

US China Policy: Implications for the EU

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EXECUTIVE SUMMARY

The rapid modernisation of the People's Liberation Army, Beijing's increasingly threatening stance vis-à-vis Taiwan and its demand for energy are the main factors driving America's preoccupation with China.

American opinion on China is split three-ways between (i) 'China-bashers', (ii) those who believe that China is at a 'crossroads' and (iii), 'China-optimists', who consider a policy of engagement oriented towards democratic change to be the best route forward.

All sectors of opinion in the US criticised the EU's declared intention to lift its embargo on arms exports to China. This policy was misunderstood and its implications exaggerated.

If revisited, the policy of lifting the embargo should be implemented with a clarification of our intentions to the US ahead of time. The policy should also be explicitly linked to human rights issues and should consider the likely security-military implications of the initiative.

1. Context

China looms large on the US's agenda and there is a growing uncertainty in Washington as to how best deal with this emerging superpower. At the beginning of Bush's first term a radical overhaul of China policy was announced. The previous administration of President Clinton was accused of appeasing and prioritising Beijing whilst neglecting other allies in the region, especially Taiwan and Japan. Hawkish experts on Bush's team identified China as an emerging threat, both because of its increasing military prowess and its alleged role in the proliferation of nuclear technology (e.g. the case of Pakistan). It was argued that China should fall into an overall Asia policy and not the other way around, as allegedly was the case during the Clinton years. US-China relations were further worsened by the EP-3 incident when the Chinese air-defence system forced down US spy-aircraft in April 2001.

Following 9/11 and China's subsequent co-operation in fighting terrorism, much of the proposed 'overhaul' of relations with Beijing was pushed to the back-burner and has never materialised. While perhaps more attention was paid to maintaining ties with regional allies (Japan, South Korea, the Philippines and Australia), China inevitably did come to occupy a central position in Bush's Asian policy just as it did during the Clinton era. However, several developments in recent months have led to the re-emergence of the China debate in America.

Three factors in particular have triggered discussion in the US:

- *The rapid modernization of the People's Liberation Army (PLA).* Based on unofficial estimates, China ranks third in the world in defence spending and its military budget has grown faster than its remarkably expanding GDP (China officially announced a 12.6% increase in defence spending in 2005).^{*} The recent US Department of Defence Report on the **Military Power of the People's Republic of China** (MPPRC) concluded that the modernisation of the PLA has gone beyond preparing for a Taiwan scenario and was likely to threaten third parties operating in the area, including the US.
- *An increasingly aggressive stance vis-à-vis Taiwan.* In March 2005 the Chinese Parliament passed an 'anti-secession law', which was seen as a means of building a legal foundation to justify the use of force and countering the US Taiwan Relations Act. In 2004 China held two large-scale amphibious exercises, one of which explicitly dealt with a Taiwan scenario. Finally, there has been an escalation of negative rhetoric in describing the cross-strait situation in official Chinese documents, including the 2004 Defence White Paper which referred to dealing with Taiwan as a top security concern for China.
- *Resource demands as a driver of security policy.* China has been a net importer of energy since 1993. In 2003 China became the world's second largest consumer and third importer of oil. By 2025 China is likely to be importing about 80% of its oil and consuming 9.5-15 million barrels per day (data from the MPPRC). China's thirst for energy led it to seek long-term (lock-in) agreements and by implication to balance the US influence in the Middle East, Africa and Latin America. China's intention to establish a strategic partnership with Iran (from where China imports gas and oil and where it sells its arms), Sudan and Venezuela represent a direct challenge to the US's policy towards these states.

In addition to the commercial aspect of China's relations with energy-rich states, the US suspects that Beijing wants to maintain good relations with the countries that are located at geostrategic 'chokepoints' – in order to secure passage and undercut the US's naval dominance.

2. Three American views on China

The security concerns cited above are set against the background of the US's expanding trade deficit with China, which shows no sign of abating in the future. Hence, the overall China debate has become broader; no longer the exclusive discourse of security specialists and economists, it has begun to appeal to the imagination of average voters, mostly in a rather negative way. As China's economy continues to expand, this trend is only likely to increase in the future. This growing interest in Chinese affairs has been reflected in a proliferation of special reports, including the Pentagon report cited above, the congressional report and a trade department document. A prominent China affairs bipartisan group was set up in Congress, which holds regular hearings and remains influential within the foreign affairs committee. There has also been a rash of commercial publications on the matter, many of which portray China as replacing the Soviet Union as America's key threat.

Despite this burgeoning debate, the US's view on China is still very much in the making, and no single prominent view dominates so far. It is also clear that the current debate is influenced by a variety of internal and external factors, including business groups, armed forces (the Navy in particular) and the Taiwanese lobby. There are three distinct categories of arguments that can be distinguished in the current debate:

^{*} The Pentagon estimates that China's military spending is at least three times higher the official figure of \$29.9 billion (MPPRC), which amongst other expenditures does not include arms imports.

- 1) *China as a threat*. This is a view of the so-called 'China-bashers' who made a significant impact on the neo-conservative agenda during George W. Bush's first administration. This view was consistently preached by the former right-wing Republican senator Jessie Helms and more recently by Newt Gingrich, the former Speaker of the House of the Representatives. The *China threat* theory borrows heavily from the discourse of the Cold War and portrays the current Chinese leadership as an ideological enemy that is set to undercut democracy anywhere in the world and challenge the US. According to this view, China's official statements on what it calls its 'peaceful ascension' and its defensive military doctrine are nothing more than a *deception* masking Beijing's targeting of the US. The theory argues that China sponsors a whole range of anti-US activities including criminal and narcotic networks, international terrorism and proliferation of WMDs. China also undermines the US's regional interests, it threatens its allies, Taiwan and Japan, and it challenges India.

The *China threat* theory has a long tradition in the US but it rose to prominence only in recent years. It is heavily influenced by the Taiwanese lobby and, more recently, by some sectors of the military, in particular the US Navy which would have a central role in a potential war in the Far East and which would have liked to benefit more from the post 9/11 increases in defence spending. The view of the 'China bashers' also resonates increasingly with the agenda of the protectionist sectors within the Democratic Party and it finds wide support within Congress. However, although growing in prominence, the *China threat* theory remains a minority view, which does not form the basis of Washington's official China policy.

- 2) *China at a crossroads*. This perception is based on the view that the direction of China's evolution over recent years remains unclear and therefore its outcome is unpredictable. On the one hand, observers are applauding China's emergence from its self-imposed isolation, its rejoining of international society and the progress it has made towards becoming a market economy. On the other hand, it is stressed that China's human rights record remains dismal and there is little indication that the country is evolving towards democracy. China's growing international activism is officially welcomed in the US, especially its contribution towards reaching a settlement with North Korea and peacekeeping operations in Haiti. However, Washington doubts whether Beijing sees itself as a genuine stakeholder and its cosy relations with some questionable regimes (such as Iran, Sudan and Venezuela) are cited as examples of irresponsible behaviour.

The '*China at the crossroads*' view is perhaps the most popular amongst observers of China policy in the US, especially within official circles in Washington. The perception became a mantra of official pronouncements on China policy – for example Robert Zoellick's recent remarks, 'Whither China: From Membership to Responsibility?' (delivered as a speech to the National Committee on US China Relations), and it is largely adhered to within the Planning Staff of the State Department. Even the more hawkish elements in the Pentagon accepted this two-sided view of China as reflected in the MPPRC report, which was criticised by right-wing think tanks.

- 3) *China evolving into a responsible stakeholder*. According to this view China's evolution since the end of the cultural revolution is in harmony with the US's interests and is bound to push Beijing towards a more liberal domestic system sooner or later. The proponents of this view point out the progress China has made in transforming itself into a responsible international actor – ending its boycott of multilateral institutions and becoming a force for stability in the context of the UN, non-proliferation and economic regimes. No longer a pariah state, China is now interested in limiting the spread of nuclear weapons (as arguably its role in the NPT framework and vis-à-vis North Korea have demonstrated), fighting terrorism and promoting global economic integration. China's greater 'punch' and ambition in the international context is a natural consequence of this process and not a dangerous phenomenon as China-bashers suggest.

* For a typical 'China threat' theory see a book co-authored by William C. Triplett II, one of Jessie Helms's former staffers, i.e. Edward Timperlake and William C. Triplett II, *Red Dragon Rising: Communist China's Military Threat to America* (Washington DC: Regnery, 1999).

Whilst the proponents of this view accept that China's progress towards democracy is at best unsatisfactory they argue that domestic reforms are nonetheless inevitable as long as Beijing remains an engaged international actor. It is also argued in this context that China has made some progress in introducing competitive politics at the local level and in permitting greater freedom of speech. For example, as shown during the SARS crisis, some mild criticism of the government is now permitted in the official media. The strategy that is recommended by these 'China-optimists' is continuing international engagement coupled with the promotion of domestic political reforms. This view is representative of the liberal-minded sectors of the Democratic Party as well as some non-partisan economists and it was influential during the Clinton administration.

3. Implications for the EU: focus on the arms embargo

The EU should not ignore America's growing pre-occupation with China. Whilst it may be tempting for some Europeans to see the US's approach towards Beijing as dominated by the agenda of the China-bashers (and therefore disregard it as extreme) the reality, as argued above, is more complex. There is no doubt that the EU is in a very different strategic position vis-à-vis China than the US. Due to its military presence in the Pacific area, the US is in effect an Asian power and it represents a vital element of the balance of power in the region. The US's position vis-à-vis China is additionally complicated by its commitments to defend Taiwan against a potential military attack from the mainland.

The EU is not an Asian power and it does not have military commitments in the area. However, the further evolution of China and the state of Chinese-US relations is of consequence for the EU. For example, China's growing activity in the Middle East (e.g. Iran) is as much, if not more, important for the EU as it is for the US. The same is the case for Beijing's position vis-à-vis non-proliferation and disarmament regimes. Finally, should China-US relations worsen, for example, over the competition for access to energy resources or the situation in the Taiwanese strait, the negative consequences would be felt by the EU. They could potentially include a breakdown of co-operation in the UN, NPT and IAEA frameworks, Chinese support for anti-western forces in the Middle East and Africa and galloping energy prices.

In other words, despite their different positions vis-à-vis China, there is a considerable commonality of interest between the US and the EU in dealing with Beijing and in developing a more advanced transatlantic dialogue on the issue. However, so far both sides of the Atlantic have been divided over the arms embargo issue.

A) US views on the EU's arms embargo policy

Whilst the views on China in the US are, as argued above, hardly monolithic, all sectors of opinion were unanimously critical of the EU's declared intention (Rome summit, 2003) to lift its embargo on arms exports which was imposed following the events in the Tiananmen square in 1989. The following arguments were levied against EU policy:

- China's military modernisation is still insufficient to pose a credible threat to Taiwan and the US military personnel in the area. However, according to Pentagon sources, the technology that China lacks to make a required 'leap ahead'(sophisticated command and control systems and critical military 'software'), it could only acquire from the Europeans (as Russia doesn't have it). The MPPRC argues that lifting the embargo could allow China access to military and *dual-use technologies* that would improve its weapon systems and its own industrial capabilities for the production of future advanced weapons systems.
- Lifting the embargo would lead to *greater foreign competition to sell arms* to the People's Liberation Army (PLA). China's top suppliers, Russia and Israel (though Israel had to cut down on the supplies of high-tech equipment), would be under greater pressure to relax restrictions on their sales and provide China with increasingly sophisticated weapons. The MPPRC argues that the mere possibility of the embargo being lifted has led to the increased sales of Russian equipment including FLANKER – SU-30MK2 and SU-30 aircraft with enhanced radar system and long-range missiles.

- The embargo was imposed on *human rights* grounds and in the opinion of State Department experts it represents one of the few effective levers on Chinese leadership. Since the human rights situation has not significantly improved in China and many of the Tiananmen prisoners are still in jail, the prospect of lifting the embargo is seen as sending the wrong signals at the wrong time. This argument is routinely referred to by the proponents of the *China at the crossroads* theory who point out that disposing of the few remaining sticks at a time of no political reform is only likely to embolden conservative elements within the Chinese leadership.
- It is widely believed in the US that the prime motivation for lifting the embargo is *commercial*, not strategic and as such it is regrettable. This argument is referred to by all sectors of opinion including the 'China-optimists'. Whilst the latter believe that China's engagement with the US and the EU should be enhanced, the policy should not be driven by commercial calculations and the West should take every opportunity to advocate the democratic cause in China.

B) Looking for an EU strategy

For a variety of reasons (internal differences, the escalation of the Chinese threat against Taiwan, US pressures) the EU's declared intention to lift the embargo has been delayed. However, the issue may come back in the future, and perhaps, sooner rather than later. This prospect raises the question of what kind of alterations in EU policy may be needed in order to avoid the previously encountered backlash in transatlantic relations. The following three recommendations are suggested:

- *Explain EU intentions in advance of declaring policy change.* US experts and State Department officials claim that the Rome Declaration took them by surprise, which was one of the reasons why they reacted so negatively to it. The other side effects of the lack of prior transatlantic consultations were some stunning misconceptions and misunderstandings about the issue in the US.

It is clear, for example, that US observers overestimated the strength and breadth of the current embargo whilst underestimating the proposed alternative – the code of conduct. It is, for example, largely unknown in the US that the embargo is not a legally binding document and that the only basis for the provision is less than a single line from a political declaration adopted by the European Council in Madrid on the 27th of June. In addition, the provision only specifies 'an embargo on **trade in arms** with China', but does not apply to the export of **dual-use technologies and military software**, which are addressed by the **code of conduct**. This shows that the Pentagon's objection to the lifting of the embargo and its disregard for the code of conduct is largely based on its ignorance on the matter.

- *Lifting the embargo should be tied to concessions on human rights.* The embargo was imposed on human rights grounds and it should be removed only in response to some tangible improvement in this area. Two of the most obvious of such concessions are: securing China's ratification of the **International Covenant on Civil and Political Rights** (which China signed in 1998) and the release of the remaining **Tiananmen prisoners**. It appears plausible that these concessions could have been extracted from Beijing, which (in addition to benefiting the situation in China and strengthening the EU's image as an ethical power) would have appealed to this body of opinion in the US that believes that China needs encouragement and engagement.
- *Security implications of ending the embargo.* Whilst declaring its intention to end the embargo, the EU did not appear to look into the **security and military implications** of the initiative and developing strategic thinking towards China. A relevant document dealing with the matter should be produced ahead of revisiting the issue. The ISS is well placed to act as the coordinator of such a project.

4. Discussing China with the US

The interests and perceptions of the EU and US vis-à-vis China are not always identical and it is clear that a more intensive transatlantic dialogue is needed on the matter. America is truly alarmed about the extent of China's military modernisation. The Europeans, on the other hand, see the expansion of the People's Liberation Army as proportionate to the growth in China's wealth and its regional position. It is argued in the EU that the PLA's official budget (\$29.9 billion) is still comparable with that of Japan and that even the unofficial figure (3 times the official amount – as estimated by the Pentagon) is still well below the \$450 billion spent by America. The Pentagon has exaggerated other states' military capabilities and levels of defence spending in the past.

The EU and the US also view China's growing demand for energy differently. To be sure, both the Europeans and the Americans share a concern about the impact on energy prices and their economies. However, there are powerful voices in the US that also see China's expansion into energy markets as a security threat and such arguments are largely absent from the European discourse. The view that prevails in the EU is that China's galloping demand for energy is just a natural consequence of its economic success and that after all the US still remains the world's biggest energy consumer.

Whilst such differences in perceptions between the EU and US are nothing new, they did feed into the dispute about the arms embargo, which had the potential to develop into a major rift in transatlantic relations. What the disagreement demonstrated was that the US and the EU must intensify their dialogue about China and that poor communication leads to misunderstandings and misconceptions. The dispute also demonstrated that there is an urgent need for the EU to develop its own stance on China, a stance which is grounded in a realistic security-based appraisal.