lifting the embargo.⁹

Germany and France took the lead in the drive to lift the arms embargo, ensuring that it carried great momentum within the EU. Germany is Europe's economic powerhouse, the biggest European investor in China and an effectively export-led economy, a combination which makes Germany very interested in all dimensions of China's rise. France is a leading arms exporter and a major advocate of a more independent EU international stance. Both countries, as well as other Europeans, looked forward to big contracts in unrelated sectors as China's reward for lifting the embargo: this strictly commercial and civilian consideration was certainly more relevant than any plan to cash in directly in the military (or dual use) sector. But the sheer fact that Berlin and Paris were leading the way complicated matters, given the particular timing: this was in the aftermath of the transatlantic and intra-European spat over the Iraq invasion, when both Chancellor Schroeder and President Jacques Chirac were just beginning to cultivate a better working relationship with President Bush. Serious efforts were being made by the new Secretary of State, Condoleezza Rice, to signal a fresh start.

The need to take sides (with or against the Bush Administration) on the Iraq invasion had significantly reduced the level of mutual trust

on both shores of the Atlantic – and polarised public opinion to an unusual degree within every European country. In practice, one of the repercussions of the Iraq debate had been – and remains to this day – a perception of much diminished natural solidarity among traditional allies. Against this backdrop, there was no enthusiasm for a new high-profile clash which, as often before, would likely also divide the Europeans into two or more camps.

By late 2004, despite some hesitations and growing concerns about American reactions, EU members seemed to have reached a consensus, however generic: the December 2004 EU Council Conclusions stated that 'EU-China relations have developed significantly in all aspects in the past years. [...] In this context the European Council reaffirmed the political will to continue to work towards lifting the arms embargo'.¹⁰ The expectation was that the embargo would be lifted at some point in 2005, but the process was essentially linked to the drafting of a new EU-wide 'Code of Conduct' on arms sales, to replace the one introduced in 1998.¹¹ Since then, this has become the technical, non-political focal point of the whole discussion, effectively buying time and allowing a pause for reflection.

Most senior European officials adopted the concept of a 'symbolic' embargo to be lifted as a 'symbolic' step toward better relations with China. Many Europeans felt that even very limited progress in the field of human rights (that is, the absence of another large-scale crackdown), coupled with China's rapidly growing economic clout, changed the equation, justifying a loosening of the restrictions imposed in 1989.¹²

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On the European side, ‘symbolic’ was meant to indicate the limited practical effects of lifting the embargo, but this interpretation contradicted the seriousness of the 1989 sanctions. On the US side, a symbolic gesture was viewed as a way of undeservedly rewarding China.

At this critical juncture, an additional argument was put forth, even more counterintuitive than the question of symbolism: lifting the embargo would actually help tighten the controls over European sales to China.¹³ The claim was based on the effectiveness of both national export control regimes and the EU’s general ‘Code of conduct’ on arms sales.¹⁴

US reaction and European stalemate

At a hearing of the House International Relations Committee in February 2004, Secretary of State Colin Powell was asked about the EU’s reconsideration of the arms embargo against China. He stated that he had raised the issue with several European foreign ministers. Powell said the Bush Administration opposed any change in the EU’s policy in light of China’s missiles arrayed against Taiwan, as well as China’s human rights record. Several members of the US Congress expressed similar concerns.¹⁵

US criticism centred on the risk that additional defence-related sales by the Europeans might contribute to China’s military modernisation and, in turn, encourage China to raise the tension with Taiwan by threatening or even preparing a military option. In other words, the EU was portrayed by Washington as possessing the technological potential to tip the overall

military balance – in Beijing’s favour – in the Taiwan Strait. Such a claim sounds excessive to most Europeans, who are accustomed to being told bluntly how little they spend on defence and how wide the transatlantic ‘capability gap’ is becoming. In 2004-2005, however, the spectre was raised of China’s People’s Liberation Army firing at American forces with European-made weapons. The US Congress took the matter so seriously that it threatened to retaliate by curtailing technology transfers to Europe.¹⁶

Despite the reasonable arguments put forth by several US officials and analysts, the American reaction appeared peculiar also because it left the Congress almost entirely in charge. This approach is hardly unique in American foreign policy, but it was surprising when compared with the Administration’s vigorous assertion of executive power in the run-up to, and the aftermath of, the Iraq invasion. President Bush himself stated, on a trip to Brussels in March 2005 (largely intended to mend fences after the Iraq clash) that in case of a final decision to end the embargo, ‘[The Europeans] need to make sure that if they do so, they sell it to the United States Congress’. He added: ‘The Congress will be making the decision as to how to react to what will be perceived by some, perhaps, as a technology transfer to China’.¹⁷ In the meantime, a high-level EU delegation dispatched to Washington reported major hostility across the whole political spectrum, as well as among the expert community.

In early 2005, the US deployed its entire diplomatic arsenal by also asking Japan and Australia to lobby the Europeans against revoking the arms ban, in the hope of showing a united front of democratic allies in the region.

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While Tokyo willingly accepted to play this supporting role, American pressures on the Howard Government reignited a long-standing political debate in Australia on how to manage China in the face of US concerns. The Government's options were sharply constrained given Canberra's 1992 decision to end the embargo, so for several weeks the Europeans heard nothing from Australia.

Eventually, one important but loose condition was attached to Australia's practical abstention: as Foreign Minister Alexander Downer pleaded on a visit to Europe 'if you're going to go ahead and lift your arms embargo, please do so in a way that has no impact on the power balance or strategic structure of the East Asian region'.¹⁸ In other words, he supported the case for a smart and selective sales policy. Beijing quickly and openly expressed its gratitude to Canberra for not objecting to the EU's stated plan.¹⁹

On the European side the decision was still framed as a triangular diplomatic calculus vis-à-vis Washington and Beijing. As it happened, the debate was resolved not by President Bush or the US Congress, but – rather improbably – the Chinese Parliament, which passed an 'Anti-Secession Law' regarding Taiwan on 14 March 2005. The legislation simply reiterated the long-standing Chinese policy of threatening the use of force against the 'renegade province' in the case of an attempt at full independence, but it offered the Europeans a pretext they could not refuse. Ironically, this was a clearly 'symbolic' act, given the marginal role of the legislature in the PRC; yet, it served as catalyst and unifying factor for all those in Europe who had grown seriously concerned about the repercussions of lifting the arms embargo.

Under strong pressure from Washington, the UK cautiously refrained from pushing the issue during its EU Presidency in July-December 2005, despite some expectations that it might devise a balanced compromise solution. The default policy became one of procrastination.²⁰

The baton was then passed to the Germans as the next 'big country' presidency of the EU Council, from January to June 2007. The Merkel Government promptly drew a red line by announcing that no official initiative would be taken to lift the embargo during the semester. Chancellor Angela Merkel pledged unequivocally in February: 'we do not plan to change our position, that is, we are not considering lifting the arms embargo'.²¹ Interestingly, the status quo pledge from Berlin came on the occasion of a meeting with Japan's Prime Minister Shinzo Abe.²² In formulating a more nuanced view of China as a partner, European declaratory policy may draw inspiration from that of Japan and Australia as they work to find the best mix of engagement and caution. As Tokyo's and Canberra's respective diplomatic choices demonstrate, there is a range of positions on sensitive sales to China which are acceptable to Washington.

A strong consensus for a sort of freeze also exists in the European Parliament, which is traditionally very sensitive to human rights issues.²³ In mid January 2007 the Parliament adopted, by a large majority, a report calling for the continuation of the arms embargo, a legally binding implementation of the new EU Code of Conduct on Arms Exports and stronger EU support for an International Arms Trade Treaty.²⁴ In fact, a new Code has been produced but still has to be made public, confirming that this rather obscure document is

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being used as a technical cover to insulate the discussion from high-profile media attention. As things stand at the time of writing, the new code of conduct is technically a paper setting out a 'Common Position', yet to be adopted by the European Council, and is therefore subject to amendments.²⁵

In any case, sooner or later certain provisions of the agreement are likely to again become controversial, such as the type of notification of potential arms-related contracts, as US officials have always insisted that advance notification should be made mandatory if the regime has to impose serious restraints. The expectation in Brussels is that a decision will be made only once the dust settles following the French presidential election in April-May 2007.²⁶

China as global factor?

The arms embargo issue may have irretrievably altered in European minds the rather optimistic picture of China's rise as a world power, by bringing to the surface the tension between Europe's trade interests (reflected in major initiatives such as China's direct participation in the EU's Galileo program) and its ambition to play a responsible global role in the political-security field.

Awareness of the inevitable tension was already evident by the time the 'European Security Strategy' was adopted in December 2003.²⁷ This is a wide-ranging presentation of the Union's 'vision' produced largely by the staff of the Union's High Representative for Foreign and Security Policy, Javier Solana (who was expected to become 'EU Foreign Minister' had the Constitutional Treaty been ratified), and

approved by all member states. The document makes a point of describing the Union as a 'strategic' actor with precisely the long-term and careful approach to complex issues that was sorely lacking in the tentative decisions announced (repeatedly) on the arms embargo.

The strong US reaction radically changed the climate, serving as a sort of wake-up call: at that stage the Europeans began truly considering the wider implications of their decisions, at least in terms of transatlantic relations.²⁸ Eventually, the question came down to a rather traditional question: the need for European-American consultations of the substantive type, i.e. preventive and closed-door. But there was more to the problem than the lack of an honest exchange of views.

Since 2004, Washington's view seems to have been that a well understood transatlantic arrangement regulates policy toward China. However this is clearly not the case. In fact, no specific consensus had ever been sought or achieved on how to manage the rise of China prior to the arms embargo debate.

It is undeniable that the overall European attitude appeared highly immature, a far cry from the expectations of a 'maturing partnership' with China. But the same assessment also applies to the other key actors involved, given the counterproductive rhetoric adopted by both Washington and Beijing in reaction to an ongoing and open-ended European debate.²⁹ US officials probably exaggerated the impact of Europe's arms sales and saw ill intentions where there was mostly poor decision-making. It was Beijing – with its 'Anti-Secession Law' of March 2005 – which eventually provided a face-saving way out for

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the Europeans and thereby doomed any prospect of a quick end to the embargo.

In the meantime, though, China's economic-diplomatic offensive in search of energy sources and markets, from the Middle East to sub-Saharan Africa to Latin America, is making hard European choices urgent. In fact, there is a possibility that the ongoing shifts in the global economic landscape may accomplish what no internal strategy meeting or transatlantic dialogue has accomplished so far: transforming Europe's perception of China from complementary commercial partner and potentially ad hoc political ally to fierce economic competitor and political challenger. There are signals that the mood is changing in this direction, although the picture is still fuzzy.

China is fast becoming a global factor, not just the subject of sectoral interests. This is why it poses such an acute dilemma for the EU, which still has an essentially regional and sectoral foreign and security policy at best.

The effects of Beijing's growing activism are being felt most immediately in the Middle East and in sub-Saharan Africa. There is widespread concern in Europe about China's influence over world energy prices and frustration about its possible obstruction of UN Security Council-backed policies of sustained pressure on Iran to halt its nuclear program. However, Europeans are already accustomed to the pivotal role of the US in the region and even to the over-representation of Russia as a member of the 'Quartet' on the Israeli-Palestinian issue; thus, they hardly see China's increasing interest in regional affairs as an undue encroachment. In addition, the intertwined problems of the broader Middle East are so complex and long-

standing that China's role is not viewed as a key independent variable.

As for sub-Saharan Africa, post-colonial ties continue to stimulate intermittent activism by the UK and France in selected countries (sometimes in competition with the US), but the Europeans are not engaged in a sort of scramble for African raw materials that is likely to put them on a collision course with Beijing. A different problem is arising, however: since 2003 in particular, the EU has made a series of statements and taken some practical steps to help transform the African Union into a viable continental stabiliser, with special attention to peacekeeping missions.³⁰ The European Security Strategy of 2003 specifically mentions West Africa in connection with the growing need for conflict prevention measures and regional partnerships. In discussions over the creation of an EU Rapid Reaction Force, particular attention has been devoted to contingencies that resemble those of the French-led (but EU-sponsored) peacekeeping operation in the Republic of Congo in the Summer of 2003.³¹ These European initiatives are based on the assumption that support for political-institutional reforms in African states is crucial, and that at least a portion of the existing development aid can be made conditional to progress in that field. Therefore, a pillar of EU policy may be gravely undermined by Beijing's support – with practically no strings attached – for governments whose only virtue is doing business with Chinese companies, as in the prominent case of Sudan. This amounts to a sort of 'political dumping' by China, probably crowding out Europe's conditional investments (and influence) in the region.

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In sum, it is undeniable that the potential for geopolitical competition with China exists, but so far the opportunities have been limited, and competition is not about to turn into open rivalry or enmity. In general, the Europeans have been very careful not to directly antagonise Beijing on the truly sensitive issues of Taiwan, China's military build-up and human rights. On issues such as the death penalty and the non-ratification of the Kyoto protocol, most European criticism has in fact been directed at Washington, not Beijing, essentially accepting Chinese claims that more lenient standards should be applied to an emerging power than to the only global superpower.

A more regular exchange of opinions with the established liberal democracies in the Pacific region – particularly Australia and Japan – will be part of Europe's gradual learning experience, but the EU is more likely to absorb the hard lessons of international politics by trial and error than by listening to good advice.

The way ahead

A recent analysis sponsored by the European Union's own Institute for Security Studies flatly stated: 'At the moment, the EU clearly does not have a security perspective on China'.³² This is plainly the case, at least in the sense that the EU does not yet look at China through a classical national security prism (defence, deterrence, and a regional military balance of power). It is fair to say, however, that European perceptions are shifting and new factors are being taken into consideration.

At least two key lessons are being absorbed in the current stage of EU policymaking toward China. First, there is now a keen recognition that Europe's decisions – commercial or otherwise – can carry strategic consequences, sometimes unintended. The balance of power and influence in East Asia is fluid, which implies that even differences on the margin may indeed alter the equilibrium: this is precisely one of the arguments made by many in the US to warn Europeans against an excessively 'soft' approach toward China. Second, there is a wide consensus (certainly wider than in the period 2003-2004) that 'effective multilateralism' – a catchphrase of the European Security Strategy – almost invariably requires the active cooperation of the United States.³³ In other words, the flirtation with a 'multipolar' world order, to be largely based on ad hoc alignments with China and Russia, may be over, although this cannot be taken for granted.

Indeed, a fundamental, though often underestimated, problem of the European approach has been the fuzzy distinction between multilateralism (which is a methodology) and multipolarity (which is a particular type of international system) in EU declaratory policy toward the major world powers. While most EU official documents refer just to the former, some European leaders easily drift toward the latter when describing Europe's preference, rather than an emerging state of affairs. By deepening the relationship with China, the Europeans clearly hope to cajole Beijing's leadership into the EU's preferred path of multilateralism, but sometimes they seem to welcome the coming of a 'multipolar' world order in which American power is diminished.

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In light of this ambiguity on substance, the recourse to 'symbolic' moves can only send confusing signals. To the Chinese government, the commitment to lifting the arms embargo appeared half-hearted and subject to American pressure; while to the US government the European temptation appeared doubly worrisome – a sign of political irresponsibility to the extent that it was motivated by commercial interests, and proof of anti-American feelings to the extent that it allowed Beijing to divide the Western front.

At the root of many EU limitations is a crucial unresolved issue: how the EU's common interests are to be defined, communicated and pursued. This is a question of consensus building and mutual solidarity, more than formal decision-making mechanisms per se. We should not expect a dramatic transformation of the EU's foreign policy style soon: more likely we will see incremental adjustments and a streamlining of the Union's diplomatic representation. But even when the post of Foreign Minister is fully functioning, complete with a single EU diplomatic service, this person will rarely enjoy the same latitude as a national Minister of Foreign Affairs. There continues to be a strong tendency by the major national governments to undertake unilateral or bilateral diplomatic initiatives, often claiming to speak on the EU's behalf while having no mandate to do so.

Finally, a little noticed pattern may soon force the EU to take on new responsibilities and overcome some of its current ambiguity: each time the US gets deeply involved in a major 'regional conflict' (witness both Afghanistan and Iraq in the post-9/11 setting), the

Europeans find themselves drawn into some form of supporting role, often despite very strong reservations on specific US policies to tackle the problem at hand. This phenomenon will soon extend to NATO if the Atlantic alliance follows up on some recent declarations in favour of forging 'global partnerships' in Asia, including with Australia.³⁴ Of course, the EU has no formal obligation to support NATO's efforts, but the growing relationship between the two organisations is largely (and correctly) based on the assumption of complementary roles in conflict management. Therefore, a sort of contagion effect will be very hard to avoid, given the reality of overlapping memberships between the EU and NATO.

To contextualise the EU's reluctance to systematically overcome some of its ambiguities, we should bear in mind the reality of the bloc's foreign policy: as of today, the EU is still struggling to develop an effective common stance on democratisation in the Mediterranean basin; it has no agreed policy on the Middle East except generic support for Palestinian statehood and a continuation of nuclear negotiations with Iran; it is sometimes divided on relations with Russia (despite the latter's key role as an energy source); and it was only in 2004 that it formulated a 'Neighbourhood Policy' encompassing all of its immediate neighbours. It should come as little surprise, then, that the China factor has yet to be tackled in a coherent fashion. China's ascendance as a global power can accelerate the emergence of Europe's strategic awareness but it cannot, by itself, overhaul the EU's inherent limitations.

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The European Communities-European Union, which turns fifty this year, is, historically speaking, a relatively recent experiment. The Common Foreign and Security Policy is an even more recent creation. Yet the rapid pace of developments in Asia is accelerating the pace of history in ways that require quick adaptation on the part of Europe. Although most Europeans view the 1990s as a period of momentous change, they are beginning to realise that the twenty-first century has probably marked the end of a 'strategic holiday' for them.³⁵ It is a rude awakening, especially for those who believe in the EU as a purely 'civilian power'. United Europe may never grow comfortable playing according to the rules of pure power politics, but understanding the shifting global power equations has become a top priority.

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APPENDIX

How the EU makes foreign policy

The Common Foreign and Security Policy of the European Union (CFSP) is a treaty-based, intergovernmental policy, to which all members are formally committed. This implies that members may take joint action on foreign policy matters on the basis of unanimity, although they are politically bound to support (and not hinder in any way) the agreed positions in any case. However, CFSP does not cover all aspects of the international action of the EU – much less of its individual member states. In particular, commercial policy is made by the EU Commission (a supranational body).

This multilayered structure reflects the reality of checks and balances within the Union, as well as differing opinions on the degree of sovereignty to be ceded; yet, it is widely seen as problematic. The problem of international representation is invariably singled out as one of the most serious obstacles to an effective EU diplomacy: the 27-member bloc is currently represented on most international negotiations by the ‘troika’, which comprises the (national) holder of the EU’s rotating Presidency (plus the leader of the country that will take over next), the High Representative for Foreign and Security Policy, and the Commission’s President.

This composition changes every six months with the rotation at the helm of the EU Council, where each government is represented and unanimity is required on foreign policy matters: ensuring continuity and credibility under these conditions is an obvious challenge.

This structural problem of coherence and consistency was partly intended to be overcome through provisions contained in the Constitutional Treaty, rejected in a May 2005 referendum by French and Dutch voters, and which now remains just a project on paper, despite ratification by eighteen member states.

There is rather wide consensus that at least some uncontroversial provisions of the frozen Constitutional Treaty will be salvaged, to be implemented through a less ambitious, non-constitutional treaty: these include the transformation of the position of High Representative for Foreign and Security Policy into that of EU Minister for Foreign Affairs. This figure will be simultaneously Vice-President of the Commission and Chairman of the Council in its Foreign Affairs format (the so-called Foreign Affairs Council), and will be assisted by a new European External Action Service.

Most observers agree that even the Constitutional Treaty could not have solved the deeper political question of solidarity among EU countries in the face of pressures by strong lobbies or the invocation of vital national interests by individual governments. The EU’s international action, certainly toward key countries like China, is bound to remain an odd hybrid, not only of ‘intergovernmental’ and ‘supranational’ bodies, but also of contested bids to informal leadership by the major member states and delicate compromises between ‘big’ and ‘small’ designed to ensure a modicum of unity.

These arrangements are even more complex if one looks at ad hoc formats that have been adopted with increasing frequency to deal with

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specific issues, such as the so-called ‘EU 3’ group (France, Germany, and the UK) which has been negotiating with Iran over its nuclear program, and which has a political mandate from the Council. More broadly, the main EU members tend to be represented in various ad hoc groupings where they do not formally speak on the Union’s behalf – for instance the Contact Group on former Yugoslavia, created in the 1990s, which included France, Germany, Italy, the UK, Russia and the US.³⁶

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NOTES

¹ The memoirs, entitled *Il Milione*, were written while Marco Polo was serving time in a prison in Genoa after a battle lost by the Venetians. The travel book became, for many decades, the most widely read account of the geography and society of the Far East in Europe. Interestingly, it is believed to have inspired a number of explorers, including Columbus, who set sail at the end of the fifteenth century in a quest for the lands described by Marco Polo.

² See Marta Dassù and Roberto Menotti, How China could divide the West, *Europe's World*, n.1, 2005, pp 8-15.

³ Henry Hyde, Don't sell arms to China, *Wall Street Journal*, 23 February 2005.

⁴ http://ec.europa.eu/comm/external_relations/asem/intro/index.htm. At the time there were ten EU members, and with each new accession new ASEM participants were added on the European side.

⁵ ASEM has not been inclusive enough to invite Australia to join, mostly due to the opposition of some Asian participants, most vocally Malaysia. There are currently 13 Asian members after the addition of Burma, Cambodia and Laos.

⁶ http://trade.ec.europa.eu/doclib/docs/2006/novemb/er/tradoc_131234.pdf. China became the first source of EU imports in the middle of 2006, displacing the US, with a 21% growth during the whole year: <http://epp.eurostat.ec.europa.eu>.

⁷ http://ec.europa.eu/comm/external_relations/china/com_03_533/com_533_en.pdf.

⁸ Madrid European Council, Presidency Conclusions, June 27 1989, available at:

<http://www.eurunion.org/legislat/Sanctions.htm>.

Also see European Union, Fact sheet, *EU arms and dual use exports policy and EU embargo on China*, February 2005:

http://europa.eu.int/comm/external_relations/us/bush/china.pdf.

⁹ Although the Commission has no powers in defence matters, it does speak on behalf of all member states on commercial issues, and the Prodi visit came in the heat of a Boeing-Airbus bid for a lucrative deal with the Chinese Government.

¹⁰ http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/83201.pdf.

¹¹ *European Union Code of Conduct on Arms Exports*, Brussels, 5 June 1998, 8675/2/98.

¹² In fact, even the countries most concerned with Beijing's human rights record (Sweden, Denmark, the Netherlands and the Czech Republic) conditioned the end of the embargo to rather modest steps by the Chinese authorities: the release of an unspecified number of political prisoners and ratification of the 1966 United Nation's International Covenant on Civil and Political Rights. The Covenant, which entered into force in 1976, has been ratified by 160 countries, including for instance Rwanda, Sudan, Zimbabwe, Uzbekistan, Syria.

¹³ French Defence Minister, Michèle Alliot-Marie, stated in February 2005 that 'China is rapidly developing its industry, and today our experts say that in five years China could make exactly the same arms we have today. And they will do it if they cannot import. So maybe if we can sell them the arms, they will not make them'. Given the rather simplistic reasoning, after several months of debating the issue in detail, it is no wonder that many American observers had grown suspicious. Peter Spiegel and John Thornhill, France urges end to China arms embargo, *Financial Times*, 15 February 2005.

¹⁴ The existing Code of Conduct sets as many as eight criteria to evaluate possible arms sales, including threats to regional stability and the interests of allies. It is thus much broader in scope than the 1989 arms embargo on China, though obviously still subject to highly political interpretations and thus discretionary.

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¹⁵ House International Relations Committee, Hearing on the Budget Request for International Affairs, 11 February 2004. Congressmen were particularly worried that technologies being sold by the Europeans to China would be useful as ‘force multipliers’ in important sectors such as command, control and communication, surveillance and reconnaissance.

¹⁶ Congressional Research Service, CRS Report for Congress, *European Union’s arms embargo on China: implications and options for US policy*, 27 May 2005.

¹⁷ <http://www.voanews.com/english/archive/2005-03/2005-03-15-voa58.cfm?CFID=26463570&CFTOKEN=96319559>

The trip was preceded by a House vote (411 to 13) stating that revoking the embargo would endanger the US military presence in Asia and damage transatlantic relations.

¹⁸ See Cynthia Banham, EU pressed on China embargo, *The Sydney Morning Herald*, 11 February 2005, and John Kerin, Spy-plane trade ban for China, *The Australian*, 14 February 2005.

¹⁹ See Mark Forbes, China interest in Australian uranium, *The Age* and John Kerin, Beijing thanks for hand on arms, *The Australian*, 18 February 2005.

²⁰ In December 2006 (under the Finnish presidency) the EU governments and the Chinese counterpart simply reiterated their lowest common denominator in the Joint Statement of the Ninth EU-China Summit: ‘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 this issue and confirmed its willingness to carry forward work towards lifting the embargo’: http://www.eu2006.fi/news_and_documents/other_documents/vko36/en_GB/1157828673423/.

²¹ www.eubusiness.com/news_live/1168444821.66.

²² Prime Minister Abe declared on the occasion of the Berlin visit that ‘China’s growth is an opportunity for the world. I visited China in October and agreed with them to establish a strategic partnership which serves mutual interests. On the other hand, China has problems such as its rapidly growing defence budget and lack of transparency in it’.

²³ The European Parliament is often torn between a desire to promote a principled view of the EU as an international actor and the penchant for engaging even the most problematic regimes. In this, the Parliament incarnates a permanent policy dilemma, sometimes surfacing in the debate over how to enforce the Union’s policy of conditionality. On balance, there has been a tendency to adopt a weak form of conditionality, despite the legal obligation for EU members to enforce a ‘human rights clause’ introduced in all trade agreements with third parties. The human right clause is applied to all the so-called ‘Trade and Cooperation agreements’, i.e. those formally signed by both the European Community and the members states.

²⁴ http://www.europarl.europa.eu/news/expert/briefing_page/1927-015-01-03-20070112BRI01902-15-01-2007-2007/default_en.htm.

²⁵ In the EU’s system, a ‘Common Position’ can be said to be politically binding (since, unlike the existing code, it has a formal status in the EU treaties) but not legally binding.

²⁶ Outgoing President Chirac seems to view the French position in favour of lifting the arms embargo as part of his political legacy, as Defence Minister Alliot-Marie reiterated in March 2007, on a visit to Beijing, that the ban should go. See Arms for Beijing, *Ça va?*, *Wall Street Journal Europe*, 21 March 2007.

²⁷ <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>.

²⁸ As the *Far Eastern Economic Review* commented, ‘Asia is, at least, firmly part of the transatlantic

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dialogue'. (<http://www.taiwandc.org/feer-2004-05.htm>).

²⁹ This complex judgment, now shared widely across Europe, was put succinctly and effectively by Katinka Barisch: 'The EU and its various governments have proven incapable of giving serious strategic thought to the issue of China, with some member-states appearing to be interested only in their immediate commercial advantage. Many Americans have reacted emotionally to the question of the EU embargo, preferring bluster and intemperate threats to a rational analysis of the issues. Meanwhile, some of China's diplomacy has lacked finesse and been counter-productive, giving extra-ammunition to those who oppose lifting the embargo'. Katinka Barysch (with Charles Grant and Mark Leonard), *Embracing the dragon: the EU's partnership with China*, Centre for European Reform, London, May 2005, p 60.

³⁰ In December 2005, the Heads of State and Government of the EU adopted a Strategy for Africa, with the title 'The EU and Africa: Towards a Strategic Partnership'. Beside confirming the EU's habit of dubbing any relevant foreign policy initiative a 'strategic partnership' (this time with a whole continent!), the document puts much emphasis on good governance as a precondition for development (http://www.europe-cares.org/africa/eu_strategy_en.html). In October 2006 a European Commission-African Union Joint Declaration was issued, in which additional financial support – an estimated 3 billion euros - was promised to 'those countries that have adopted or are ready to commit to a credible plan of concrete governance reforms': http://www.europa-eu-un.org/articles/en/article_6309_en.htm.

³¹ The operation, code-named Artemis, involved about 1,500 troops and was based on UNSC Resolution 1484 of 30 May 2003. It officially ended on 1 September 2003, and is considered as a

technical and political success, to the point of being used as a benchmark for possible future operations by the EU.

³² Marcin Zaborowski (ed.), Facing China's rise: guidelines for an EU strategy, *Chaillot Paper n.94*, December 2006, European Union Institute for Security Studies, Paris, p 39.

³³ A rather upbeat assessment of current Euro-American discussions on policies toward China has recently been offered, for instance, by Brookings Institution senior analyst Philip Gordon, Engaging China will ease trans-Atlantic tensions, *International Herald Tribune*, 11 February 2007.

³⁴ Although no explicit mention of Asia-Pacific countries was made in the conclusions of the latest summit, held in Riga in November 2006, over the past few months NATO's Secretary General, Jaap de Hoop Scheffer, has repeatedly called for efforts to develop 'partnerships' with Japan, Australia, New Zealand, South Korea – mostly on the basis of experiences of direct cooperation in and around Afghanistan. See for example:

<http://www.nato.int/docu/speech/2006/s060425a.htm>.

³⁵ A whole school of thought in Europe has been highlighting the poorly understood scale and scope of strategic challenges facing Europe, advocating a much more outward looking attitude than the EU has taken so far. See for example Julian Lindley-French, *Big world, big future, big NATO*: <http://www.cap-lmu.de/aktuell/positionen/2006/nato.php>.

³⁶ Official sources on EU foreign policy-making are available at:

http://ec.europa.eu/comm/external_relations/cfsp/intro/index.htm. The EU's Institute for Security Studies, which is an 'autonomous agency' within the Common Foreign and Security Policy itself, produces both detailed collections of key documents and analyses: <http://www.iss-eu.org/>. For the historical development of CFSP, see Julian Lindley-French and

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Katja Flückiger, *A chronology of European security & defence 1945-2005*, Geneva Centre for Security Policy, Geneva, 2005.

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