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American and European Relations with China

Advancing Common Agendas

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Introduction

David Shambaugh and Gudrun Wacker

This volume is the collaborative product of American and European specialists on China, a number of whom have been involved in transatlantic consultations concerning China over the years. With generous support of the German Marshall Fund of the United States, the German Institute for International and Security Affairs (SWP), and the China Policy Program of the Elliott School of International Affairs at George Washington University, the contributors to this volume were joined by more than a dozen other European specialists on Chinese affairs and U.S.-Europe relations for a stimulating two-day conference at the SWP in Berlin on 21–22 February 2008. The discussions were rich, candid, and detailed. The draft contributions to this volume were discussed and vetted at length and in depth. The conference agenda, and the organization of this volume were intentionally structured around parallel American and European papers on six topics (the “Big Picture” of China’s reform and opening, Chinese domestic issues, security issues, economic issues, and foreign policy issues),¹ so as to clearly expose both similarities and differences in transatlantic perspectives and policies.

While certain differences were apparent, the commonalities that emerged in the papers and discussions far outweighed the differences. This fact confirmed the conference organizers’ previous sense that transatlantic differences concerning China had been substantially narrowed in recent years and, as a result, that a new window had opened for transatlantic cooperation vis-à-vis China. This is encouraging news, both for transatlantic relations but also because so many global challenges in today’s world require common cooperation not only across the Atlantic but trilaterally among China, Europe, and the United States.

Forging Consensus

The Transatlantic Dimension

Transatlantic relations experienced a very difficult period, both in general and specifically concerning China policy, from 2002 to 2007. Broadly speaking, the Atlantic alliance was buffeted by a series of events and mutual perceptions, including:

¹ A separate session of the conference discussed broad areas of Western assistance to China (capacity building), although no papers were written on this subject.

- ▶ the deep divisions over the U.S.–U.K. invasion of Iraq;
- ▶ deep disenchantment among European publics with the strategy, style, and tactics of the George W. Bush administration abroad;
- ▶ a broader cleavage in worldviews between American “realists” and European “multilateralists”;²
- ▶ the inability of Europe to “speak with one voice” on the world stage and for one European official to be “on the end of the line” when Washington called;
- ▶ the U.S. displeasure with the attitudes and positions of the Chirac and Schröder governments in France and Germany;
- ▶ trade disputes; and
- ▶ dilution of shared interests and identity.³

While there was an evident “crisis” in transatlantic relations during the middle of this decade, they have relatively stabilized and improved since 2005 (during the second Bush term). Both sides seemed to have “agreed to disagree” over Iraq, to strengthen NATO and particularly its operations in Afghanistan, and improve inter-governmental communications across the Atlantic. A changing of the political guard in Berlin, London, and Paris also improved the atmosphere. It is also increasingly apparent that the agenda of U.S.–Europe relations have increasingly become globalized—involving crises and situations outside the European theater, e.g. Iran, Sudan (Darfur), Africa broadly, Israel-Palestine, North Korea, China, nonproliferation and a broad range of non-traditional security issues. The internationalization of transatlantic relations is an important change in its character, and it has ironically added new “glue” to the relationship.⁴

While some observers argued that the transatlantic relationship had experienced a fundamental cleavage and would have difficulty recovering its post-war consensus (some pundits even predicted the proverbial “end of the West”), it now seems that such prognostications were premature. While the lingering impact of the “crisis period” and perceptual cleavages should not be dismissed, it does seem that transatlantic relations are effectively adapting in the face of the aforementioned challenges and are reconfirming and redefining their common values and policies.⁵

² See Robert Kagan, *Of Power and Paradise: America and Europe in the New World Order* (New York: Knopf, 2003).

³ See, for example, Charles A. Kupchan, “The End of the West,” *Atlantic Monthly* (November 2002), pp. 42–45.

⁴ One manifestation of this new characteristic is that the close(d) community of “transatlantic” experts (American Europeanists and European Americanists) must now begin to interact much more with other regional specialists on Asia, Africa, Latin America, and the Middle East (and vice versa).

⁵ See, in particular, the contributions by Henry Nau, John Ikenberry, Charles Kupchan, Michael Byers, and Thomas Risse in Jeffrey Anderson, G. John Ikenberry, and Thomas Risse (eds.), *The End of the West? Crisis and Change in the Atlantic Order* (Ithaca: Cornell University Press, 2008).

The China Dimension

With respect to China policy, the early and mid-2000s also exhibited significant strains in transatlantic relations. The most evident example was the public dispute over the EU's movement towards lifting its "arms embargo" on China (which reached a zenith during 2004–2005). But beyond the arms embargo imbroglio, there were also a series of other indications that Washington and Brussels did not view China in the same way. The differences were nuanced rather than basic, and were largely the result of the European Union finally defining its own China policies. It was not until the 1995–2005 period that the EU and China really began to fashion their own relationship, autonomous of previous Cold War dynamics (in which Sino–European relations were derivative of broader super-power dynamics). In a series of official "Communications" during this period, the European Commission progressively outlined its own vision of China and its role in the world. The China–Europe relationship blossomed in multiple sectors.⁶ Washington paid little attention to this important new development in international relations.⁷ As the U.S. began to do so, though, a significant number of perceptual and policy divergences became apparent.⁸ While some of the luster has worn off China–Europe relations since 2006 and the romantic "honeymoon" seems to have turned into a complex "marriage," at the same time U.S.–Europe perspectives and policies towards China have come closer together.

After experiencing these policy differences and a period of acrimony over the potential lifting of the EU arms embargo earlier this decade, since 2006 it appears that the United States and European Union have grown much closer together in their views of and policies towards China. This period of convergence has come about as a result of several reasons:

- ▶ The mutual reflection, on both sides of the Atlantic, over the causes and consequences of the arms embargo imbroglio. This reflection has led to greater sensitivity on both sides of the other's primary interests, equities, and concerns about China.
- ▶ The arms embargo flap led to the institutionalization of semi-annual official dialogue on Asia (although it is really on China) between the European Commission and the U.S. Government—this official dialogue has improved communication and coordination at the inter-governmental level.

⁶ See David Shambaugh, Eberhard Sandschneider, and Zhou Hong (eds.), *China–Europe Relations: Perceptions, Policies & Prospects* (London: Routledge, 2007).

⁷ See David Shambaugh, "The New Strategic Triangle: U.S. and European Reactions to China's Rise," *The Washington Quarterly*, Vol. 28, No. 3 (Summer 2005), pp. 7–26.

⁸ See Bates Gill and Gudrun Wacker (eds.), *China's Rise: Diverging U.S.–EU Perceptions and Approaches* (Berlin: SWP, 2005).

- ▶ The governmental convergence has been significantly aided by the series of non-official Track 2 and Track 1.5 dialogues that have taken place among China specialists across the Atlantic.⁹
- ▶ The coming to office of Chancellor Angela Merkel, Prime Minister Gordon Brown, and President Nicolas Sarkozy, whose views of China are not as Pollyannaish as their predecessors' and are more in line with those of the George W. Bush administration.
- ▶ The European Commission's changed perspectives on China, as embodied in its October 2006 twin Communications on China policy.¹⁰
- ▶ Growing disenchantment with China among European publics, parliaments, and the NGO community.
- ▶ China too has done its part to bring the U.S. and EU closer together—by passing the Anti-Secession Law in 2006; through the massive growth in its trade surpluses; through its non-responsiveness on IPR issues; through its continuing military modernization and build-up opposite Taiwan; through its policies in Tibet and towards the Dalai Lama; and through its continuing human rights abuses.

In brief, the convergence has come about as a result of improved sensitivity and communication on both sides of the Atlantic, a hardening in European perspectives and policies concerning China, and unhelpful Chinese actions.

Whatever the sources of the convergence, this development offers perhaps an unprecedented opportunity to coordinate, cooperate, and maximize respective transatlantic policies towards China—to “deepen the cooperation” and move to the next stage in transatlantic China policy. After more than five years of exchanging and comparing transatlantic perspectives on China, through the many Track 1.5 dialogues noted above, the organizers of the conference and editors of this volume believed that it was time to move beyond such “familiarization exercises” to actually identify specific areas of policy that could be pursued jointly or in tandem.

If the “first phase” of transatlantic dialogue (2002–2007) was oriented primarily towards identifying general areas of policy commonalities and differences, this has now essentially been accomplished. It is fairly clear, in both macro and micro terms, where the commonalities and differences lie.

⁹ The most important of these have been the George Washington University China Policy Program-Asia Centre (Science Po) “American–European Dialogue on China” (four rounds to date); the Stockholm China Forum; the “U.S.–EU Strategic Dialogue on China,” of The Brookings Institution Center on the United States and Europe in collaboration with the SWP (Berlin), Center for European Reform (London), and the European Union Institute for Strategic Studies (Paris); the DGAP-Henry L. Stimson Center Dialogue on China; the transatlantic dialogue organized jointly by SWP and the Center for Strategic and International Studies (CSIS); and the “U.S.–EU–China Trilateral Dialogue,” administered by the Konrad Adenauer Stiftung, Atlantic Council of the United States, and the European Policy Center (Brussels).

¹⁰ European Commission, *China–Europe: Closer Partners, Growing Responsibilities*; and *Competition and Partnership: A Policy for EU–China Trade and Investment*. See respectively: http://ec.europa.eu/comm/external_relations/china/docs/06-10-24_final_com.pdf; http://ec.europa.eu/trade/issues/bilateral/countries/china/pr241006_en.htm.

We now have a clear sense of mutual views and policy positions on a range of China policies. The task at hand, therefore, is to forge practical cooperation towards common objectives. It is now necessary, in the “second phase” of such dialogue (2008–) to begin to “drill down” into these respective areas to probe more deeply and precisely *how* the United States, European Union, European governments, and NGOs on both sides of the Atlantic, can advance their common positions concerning China—either in coordination or in parallel with each other. Equally important is the need to discuss the areas of disagreement or where more marginal differences of opinion reside, and to try and narrow these differences.

The list of transatlantic commonalities is lengthy—much longer than the areas of potential disagreement. These commonalities are of both a general and specific nature. On the more general level, the US as well as the EU believes that it is in their respective interests to:

- ▶ contribute to a range of China’s domestic reforms and “capacity building” in Chinese state and society institutions;
- ▶ contribute to China’s more active and constructive role on the world stage and jointly contribute to managing issues of “global governance”;
- ▶ keep their respective societies open to a wide range of Chinese from all walks of life—but particularly students, intellectuals, central-level politicians and local-level officials, scientists, educators, journalists, and military officers;
- ▶ work with China to maintain an open global trading and financial system.

More specifically, recent high-level transatlantic meetings on China have identified a long list of more than twenty issue areas of mutual interest in and concerning China, including: intellectual property rights (IPR); human rights of all kinds; political pluralization; NGO development; improving military transparency; the “One China Policy” and stability across the Taiwan Strait; energy security; resettlement of North Korean refugees; decreasing “economic nationalism” and protected industries; maintaining economic standards according to global criteria; renminbi liberalization; more humane Chinese ODA and investment policies; environmental protection, particularly encouraging clean coal technology and reducing greenhouse gases; China’s contributions to United Nations peacekeeping operations; counter-terrorism; strong corporate governance standards; dialogue on “third areas” (e.g. Central Asia, Middle East, Africa, Latin America).

The Road Ahead

In each of these, and other, issue areas there exists considerable transatlantic agreement—the task now is to explore in more depth and more precisely both the specifics of these issues and the mechanics of transatlantic cooperation to advance them. To be sure, there exist issues in which there is partial but not total agreement, that are of pressing concern

and require more detailed discussion and analysis. These include the still-existent EU arms embargo issue and dual-use technology transfer to China.

The following chapters in this volume begin to “drill down” into many of these issue areas. Out of this exploration, each contribution helps to elucidate the complexities of the issues, while also suggesting practical policy recommendations for the United States and Europe. We hope that this volume both informs readers about the substance of these complex issue areas, encourages U.S. and European policy makers to refine their policies towards China and to better coordinate their policies across the Atlantic, and stimulates other specialists in Chinese and transatlantic relations to carry the analysis and transatlantic discourse further. We strongly believe that not only U.S. and European relations with China, but also China’s own engagement with the world, will be enhanced through greater and deeper transatlantic communication.

Macro Perspectives

Seeing the “Big Picture” in American and European Relations with China: Past, Present, Future

David Shambaugh

While the United States and Europe have sometimes differed over the *tactics* of managing their mutual relations with China, I would submit that there has existed broad implicit agreement on the underlying *strategy* over the past thirty years. These commonalities have also frequently intersected with the policies of some Asian states (notably Australia, Japan, and post-1989 and post-1997 ASEAN). These respective strategies have rested on similar premises concerning China’s domestic evolution and role in the world. Such transatlantic commonalities have contributed not insignificantly to China’s development during this long period, although it should always be remembered that outside actors exert only a modest influence on China’s domestic policies and choices (the impact on external policy choices is greater).

Historical Context

Contemporary U.S. and European policies toward China must also be considered against a deeper historical backdrop (the Chinese certainly view it this way), and it is therefore useful to bear in mind this background. Western societies have long had a desire to shape China’s evolution, and hence have frequently exaggerated their (benevolent) impact in China.¹ This missionary instinct has been manifest in several dimensions: those who seek to “peacefully evolve” China’s political system; those who seek to open its economy and benefit from China’s large consumer and production base; those who seek to mold China’s intellectuals and ideational culture; those who seek to shape China’s strategic choices and military orientation; those who seek to export religion to China, etc. These missionary instincts have always been subliminal, and undertaken largely by non-governmental actors, but they have been apparent for two centuries.²

Thus, Europe and the United States have long sought to exert influence over China and to shape its evolution. There is nothing new about this—all that has changed is the historical context and the goals and methods pursued. Of course, over time, China has become resistant to such Western efforts. Indeed, the “anti-imperialist” resistance was a core component of the Chinese Communist revolution, and there remain deep suspicions

¹ See Jonathan Spence, *To Change China* (Boston: Little, Brown & Co., 1969).

² See Michael Yahuda, “The Sino-European Encounter: Historical Influences on Contemporary Relations,” in David Shambaugh, Eberhard Sandschneider, and Zhou Hong (eds.), *China–Europe Relations: Perceptions, Policies & Prospects* (London: Routledge, 2007); Warren Cohen, *America’s Response to China* (New York: Columbia University Press, multiple editions).

today concerning Western efforts of “peaceful evolution”—particularly in the wake of the collapse of communist party-states in Eastern Europe, the former Soviet Union, and Central Asia.³ In more recent times, China’s “reform and opening” since 1978 has offered opportunities for American and European actors to pursue new agendas in China—while they may be less “missionary” in their zeal (and more respectful of China’s sovereignty) they are no less transformational in their intent. As we consider the nature and future of contemporary EU and U.S. policies towards China, it is useful to keep this historical context in mind, as our Chinese colleagues certainly do.

The Parameters of Past Strategies

Transatlantic Commonalities

While there exist no Master Documents setting out transatlantic priorities towards China over the past three decades, (to this observer) there has existed an apparent underlying agreement on at least “ten cardinal” Western interests and assumptions over time:

1. Absent the advent of democracy in China, its political system should progressively shed its more totalitarian and draconian features and build a less repressive and more tolerant and responsive government at central and local levels. The West must support and push for political reform, the rule of law, and respect for universal human rights.
2. Chinese civil society should become more diverse and free, with a constantly improving quality of life and provision of essential social services for its citizens.
3. China’s media and intellectual sphere should become more diverse and government authorities should be more tolerant of such diverse discourse.
4. China’s economy should be open to foreign investment and trade, with the Chinese government and commercial actors conforming with international standards and regulations, as stipulated by international organizations such as the WTO.
5. The Chinese government’s domestic governance should not only be humane, but it should be effective. At the same time, recognizing traditional centrifugal tendencies and the potential for social instability, it is not in Western (or Asian) interests for China to be domestically unstable—as such instability could quickly spill outside of China’s borders. Domestic instability complicates China’s ability to act in partnership with other nations and historically has contributed to foreign intervention in China’s internal affairs—captured in the Chinese saying *neiluan, waihuan* (internal disorder, external pressure).

³ See David Shambaugh, *China’s Communist Party: Atrophy & Adaptation* (Washington, D.C. and Berkeley, CA: Woodrow Wilson Center Press and University of California Press, 2008) chapter 4.

6. Internationally, China should be fully integrated into the post-war institutional architecture, so as to take its appropriate “seat at the table,”⁴ and also provide a strong stake in the operation of global system(s) and global governance.⁵ This integration is also intended to “socialize” China into the existing rules and norms of the post-war international system.⁶

7. Mindful of the disruptive historical experience of rising powers over the past two centuries, smoothly integrating China into the international system without disrupting the existing order is recognized to be *the major strategic challenge* of our era, i.e. for China to be a “status quo” and not “revisionist” actor.

8. Strategically, for China not to challenge (and preferably cooperate with) the existing international and regional security structures, e.g. NATO, U.S. bilateral alliances, and regional cooperative security groupings.

9. Regionally (in Asia), for China to emerge as a fully engaged and cooperative partner bilaterally and multilaterally, and to resolve the Taiwan issue peacefully.

10. Militarily, for the People’s Liberation Army to become more transparent in line with Asian regional and global standards, cooperative with foreign militaries, and not threaten its neighbors or Asian regional security.

American Considerations

In addition to these shared transatlantic perspectives, I would submit that United States strategy towards China, over the past seven administrations, has embodied several additional features. Because the United States has a strategic/military presence and equities in the Asia-Pacific region that Europe does not, ten additional principles apply to U.S. policy:

1. Recognize a stable and secure China is in U.S. national interests.
2. Maintain open and secure sea lines of communication (SLOCs) in East Asia.
3. Deal with China from a position of strong alliances in East Asia.
4. Encourage China to play an active and constructive role in regional affairs in Asia, including in the security sphere.
5. Work with China on particularly sensitive regional issues, such as North Korea.
6. Ensure Taiwan’s capacity for self-defense, as consistent with the Taiwan Relations Act, and maintain peace and stability across the Taiwan Strait.
7. Adhere to the One China Policy and encourage direct dialogue between the governing authorities on Taiwan and the government in Beijing,

⁴ Elizabeth Economy and Michel Oksenberg (eds.), *China Joins the World: Progress & Prospects* (New York: Council on Foreign Relations, 1999).

⁵ See G. John Ikenberry, “The Rise of China and the Future of the West,” *Foreign Affairs*, Vol. 87, No. 1 (January/February 2008), pp. 23–37.

⁶ See Alastair Iain Johnston, *Social States: China in International Institutions, 1980–2000* (Princeton and Oxford: Princeton University Press, 2008).

and support any outcome that is peaceful, mutually agreed and acceptable to both sides.

8. Establish the best possible relationship with America's principal ally in the region, Japan, as East Asia cannot be strategically stable unless China–Japan relations are stable and cooperative.

9. Develop “habits of cooperation” with the Chinese military (PLA), while maintaining robust intelligence capabilities to closely monitor its modernization effort.

10. Institutionalize U.S.–China intergovernmental relations at the deepest possible level, wedding the two bureaucracies together to pursue common—rather than adversarial—objectives.

Capacity Building

Over the years, several policy methods have been employed in pursuit of these general strategies. Some have been governmental, while most have been left to non-governmental actors. Since the 1980s, what has become known as “capacity building” (enhancing China's governmental and non-governmental capacities) has been a shared feature of American and European approaches (as well as Canadian, Japanese, and Australian) to improving China's domestic governance and role in the world. While both have shared this assumption and contributed to such capacity building, the European side has taken this mission more seriously. It has been at the heart of the EU approach to China to assist China in successfully managing a series of internal transitions. In particular, the European Commission and the British, Danish, Dutch, German, Irish, and Swedish governments have all contributed hundreds of millions of Euros (and their national currencies) to these efforts over the years. NGOs in these countries have also played key roles. This training and capacity building takes place both in Europe and in China. The China–Europe International Business School in Shanghai and the China–Europe Law School in Beijing are laudatory examples and tangible testaments. While the EU and European governments have done more in this regard than the U.S. Government, the American private sector has contributed a great deal. The Hopkins-Nanjing Center for Chinese and American Studies at Nanjing University is a model institutional partnership,⁷ while institutions such as the Ford Foundation and Asia Foundation have been particularly instrumental in training a wide range of Chinese government professionals and improving nongovernmental institutional capacities.⁸

Perhaps the greatest contribution to capacity building the U.S. and Europe have made is to simply open their societies to Chinese citizens.

⁷ See: <http://www.sais-jhu.edu/Nanjing/>.

⁸ The Ford Foundation spends approximately \$12 million per year in grants to Chinese individuals and institutions, through its Beijing Office. For a description of Ford's programs, see: <http://www.fordfound.org/regions/china/overview>. For a description of the Asia Foundation's China programs, see: <http://www.asiafoundation.org/country/overview/china>.

Nowhere has this been more evident than in the university sector. For three decades now, U.S. and European universities have educated several million Chinese students, with large numbers more receiving training in vocational, technical, and secondary schools.⁹ Such students have and will return to China to join the elite of their professions, contributing directly to the modernization and leadership of their societies.

However, capacity building goes beyond educating university students, and has involved the training of specific sectors of personnel—including lawyers, judges, prison warders, customs agents, police and law enforcement personnel, intelligence analysts, military officers, diplomats, scientists, and a wide range of government and Chinese Communist Party (CCP) officials. The assumption has been that training such personnel improves China’s governance and stability, and hence is in Western interests.

In these specific areas, the efforts of EU countries have exceeded those of the United States. For various legal and political reasons, the U.S. has intentionally sought to *not* train those in the security services, judiciary, Communist Party organs, or People’s Liberation Army (PLA). I think this is a short-sighted mistake. On the other hand, European countries have PLA officers in their elite military staff colleges (U.K., France, Italy, Germany, Sweden), design special training courses for CCP cadres (U.K.), and train lawyers, judges, and prison personnel (U.K., Sweden, Denmark, Netherlands, Germany, Ireland). While European programs have exceeded those of the U.S. in each of these sectors, Western training has significantly enhanced Chinese capacities—thereby contributing directly to a more humanely and efficiently governed China, and a more responsible actor in world affairs. Both the U.S. and Europe have contributed to alleviating poverty, improving public health, women’s and reproductive rights, the rule of law, local-level elections, media reform, environmental protection, and a broad range of human rights.

While these capacity building efforts have been extensive over several decades, there is a sense that “donor fatigue” has set in. Westerners increasingly question why aid should be given to a nation that possesses \$1.5 trillion in foreign exchange reserves, is building a world-class modern military, sends astronauts into space and has a moon landing program, is a permanent member of the United Nations Security Council, and possesses other *accoutrement* of a major global power? With many much more needy countries on the planet, it is increasingly difficult to justify large expenditures of ODA on China.

At a minimum, Western donors should consider whether such traditional ODA (particularly that aimed at the Chinese rural population) should not be provided by international development organs such as the World Bank and Asian Development Bank, as well as the Chinese Government, rather than by foreign national governments. This recalibration would permit Western governments and NGOs to more precisely target

⁹ In 2008, there are presently approximately 67,000 Chinese students in the United States, with nearly 170,000 in Europe.

their development assistance at several key areas related to China's transition from being a developing country to a newly industrialized country (NIC) and from an authoritarian to more pluralistic political system.

Looking Ahead:

Forging Transatlantic Cooperation on Multiple Levels

Many of the aforementioned transatlantic policy priorities remain valid today, and we should remember their continuing efficacy. As long as the U.S. and EU keep their collective “eye on the (long-term) ball,” managing short-term policy issues will be easier. More importantly, American and European policies towards Beijing can and should *reinforce each other*—sometimes through explicit collaboration, but more often through parallel words and actions. Sometimes, close coordination is called for—such as concerns technology transfer issues, WMD related issues, and potential arms sales—but usually Washington, Brussels, and the major European states will act in tandem with their parallel policies. Whether being explicitly or implicitly supportive, it is very important that transatlantic China policies not openly contradict each other and offer room for Beijing to practice its time-honored tradition of “using the barbarians to control the barbarians” (*yi yi zhi yi*).

Given that these earlier priorities remain valid today, times have also changed. Broader changes in transatlantic relations increasingly affect relations with China.

While the European Union has become a larger and more diffuse entity, it has also become a more prominent actor in world affairs. Beijing has placed Europe as a high priority in its foreign policy. The overall EU–China relationship has developed dramatically in all spheres,¹⁰ thus putting it on a par with Sino-American relations in many areas. The U.S.–China relationship has also deepened and matured significantly—it has never been more complex, more interdependent, more cooperative, or more deeply institutionalized. It is now truly a *global*, and not simply a bilateral or East Asian regional, relationship. As noted in the Introduction to this volume, the transatlantic relationship itself has undergone a “midlife crisis” and is developing in new directions. And the world itself has changed significantly. Perhaps the most important change affecting the United States, Europe, and China has been the rise of global challenges such as terrorism, Islamic fundamentalism, climate change, energy security, WMD proliferation, pandemic diseases, and the whole cluster of “non-traditional security” challenges.¹¹ As a result, issues of “global governance” have risen up the international agenda pressing for the attention of all major powers.¹²

¹⁰ See David Shambaugh, Eberhard Sandschneider, and Zhou Hong (eds.), *China–Europe Relations: Perceptions, Policies & Prospects*, op. cit.; David Kerr and Liu Fei (eds.), *The International Politics of EU–China Relations* (Oxford: Oxford University Press, 2007); Stanley Crossick (ed.), *China–EU: A Common Future* (Brussels: World Scientific, 2007).

¹¹ See David Shambaugh, “Internal-External Linkages in Asian Security: The Non-Traditional Security Agenda,” German Institute for International Security Affairs (SWP),

Working with China

Looking to the future, managing global affairs necessarily and increasingly involves working with China. China is now a “member of the club” of the vast majority of international organizations. Yet, scholars ask: has China “internalized the norms” of these organizations,¹³ and do the U.S. and EU really see eye-to-eye with Beijing on global issues? The 2007 U.S. Council on Foreign Relations Task Force on U.S.–China Relations concluded in the affirmative:

“The Task Force finds that China’s overall trajectory over the past thirty-five years of engagement with the United States is positive. Growing adherence to international rules, institutions, and norms—particularly in the areas of trade and security—marks China’s global integration.”¹⁴

Other observers of China’s international behavior are not so enthusiastic or categorical, arguing that China engages in “conditional compliance” and “selective multilateralism” when and where it suits Beijing’s interests (although the overall trend of integration has been positive).¹⁵

There will certainly be areas where Chinese cooperation will be more likely, as well as those where Beijing may be more reticent or recalcitrant. As we have witnessed with China’s positive contributions to the Six Party Talks on North Korea and its earlier role in the Cambodian peace process, Beijing is much more likely to become engaged on issues in its own immediate periphery. China is still some way from becoming a “responsible stakeholder” globally.

In encouraging China’s new multilateralism and contributions to global governance, it is very important that the European Union and United States understand the debates and constituencies *inside China*—as it will afford more knowledgeable and nuanced policy initiatives that seek to

(November 2007), available at: http://www.swp-berlin.org/de/common/get_document.php?asset_id=4481.

12 On the emerging global governance agenda, see Colin I. Bradford, Jr. and Johannes F. Linn (eds.), *Global Governance Reform: Breaking the Stalemate* (Washington, D.C.: Brookings Institution Press, 2007); Michael Barnett and Martha Finnemore, *Rules for the World: International Organizations in Global Politics* (Ithaca, NY: Cornell University Press, 2004).

13 See the contributions by Harry Harding and Francois Godement in this volume; Liselotte Odgaard and Sven Biscop, “The EU and China: Partners in Effective Multilateralism?,” in Kerr and Liu (eds.), *The International Politics of EU–China Relations*, op. cit.; and Volker Stanzel, “The EU and China in the Global System,” in Shambaugh, Sandschneider, and Zhou (eds.), *China–Europe Relations*, op. cit.

14 Council on Foreign Relations, *U.S.–China Relations: An Affirmative Agenda, A Responsible Course* (New York: Council on Foreign Relations Independent Task Force Report No. 59, 2007), p. 7.

15 See, for example, Ann Kent, *Beyond Compliance: China, International Organizations, and Global Security* (Stanford: Stanford University Press, 2007); Gerald Chan, *China’s Compliance in Global Affairs* (Singapore: World Scientific, 2005); Evan Medeiros, *Reluctant Restraint: The Evolution of China’s Non-Proliferation Policies and Practices* (Stanford: Stanford University Press, 2007); Marc Lanteigne, *China’s Engagement with International Institutions: Alternate Paths to Global Power* (London: Routledge, 2005); Michel Oksenberg and Elizabeth Economy (eds.), *China Joins the World* (New York: Council on Foreign Relations, 1999).

strengthen and support those elements in the Chinese government and system that share our perspectives and with whom we can more easily work. Just as in Europe and the United States, policies are hotly debated and a range of opinion exists. It is mistaken for outsiders to assume they are dealing with a coherent unitary actor, although the Chinese government is much more disciplined about controlling leaks and giving the impression that “Beijing” has a unified position. To “get inside” the Chinese policy discourse and mindset, however, requires expert intelligence gathering and analysis (much of it “open source”) as well as tapping into the expertise of the nongovernmental community of China specialists on both sides of the Atlantic.

It is also important to play to Beijing’s strong (collective psychic) need to be accepted as a constructive and responsible great power. Beijing generally eschews the identity of being a revisionist or mercantilist power, and seeks to be seen in the company of other “responsible” major powers. This “psychic” need in China’s collective persona can—and should—be used by other powers and nations in encouraging Beijing to play a fuller, cooperative, and constructive role in global affairs. Public “shaming,” a technique that is used extensively in Chinese society and culture, *should* be applied selectively to Beijing in cases where China’s behavior (e.g. Sudan/Darfur, Zimbabwe, Myanmar, Iran, etc.) do not conform to the views of the U.S., EU, and international community. But the main goal is to encourage China’s increased contributions to global governance. China’s interests and activities are now truly global—so too should be its responsibilities. Beijing has already moved from being a passive “free rider” to being a “selective multilateralist;” now the goal should be for it to become much more comprehensively engaged in contributing to solving the world’s problems. To be sure, there are signs of China’s increased activism and contributions to global governance. Its growing contributions to U.N. peace-keeping missions are a prime and positive example.

The same can certainly be said of the United States, as Washington also has a long way to go in its own multilateralism and contributions to global governance. Many around the world perceive no small degree of hypocrisy in Robert Zoellick’s call on China to become a “responsible international stakeholder,” when Washington itself frequently ignores and circumvents international institutions and law. Like China, the United States is also a “selective multilateralist” or “*a la carte* multilateralist” (as Richard Haass once termed it). For its part, the EU needs to develop *capacities to act* in accordance with its multilateralist rhetoric. All three parties have much work to do in this regard. In fact, as trilateral (China–EU–U.S.) conferences seem to be on the increase, a prime topic for such meetings is how to improve trilateral cooperation on global governance.

The Role of Domestic Politics

It is equally important to closely follow and understand the fluid China policy environment in Washington, Brussels, and other European capitals.

In the United States, the nongovernmental community plays an active and important role in shaping the political environment—and the content—of China policy. Washington and New York are replete with policy task force reports,¹⁶ think tank seminars, public debates,¹⁷ policy briefs and newspaper op-eds. The U.S. Congress is a universe unto itself, with designated “commissions” permanently established to monitor China.¹⁸ Congressional staffers are found to have much more hawkish views of China than are evident in the China expert and think tank community, or the public at large.¹⁹ As the 2008 presidential election nears, one sees the usual outpouring of policy advice to the candidates on China, Asia, and other foreign policy issues.²⁰

Thus, transatlantic relations with, and policies toward, China operate in a complex environment in many different localities (within the EU this includes all member states). Substantially more effort needs to be paid in the United States to understanding the European policy environment (precious few Americans even pay attention to EU–China relations), and a dialogue between American Europeanists and Sinologists needs to occur much more frequently. With regard to China, U.S. research and intelligence capacities are enormous and admirable—but there still exist many analytical gaps in their understanding of the Chinese policy process. While Europe needs a long-term strategy and major infusion of funding into Chinese studies,²¹ European academic research capacities on China are not insignificant.²² The challenge is making it *accessible* to government policy makers in Brussels and member state capitals. There has not been much of a tradition of this in Europe, unlike the United States. The Europe–China Academic Network (ECAN) was originally formed and operated (1997–2002) precisely to address this problem, as well as to increase communica-

16 See, for example, Council on Foreign Relations, *U.S.–China Relations: An Affirmative Agenda, A Responsible Course*, op. cit.; U.S. Chamber of Commerce, *Issues of Importance to American Business in the U.S.–China Relationship* (Washington, D.C.: U.S. Chamber of Commerce, 2007); The Aspen Strategy Group, *China’s March on the 21st Century* (Washington, D.C.: The Aspen Institute, 2007).

17 See, for example, “Reframing China Policy: The Carnegie Debates,” available at: <http://www.carnegieendowment.org/events/index.cfm?fa=eventDetail&id=854&&prog=zch>.

18 The Congressional-Executive Commission on China and the U.S.–China Economic and Security Review Commission.

19 See Committee on 100, *Hope and Fear: American and Chinese Attitudes towards Each Other* (2007), available at: <http://www.survey.committee100.org/2007/>.

20 See, for example, Michael O’Hanlon (ed.), *Opportunity’ 08: Independent Ideas for America’s Next President* (Washington, D.C.: Brookings Institution Press, 2007). See, in particular the chapters on China policy by Jeffrey Bader/Richard Bush and Michael Green.

21 Given the strategic significance of China and Europe-wide challenges that China presents, such funds should come *from Brussels* in addition to member states. Without such a sustained and long-term strategy and funding, Europe will find itself increasingly incapable of meeting “the China challenge.”

22 For a comparative evaluation of American, European, and Japanese scholarship on contemporary China see Robert F. Ash, David Shambaugh, and Seichihiro Takagi (eds.), *China Watching: Perspectives from Europe, Japan, and the United States* (London: Routledge, 2007).

tion among European China specialists, but ECAN's subsequent phases have done less well to meet either of these original goals.

What *needs* to occur, more than anything else, is to *increase* the communication and interaction among China specialists and to link them to the policy processes on both sides of the Atlantic. Some dedicated and sustained funding to this end is warranted, and transatlantic philanthropic foundations could make an important contribution. Perhaps through greater transatlantic interaction better informed and better coordinated EU and U.S. policies towards China will emerge. There is *no greater* challenge to the EU and U.S. (expect perhaps relations with each other) than getting relations with China right.

Main Policy Recommendations

Many observations and recommendations have been previously mentioned in this chapter. In this concluding section, I would like to offer another set of ten policy recommendations for the United States and EU to consider in their future exchanges concerning, and policies towards, China. First, a broad point: China has been, and remains, both an *object* of EU and U.S. policy, and simultaneously a *partner* for both sides on many issues. The EU and U.S. need to:

1. Keep our collective eye on the “Big Picture” regarding China policy—pursuing the twin sets of “cardinal principles” outlined above.
2. Fine-tune “capacity building” efforts, i.e. to treat China less as a developing country and more as a newly industrializing authoritarian state, and to target efforts to improve China’s domestic governance and openness.
3. Encourage China to play a more active role in global governance, via multilateral mechanisms. (The same applies to the United States.)
4. Deepen and broaden governmental and non-governmental transatlantic dialogues on China, and—when appropriate—“trilateralize” such dialogues by including China.
5. Improve the input from non-governmental China specialists into the European policy process, invest in a major new initiative to build up China Studies capacity in Europe, and increase the interaction among China specialists and transatlantic policy experts.
6. Establish transatlantic working groups between the U.S. Government and European Commission on key policy areas (trade, IPR, human rights, etc.), while establishing trilateral working groups among China, the EU, and U.S. on selective issues of global governance (WMD, Iran, non-traditional security, etc.).
7. Increase transatlantic intelligence sharing about China.
8. Improve the sharing of information and experiences between the U.S. and European governments in their relationships with China, particularly in the trade and military spheres.
9. Establish—as a *matter of priority*—a transatlantic working group to harmonize dual-use export controls vis-à-vis China. This is a “time

bomb” waiting to explode in transatlantic relations and the *time is now* to avert such an explosion (on par with the arms embargo fiasco) through establishing agreed categories and procedures of dual-use and defense-related export control decisions.

10. Wherever and whenever possible, the U.S. and EU should “speak with one voice” or “reinforcing voices” on policy issues concerning China.

I hope that these recommendations, and this chapter, are useful for those engaged with China policy inside and outside of government on both sides of the Atlantic. America’s and Europe’s relations with China are only going to grow more complex and more important over time—and it thus behooves both sides to maximize transatlantic consultation and co-operation.

Transatlantic Divergences on the Rise of China

Eberhard Sandschneider

With only a few months in office remaining for the second Bush administration, expectations are running high on both sides of the Atlantic that with a new incoming administration in Washington, things might turn fundamentally for the better with regards to transatlantic co-operation. Most probably, however, hard lessons await those who hold on to these expectations. Should the next US administration really turn towards more multilateral policies, it would almost certainly also expect Europeans to do more in helping to deal with global problems. The spectrum of potential issues in which conflicts might continue and even intensify ranges from security (Iran, Iraq, Afghanistan) to energy, trade and certainly also to the fundamental issue of how best to deal with the rise of new powers like China or the return of former opponents like Russia. China might well continue to be a special challenge for transatlantic partnership despite the fact that there has been a definite increase in exchange and dialogue on China across the Atlantic.

Legacies of the Embargo Debate

In the aftermath of the 4 June 1989 crackdown on Beijing's student movement, the United States, the European Union, Australia and Japan implemented embargo policies as a reaction to those events. The message was clear: Western democracies (and their most important Asian partner, Japan) were not willing to tolerate violations against human rights on such a massive scale. However, without much international attention, Australia and Japan were the first to completely lift these embargoes in 1990–1993 when China pushed towards more market reforms after Deng Xiaoping's famous "visit to the South." While the United States has not followed this policy, the European Union has taken a different approach by lifting parts of its embargo package, thus unintentionally creating a highly controversial issue in transatlantic relations. Ever since, the debate over a common approach to the rise of China has become one of the most contested and controversial issues across the Atlantic—and within Europe itself.

Symbols are important in international relations. When major countries of the EU wanted to send a symbol of a return to normalcy to Beijing by lifting the weapons embargo, it was precisely this symbol which the United States did not want to be sent. Immediately after German Chancellor Gerhard Schröder and the French president Jacques Chirac suggested lifting the 1989 weapons embargo against China in December 2003, there was an outcry of protest—within the EU, since smaller countries did not

want to irritate the US; and within the US, because fears ran high that Chinese soldiers could use European weapons technology in a potential military conflict over Taiwan. An emotional and, in parts, even irrational hearing in the US Congress underlined the sensitivity of the issue and the amount of irritation in the immediate aftermath of the Iraq controversy.

While the weapons embargo debate put a strain on transatlantic relations, it led to the creation of a number of transatlantic events which were intended to promote a transatlantic dialogue on China without the attendance of Chinese scholars and decision-makers. Any attempt to find a common approach towards China in a transatlantic respect makes Chinese observers highly nervous, but they can watch with ease. The outcome of transatlantic debates so far has not made any waves: we have an institutionalised dialogue on China, but we do not have an agreement on how to develop a common approach and a common policy towards Asia's major rising power.

Divergent Interests and Positions

In a broader historical perspective, approaches to the rise of China have never been congruent between the EU and the US. China—as well as Russia for that matter—poses a serious problem to transatlantic co-ordination on how to deal with non-democratic systems. “Blaming and shaming” is a strategy preferably chosen by parliaments (and with less and less success, except on the home-front where the tough talk often receives undeserved applause), while governments usually take a more engagement-oriented approach. Controversial debates abound. For the time being—both within EU countries, on an EU- and even more so on a transatlantic level—co-ordination and agreement on how best to meet challenges posed by China's competing model have yet to be found.

The single most important aspect of transatlantic divergences on China is the fact that Europe never had, and still does not have, a security perspective on China. China is not regarded as a military threat by most Europeans—not least because Europe does not have something similar to a Taiwan Relations Act which could possibly bring about direct military involvement.

It does not take much imagination to speculate on what Europe would do in case of a Sino-US military crisis over Taiwan. Most certainly, a delicately formulated resolution would admonish both conflict partners and encourage a return to the negotiation table, while a package of economic sanctions would possibly follow and Europe would again demonstrate a strong global outreach based on wording and “effective diplomatic language.”

Here also lies one of the most fundamental differences between the US and Europe. Europe is not (yet) a global player, and certainly not a regional player in the Asia-Pacific theatre. The US certainly is. And undoubtedly, maintaining a Pax Americana in Asia lies in the interest of the US—and to some extent Europe's as well. But while the EU sits on a fence watching

mostly from afar, the US is directly engaging China on these issues. In important aspects of US strategic debates (see the last Quadrennial Defense Report), China's military rise has clearly been identified as one of the most important future challenges for US forces, second only to the fight against international terrorism. Chinese observers were not amused—and Europe could not care less.

Engaging or Containing?

Given their growing economic interdependence and a history of unabated belief in “effective multilateralism,” Europeans strongly believe in engaging China, whereas the US debate is split between proponents of “engagement,” “constructive engagement” or even “responsible stakeholder-ship” on the one hand, and fervent advocates of a containment policy towards China on the other. “Hugging or Hedging” has become the catchphrase for these openly-debated, conflicting strategies. The debate will certainly go on. Agreement on China is difficult to establish.

While transatlantic partners are continuously looking for new strategies, China's strategy, in contrast, has remained more or less the same: the country is striving for more international influence based on its increasing economic and political power, with the obvious aim of moving into the position of a major global player in the 21st century. However, we should never forget that China's political development is a walk on a thin line between maintaining stability and facing enormous domestic problems on issues ranging from social unrest to environmental degradation, from resource scarcity to food and job security, from social inequality to health care. With overall social unrest continuously rising, any forecast on the future prospects for stability are beyond the capacities of social sciences. Experience tells us, however, that what could go on for another two or three decades, might also abruptly end tomorrow.

Understandably, maintaining regional and international stability in order to avoid negative impacts on China's domestic programme of modernisation and development therefore ranks high on Beijing's global agenda.

The Comfort Zone of Transatlantic Values

In the ideal world of devoted transatlanticists, values play an important role whenever there is obvious disagreement on interests and policies. Hundreds of thousands of speeches were given on the Iraq conflict with ever so many references to our common values. The result still remained the same: we did not agree on policies. Let us agree then in theory, at least: yes, we do have transatlantic values—we have developed them together over the last three hundred years and they have helped us to create democracy and welfare in our societies, but they do not help us to meet the challenges of the early 21st century.

Wishful thinking has dominated many a debate on China. What, then, are the consequences of our transatlantic dialogue on China?

In a perfect world, China's successful modernisation should lead to at least the initial first steps towards democratisation (beyond local-level elections), and in a transatlantic dialogue we would agree on how best to deal with the rise of China.

But the globalised world we live in is all but perfect. Thus, China is not following Western rules, but its own strategic interests—which is legitimate, like it or not. No doubt, China continuously violates human rights and only reluctantly implements Western legal standards, aimed exclusively at maintaining stability at whatever cost without engaging on a path towards democracy. As the major rising power in Asia, China thus keeps challenging Western models, values and interests while striving for more global impact as a major actor after a century and a half of humiliation.

A Thorny Way Ahead

Despite ongoing dialogues on China and a theoretical convergence of interests, European and American perspectives are still torn between hugging and hedging. We do have difficulties agreeing on a common strategy towards China for at least three reasons:

- ▶ the general assumption is that the agreement would have to be based on the US prerogative that the EU should adopt core US perspectives;
- ▶ the EU itself has no co-ordination of its China policies;
- ▶ because any attempt “to manage the rise of China” would almost immediately lead to a clash of interests, which would be difficult for us to overcome and easy for China's government to see.

To be sure, Europe has a whole set of wonderfully phrased strategy papers towards China—the last one of October 2006 certainly taking a more critical perspective. However, in the real world, things look different. Each and every European nation state has its own China strategy which economically (and sometimes politically) competes with those of other EU members. Whoever wants to see the reality of EU relations with China should be reminded of the fact that two days after German Chancellor Angela Merkel sent German-Chinese relations diving by receiving the Dalai Lama in her office on 23 September 2007, it was the newly elected French president Nicolas Sarkozy who called China's prime minister Wen Jiabao, thereby offering France as the new most important strategic partner for China in Europe.

The difference between theory and practice in dealing with China thus leaves hardly any doubt about the need for greater co-ordination in Europe—not to mention the persisting differences in transatlantic approaches.

Finally, China is just one—although an important—example of much larger and more difficult challenges regarding transatlantic relations. For the time being, as many an optimist surfing on the third wave of democratisation finds himself with his feet back on dry ground, we have no agree-

ment—and as a matter of fact, not even a faint idea of a strategy—on how to deal with successful autocracies. The assumption that only a combination of democracy and a market economy can provide for public welfare is not only challenged by China’s competing model but also by many other non-democratic developmental states which insist on creating political models of their own in clear opposition to our Western models.

Thus, far from being truly successful so far, there is no alternative to the process of working towards a mutual understanding and better coordination of our China policies in a transatlantic context; even more so since we find it increasingly difficult to avoid falling into the trap of overestimating the attractiveness of our own models. Political elites in other parts of the world, meanwhile, are taking a different and increasingly critical perspective of Western models of good governance and political conditionality, which they perceive as tutelage. As one high-ranking American diplomat put it: “How best to teach them to better understand our policies.” But that is just not working anymore.

Domestic Issues

Politics, Human Rights, and the Beijing Olympics

Richard Baum

When the 2008 Summer Olympic Games were awarded to Beijing in July 2001, hopes were raised that the bright glare of international scrutiny, combined with Chinese leaders' desire to use the Games to celebrate the PRC's arrival as a respected member of the international community, would push the country toward political liberalization, media freedom and respect for human rights. Memories of South Korea's "democratic opening" during the run-up to the Seoul Olympics in 1988 were clearly uppermost in many people's minds.¹

Contrary to expectations, the Korean experience has not been replicated in China. Even as long-term macro-societal forces continue to push China slowly and fitfully in the direction of greater openness and civic activism, short-term micro-political concerns, driven by the regime's near-obsessive determination to maintain social order and stability during the Olympics, have led to a noticeable tightening of state media controls and internet censorship, stepped-up harassment of civil society activists, and police detention of dozens, if not hundreds, of protesters, petitioners, and whistle-blowers.

There is no small irony in this. Supposed to help China open up, the Olympics have instead served to close China down even further. The evidence for this is plentiful. In the remainder of this paper, I shall highlight recent changes in China's domestic political environment, followed by an assessment of Euro-American responses and policy options.

Chinese Ambivalence over Human Rights

At the time of the awarding of the Beijing Olympics, Chinese leaders assured the International Olympic Committee—and the world at large—of their intention to hold an "open, green, and humane [*renwen*] Olympics" and conscientiously to abide by international human rights conventions. To demonstrate their seriousness, in June 2001—one month before the IOC rendered its final decision—the PRC ratified the International Covenant on Economic, Social and Cultural Rights (ICESCR), thereby committing itself to "use all appropriate means" to "progressively achieve" such diffuse, long-term goals as combating poverty and gender inequality, permitting workers to form autonomous trade unions, promoting freedom of information and expression, and managing the challenges of population growth and environmental damage.²

¹ See, for example, *New York Times*, July 14, 2001.

² Katie Lee, "China and the International Covenant on Civil and Political Rights: Prospects and Challenges," *Chinese Journal of International Law*, Vol. 6, No. 2 (2007), pp. 445–474.

Notwithstanding the vagueness of the ICESCR's compliance standards, China's performance has been spotty at best. In April 2005 the U.N. Committee on Economic, Social and Cultural Rights highlighted twenty-eight specific "areas of concern" with respect to Chinese compliance. In its defense, the PRC delegation argued that "[China] is a developing country. In view of constraints relating to the level of the country's economic and social development, [...] not all [of the Covenant's] articles have been fully realized [...]." Rejecting the "developing society" defense, the U.N. Committee held that in China "there are no significant factors and difficulties impeding its capacity to effectively implement the Covenant."³

If Chinese compliance with ICESCR has been problematic, Beijing's long-awaited ratification of the International Covenant on Civil and Political Rights (ICCPR) proved even more so. Signed by China in the aftermath of the 1997 Hong Kong retrocession, the ICCPR is both more specific in the obligations it imposes on member countries, and more demanding in terms of reporting requirements. For these reasons, it has never been formally ratified by China. Seeking to counteract Western criticism of its inaction, the Chinese government in 2003 issued its own Human Rights "White Paper" which noted that China had, to date, signed 21 international human rights treaties. In each case, however, China had, at the time of signing, expressed strong reservations reflecting its determination to preserve state sovereignty and uphold the principle of non-interference in domestic affairs.⁴ Even with such reservations, however, several of the pacts (including ICCPR) remain unratified.

With China increasingly the focus of global media attention in the run-up to the Olympics, Beijing has been torn between the need to declare its acceptance of prevailing international norms and standards with respect to human rights, and its determination to uphold domestic "unity and stability." A mere four days after the crucial IOC vote in July 2001, China's deputy Prime Minister Li Lanqing stated that "China's Olympic victory" should encourage the country to maintain its "healthy life" by combating such problems as the Falun Gong "evil cult," which had "stirred up violent crime." Equally egregious has been the worsening treatment of investigative journalists and rights activists. Although Beijing announced at the end of 2006 that certain restrictions limiting the freedom of foreign journalists to interview Chinese respondents were being lifted until after the August 2008 Olympics, the harassment of foreign and domestic reporters and their sources has increased markedly.⁵ Indeed, since 2003 there has

³ Katie Lee, "China and the International Covenant on Civil and Political Rights: Prospects and Challenges," *Chinese Journal of International Law*, Vol. 6, No. 2 (2007), pp. 445-474.

⁴ *Ibid.*, pp. 447-448. Some human rights activists have pointed out that China's continued failure to ratify ICCPR reflects the fact that the "rights gap" between China's domestic laws and its international treaty obligations was considerably greater in the case of ICCPR than in ICESCR.

⁵ Two prominent cases in point were the 2006 arrest and conviction of foreign journalists Ching Cheong of the *Straits Times* and Zhao Yan of the *New York Times*, on charges of "espionage," "fraud" and "revealing state secrets," respectively. See also Mitchell Landsberg, "Beijing Accused of Unfair Play," *New York Times*, August 7, 2007.

been a steady tightening of media restrictions and sanctions imposed by state propaganda organs, censors and security agencies.⁶

The singling out of the media for stern treatment is hardly accidental. As the emerging voice of an incipient Chinese civil society, journalists are playing an increasingly pro-active role in exposing official corruption, natural disasters, and social unrest. It is precisely such “negative” reportage, coming during the all-important run-up to the Beijing Olympics that has deeply concerned CCP leaders.

As the countdown to the Olympics passed the one-year mark in the summer of 2007, it was reported that Chinese intelligence services were compiling lists of foreign organizations and individuals who might try to stir up trouble during the Olympics. The intelligence gathering reportedly went far beyond such “usual suspects” as the Falun Gong to include evangelical Christian groups, critics of China’s “resource diplomacy” in Burma and Sudan, environmental campaigners angry about global warming, and foreign journalists.⁷ In anticipation of a massive influx of foreign media representatives, Chinese security agencies have reportedly compiled dossiers on some 8,000 reporters.⁸

New Restrictions on Civil Society

Ever since the “color revolutions” of 2003–05 demonstrated the potency of civil society mobilization in several former Soviet Republics, China’s leaders have been particularly sensitive to the destabilizing capacity of China’s myriad Non-Governmental Organizations. With over 300,000 NGOs in existence, many of which have formed connections with international agencies, the government’s fears of hostile foreign influence have been heightened. Particularly suspect are those internationally-linked NGOs operating in the fields of public information, public health, humanitarian/crisis intervention, legal rights, and civil society capacity-building.

To safeguard against unwanted foreign influence, the Ministry of Foreign Affairs has established a special unit to review the work of all foreign NGOs in China. While no foreign staff have yet been arrested or detained, local Chinese staff in several organizations have been subject to intimidation and harassment. Routinely, state officials “advise” local partners to inform the government of any dealings with foreign NGOs and to obtain official approval before accepting foreign funds.⁹

⁶ For an analysis of these restrictions and sanctions see Richard Baum, “Political Implications of China’s Information Revolution: The Media, Its Minders, and Their Message,” in Cheng Li (ed.), *China’s Changing Political Landscape* (Washington, D.C.: The Brookings Institution, 2008).

⁷ Charles Hutzler, “China Sees China Sees Activists As Olympic Threat,” *Washington Post*, July 23, 2007.

⁸ Mark Magnier, “China Feels the Heat of Its Olympic Ambitions,” *Los Angeles Times*, February 13, 2008.

⁹ Paul Mooney, “How to Deal with NGOs—Part I, China,” *YaleGlobal* (online), August 1, 2006. <http://yaleglobal.yale.edu/display.article?id=7902>.

More troubling still is the periodic police harassment and detention of Chinese activists associated with indigenous NGOs. One high-profile case is that of Hu Jia, a young HIV/AIDS activist who has been a thorn in the side of the Chinese government for several years. After being placed under house arrest in 2006 and again in the spring of 2007, Hu Jia was arrested in late December 2007 on the serious charge of “inciting subversion of state power.” His incarceration has been widely viewed as part of a preemptive crackdown on activists who might be planning to tarnish China’s image during the August Olympics—a classic case of “killing the chicken to scare the monkey.”¹⁰

Coerced evictions and corrupt urban relocation programs have been another problematic by-product of the Beijing Olympics. In the past few years, as many as 1.25 million Beijing residents have been forcibly evicted to make room for Olympic venues and urban beautification projects.¹¹ To deal with citizens vigorously protesting their forced eviction and relocation, a number of unmarked detention centers, known as “black jails,” have been set up throughout Beijing. When a British Channel 4 news team tried to film a documentary at one of these detention centers, they were assaulted, their camera was smashed, and they were arrested.¹²

In early August 2007, exactly one year before the start of the 2008 Olympics, a distinguished group of Chinese human rights activists publicly expressed their dismay over this state of affairs:

“We find no consolation or comfort in the rise of grandiose sports facilities, or a temporarily beautified Beijing city, or the prospect of Chinese athletes winning medals. We know too well how these glories are built on the ruins of the lives of ordinary people, on the forced removal of urban migrants, and on the sufferings of victims of brutal land grabbing, forced eviction, exploitation of labor, and arbitrary detention.”¹³

The Environmental Exception

One exception to the general trend of increased repression during the pre-Olympic countdown has been the growing efficacy of grass-roots environmental activism in China. Notwithstanding increased state scrutiny of environmental NGOs, on several occasions in the past few years environmental activists have forced local governments to halt or scale-back environmentally damaging development projects. Using the latest in electronic information technologies to mobilize public support, both domestic and foreign, environmental NGOs have succeeded, among other things, in

¹⁰ Melinda Liu, “Portrait of a Dissident,” *Newsweek* (online), February 1, 2008. <http://www.newsweek.com/id/107456>.

¹¹ Associated Press (Geneva), June 5, 2007.

¹² “The Terrible Secret of Beijing’s Black Jails,” *Spectator.co.uk* (online), October 10, 2007, <http://www.spectator.co.uk/the-magazine/features/247856/the-terrible-secrets-of-beijings-black-jails.shtml>.

¹³ “Open Letter to Chinese and World Leaders on the 2008 Beijing Olympics” (August 7, 2007), <http://crd-net.org/Article/ShowClass.asp?ClassID=9>.

stopping construction of a series of controversial new hydroelectric dams on the Nu and Jinsha Rivers in Yunnan, and in forcing the relocation of a planned paraxylene (PX) chemical plant in Xiamen municipality.¹⁴ Similar public outcries, widely propagated in the new electronic media, have forced the central government to pay greater attention to the need to report—and deal with—environmental disasters more promptly and forthrightly. A catalyst in this movement was the accidental spill of massive amounts of the toxic chemical benzene into the Songhua River near Harbin in November 2005. The accident was hushed up by local government officials for several days, resulting in massive water contamination affecting millions of local residents on both sides of the Sino-Russian border. In response to the resulting public outcry, the central government in January 2006 promulgated emergency regulations prescribing swift punishment for “those who fail to report the true state of incidents or cover up accidents.”¹⁵

Whatever limited success environmental and other civil society NGOs and activists have had in recent years can be traced at least indirectly to the role of the media—in particular the new electronic media—in facilitating the flow of information, both within China and between China and the outside world. With 210 million Internet users and 490 million mobile phone subscribers, China is now irreversibly “wired.” Notwithstanding the pervasive Chinese “Great Firewall” and a growing army of Internet police and media censors whose job it is to block the spread of “poisonous influences” and punish their purveyors, vast amounts of electronic information are now available to those who seek it.¹⁶

Civil Society “Pushback”

The ongoing information revolution has fuelled a small but visibly rising tide of societal pushback in China. A scattered but growing army of bloggers, environmentalists, displaced urban dwellers, migrant workers and assorted other civil society activists, their voices amplified by the new media and their rights championed by a small but determined band of “rights defense” lawyers, have begun to fight back against arbitrary power, confronting corrupt officials and publicly decrying abuses of authority. Characteristically, the state responds to such activism with a combination of carrots and sticks. New rules are introduced to proscribe corrupt or predatory practices, while at the same time new monitoring devices are set in place to deter potential whistleblowers and troublemakers. Seeking to stanch the flow of negative news, the security apparatus makes examples of additional chickens to frighten off the gathering monkeys. But the bad

¹⁴ See Yiyi Lu, “Environmental Civil Society and Governance in China” (London: Chatham House Asia Programme, ASP 05/04, August 2005); and Associated Press (Beijing), May 31, 2007.

¹⁵ “China Issues Emergency Response Plan,” China.gov (online), January 8, 2006, http://english.gov.cn/2006-01/08/content_150990.htm.

¹⁶ See Baum, “Political Implications of China’s Information Revolution,” *op. cit.*

news continues to bleed through. As one observer noted, “repressed discourses” keep “bubbling to the surface.”¹⁷

The inherent tension between a monistic state and an increasingly “noisy,” pluralistic civil society has been starkly highlighted in the pre-Olympic countdown. The harassment of rights advocates, bloggers, journalists and civil society activists has intensified as Chinese leaders have sought to present a modern, brightly polished, harmonious—and strangely anodyne—image to the outside world. As if to underscore the urgency of Beijing’s determination to prevent any politically inspired disruption of the Games, it was reported in early February that President Hu Jintao’s presumptive heir apparent, Xi Jinping, had been placed in charge of all Olympic preparations—including state security.¹⁸

The Olympic Boycott Movement

Periodically, there have been calls in the international human rights community—and within China itself—for an Olympic boycott. In 2001, *Reporters sans Frontières* established a dedicated website critical of China’s winning Olympic bid.¹⁹ At around the same time, Falun Gong mounted a virtual global media blitz in support of a boycott.²⁰ In Europe, the vice president of the European Parliament, Edward McMillan-Scott, was joined by several members of the EP in expressing sympathy for a boycott linked to China’s continuing support for the repressive military regime in Myanmar.²¹ The actress Mia Farrow, backed by eight Nobel Peace Prize winners and 119 U.S. lawmakers, has called for a boycott of what she termed the “Genocide Olympics” in protest over China’s amoral military and commercial dealings with the government of Sudan. China’s most prominent rights defense lawyer, Gao Zhisheng, has joined the chorus of nay-sayers, along with Olympic “bird’s nest” National Stadium architect Ai Weiwei, son of the famously persecuted poet Ai Qing.²² New York-based Human Rights

¹⁷ Yuezhi Zhao, “Media and Elusive Democracy in China,” *The Public*, Vol. 8, No. 4 (2001), p. 41.

¹⁸ “China Appoints Political Heavyweight to Clear Air over Olympics,” AFP (Hong Kong, online), February 11, 2008, http://afp.google.com/article/ALeqM5ilvypFt6ajTly031Ur_UmnGILQXg.

¹⁹ Patrick Goodenough, “Boycott Olympics Campaign Launched,” *Cybercast News Service* (online), August 21, 2001, <http://www.cnsnews.com/ViewForeignBureaus.asp?Page=/ForeignBureaus/archive/200108/For20010821c.html>.

²⁰ See *Boycott 2008 Communist Olympics* (online), <http://boycott2008games.blogspot.com>.

²¹ Darren Ennis, “EU Should Boycott Beijing Olympics over Myanmar,” *Reuters* (Brussels), September 27, 2007.

²² Gao Zhisheng was arrested in September 2007, shortly after sending an open letter to the U.S. Congress in which he argued that the ruling CCP was using the Beijing Games to gain legitimacy despite its “moral corruption.” Similarly, in an interview published in *Der Spiegel*, Ai Weiwei said “The government wants to use these games to celebrate itself and its policy of opening up China. But there isn’t anything to celebrate.” *Spiegel* (online), January 29, 2008, <http://www.spiegel.de/international/world/0,1518,531883,00.html>. In a video interview posted on YouTube, Ai Weiwei famously “gave the finger” to Olympic ceremony consultant Steven Spielberg. Shortly thereafter, in mid-February 2008, Spiel-

Watch, while unremitting in its criticism of Beijing's pre-Olympics record of human rights violations, has stopped short of endorsing a boycott, as has the New York-based Committee to Protect Journalists.

The line between criticizing China's human rights record and supporting a boycott is a delicate but important one. The key issue is politicization of the Games. The Olympic Charter itself requires that Olympic organizing committees in member countries be completely autonomous and from their national governments; indeed the very nature of the IOC as an international NGO was intended as a hedge against politicization of the Olympic Games. Nevertheless, the line between sports and politics has been rather permeable, and both official and unofficial boycotts have occurred from time to time—first in 1964, when the IOC banned South Africa from participating in the Tokyo Olympics because of its ongoing apartheid policy, and most famously in 1980, when U.S. President Jimmy Carter called for a global boycott of the Moscow Games in protest over the Soviet invasion of Afghanistan. The U.S. boycott was officially joined by a handful of major countries—most notably Japan, West Germany, Canada and China,²³ while a much larger number of Western countries, including Britain, France, Australia, Belgium, Denmark, the Netherlands, Italy, Spain, Portugal and Switzerland, supported the boycott but nevertheless permitted their athletes to compete in the Moscow Games as individuals, marching under the flag of the IOC. In several of these countries, national Olympic committees had opposed the ban endorsed by their own governments. In 1984, the U.S.S.R and its allies returned the American boycott in kind, as 14 countries in the Soviet bloc officially withheld their athletes from the Los Angeles Olympics.

The controversy surrounding linkage between human rights and Olympic participation brings to the forefront a longstanding debate over how to deal with putative Chinese “bad behavior.” In the aftermath of the 1989 Tiananmen debacle, both the US and the EU imposed a series of trade and military sanctions on China. From 1990–92, the U.S. House of Representatives annually voted overwhelmingly to rescind China's Most Favored Nation trade status unless, *inter alia*, China released its political prisoners, ceased using prison labor to produce export products, and rendered a full public accounting of all civilians killed in Tiananmen Square. Only a presidential veto threat (and in one case, an actual veto) by George H.W. Bush prevented MFN from being withdrawn. In 1994 President Bill Clinton managed partially to defuse this volatile issue by decoupling the annual MFN renewal process from contentious congressional debates about human rights in China.²⁴ Since then, periodic calls for renewed linkage—most frequently voiced in election years—have been raised by human

berg resigned his consultancy, saying that “my conscience will not allow me to continue with business as usual.”

²³ It will be recalled that China and the USSR were bitter adversaries in the late 1970s, and that the Chinese were seething over the Soviet invasion of Afghanistan.

²⁴ See Keiji Nakatsuji, “Nancy Pelosi and Human Rights in China” (online), <http://www.ritsumeai.ac.jp/acd/cg/ir/college/bulletin/vol12-2/nakatsuji.pdf>.

rights advocacy groups as well as by labor unions, manufacturing and commercial trade associations harmed by the continued flow of cheap Chinese consumer goods into the United States.

The Politics of Linkage

In Europe, there have also been periodic efforts to link trade issues with human rights progress in China; but for the most part the European attitude has been pragmatic, as typified by German Chancellor Angela Merkel's firm but low-key effort to inject human rights concerns into her conversations with top Chinese leaders—without at the same time threatening to impose new sanctions for Chinese “bad behavior.” When Merkel met with the Dalai Lama in Berlin last September, the Chinese reacted strongly, canceling a number of bilateral meetings. On the other hand, French President Nicolas Sarkozy has been relatively uncritical of China, seeking to divorce commercial relations from human rights concerns. And unlike Merkel, Sarkozy supports the movement to lift the EU's longstanding embargo on arms sales to China. Also unlike Merkel, Sarkozy has accepted a Chinese invitation to attend the Beijing Olympics. Seeking to avoid embarrassing China on matters of human rights, the French Ministry of Tourism has instructed its tour operators to refrain from mentioning Tibet, Taiwan, or the Tiananmen incident in their dealings with visitors from the PRC.²⁵

Several other EU heads of government, including Britain's Gordon Brown, have also accepted invitations to attend the Beijing Olympics; and a number of British government ministers have endorsed Brown's preference for quiet diplomacy over confrontation on matters of human rights. But when the British Olympic Committee required its athletes to sign a contract pledging not to say or do anything while in Beijing that might politically embarrass their Chinese hosts, a hostile public backlash forced the embarrassed BOC to revise its contract, eliminating the prohibition.²⁶

With public opinion in Europe growing notably cooler toward China in the past year, the list of public figures who have announced their intention not to attend the games—including Britain's Prince Charles—continues to grow. Yet despite EP Vice President McMillan-Scott's September 2007 call for an EU boycott of the Beijing Olympics, to date no EU member state (or national Olympic committee) has endorsed a boycott, though a few of the newer member states in East Europe have been highly critical of China's human rights record.²⁷

²⁵ “With the Chinese, Don't Discuss Tiananmen, Tibet or Taiwan, French Ministry Advises,” *International Herald Tribune* (web edition), January 4, 2007, http://www.iht.com/articles/ap/2007/01/05/europe/EU_GEN_France_China_Human_Rights.php.

²⁶ “Olympic Gag Row Leads to Review,” BBC Sports (online), February 11, 2008, <http://news.bbc.co.uk/sport2/hi/olympics/7237227.stm>.

²⁷ See David Shambaugh, “The China Honeymoon Is Over,” *International Herald Tribune*, November 26, 2007.

China's Response to Foreign Pressure

China's response to Western efforts to link human rights with trade, arms sales, and the Olympic boycott issue has ranged from outright defiance to a reprise of the PRC's cynical game of "catch and release," wherein Beijing makes a symbolic human rights gesture in advance of a major Western policy decision (such as MFN renewal in the early 1990s), only to clamp down again once the decision has been made. Such a pattern, evident also in China's eleventh-hour ratification of the ICESCR in 2001, suggests a well-choreographed *pas de deux*, wherein Western threats to impose sanctions lead to calculated Chinese concessions, followed by a return to the *status-quo ante* amid mutual recriminations.

Hovering in the background of the debate over linkage has been the question of China's long-term developmental trajectory. Proponents of rights linkage on both sides of the Atlantic argue that subtle pressure and/or "benign neglect" of Chinese human rights violations has not resulted in any visible lessening of the CCP's obsession with state security and political conformity, or any visible liberalization of China's repressive institutions of governance; and they claim it is folly to expect China to "peacefully evolve" along pluralistic Western political lines.²⁸ Critics of linkage, on the contrary, argue that three decades of quiet pressure and "constructive engagement" with China have borne visible fruit, resulting in the gradual transformation of a dissatisfied revolutionary regime into a status-quo oriented "stakeholder" in the international system. Though they concede that China has hardly become a pluralistic, liberal polity (let alone a democratic one), they point to clear if unsteady progress in China's growing acceptance of international norms and standards of behavior.²⁹

On the U.S. side of the Atlantic, the Bush administration has visibly shifted his stance on China from one of linkage-cum-public criticism to one of conciliation-cum-quiet diplomacy. Having announced his intention to attend the Beijing Olympics, Bush has clearly sought to downplay the linkage question. Last week, when U.S. film director Steven Spielberg announced that he was canceling his commitment to serve as artistic consultant to the Beijing Games, President Bush responded in a manner more akin to Angela Merkel than Nicolas Sarkozy. Emphasizing the distinction between public criticism and private diplomacy, Bush said: "I am not going to go and use the Olympics as an opportunity to express my opinions to the Chinese people in a public way, because I do it all the time with the President [Hu Jintao]."³⁰

²⁸ See, for example, James Mann, *The China Fantasy: How Our Leaders Explain Away Chinese Repression* (Viking, 2007).

²⁹ See David M. Lampton, "The China Fantasy Fantasy," *China Quarterly* 191 (September 2007), pp. 745–749. Also Richard Baum, "China and the Forces of Globalization," in: Richard Rosecrance (ed.), *The New Great Power Coalition: Toward a World Concert of Nations* (Rowman and Littlefield, 2001) (with Alexei Shevchenko).

³⁰ "Bush Says Won't Use Olympics to Criticize China," Reuters (London), February 14, 2008.

Beijing Softens Its Response

As the list of celebrity Olympic boycotters grew longer in mid-February, Beijing began to modify its response. After initially expressing the “disgust,” “bafflement,” “outrage” and “hurt feelings” of the Chinese people at mounting foreign criticism of its attitudes and policies toward Darfur, the Chinese government began to backpedal. Fearing a bandwagon effect following the much-publicized Spielberg defection, the Beijing Olympic Committee declared that “The Chinese government has made unremitting efforts to resolve the Darfur issue.” At the same time, the Foreign Ministry reiterated its intention to welcome critics of China’s policies to attend to the Beijing Games. Claiming that it was “understandable” that some foreigners might disagree with China’s policies in Sudan, Foreign Ministry spokesman Liu Jianchao expressed the wish to “dialogue” with the critics.³¹ A few days later, Liu announced that Chinese policy in Myanmar was one of promoting a “democratic process of reconciliation and peace.” And while Chinese chatrooms and websites were filled with strident criticism of Spielberg’s “hypocritical meddling,” Xinhua, the official Chinese news agency, stopped well short of attacking him, noting that “the Chinese people still love his movies.”³² And at the end of February the Chinese government announced that it would resume its suspended human rights dialogue with the United States, broken off at Beijing’s initiative in 2004.³³

Whether such damage-control measures will serve to disarm the regime’s critics or merely embolden them further remains to be seen. Ironically, this situation is redolent of Chinese reform architect Deng Xiaoping’s dilemma with respect to political liberalization in the 1980s: Deng was afraid that any hint of leadership weakness, indecisiveness or vacillation in the face of growing popular demands for political reform would trigger even greater popular unrest, ultimately leading to chaos and anarchy. On June 3, 1989 he drew a sharp, clear line in the sand, choosing to shoot unarmed civilians rather than grant even modest concessions to student demonstrators. The rest, as they say, is history.

This time around the situation is fundamentally different in two respects. On the one hand, unlike 1989 most Chinese people today feel national pride in connection with the upcoming Olympic Games. On the other hand, China’s leaders are painfully aware that the world is watching their every move. Having invested so much “big face” (along with US\$40 billion) in staging a successful, trouble-free Olympics, they have become hostage to their own oft-repeated pledge of an “open, free, humane, and green” Olympics. And this, in turn, has created unprecedented opportuni-

³¹ Richard Spencer, “China Promises to Welcome Olympic Critics,” *Telegraph.co.uk* (London, online), February 14, 2008, <http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2008/02/14/wchina214.xml>.

³² “Spielberg Mocked in China over Olympic Pullout,” AFP (online), February 18, 2008.

³³ Edward Cody, “China Says It Is Willing to Resume Rights Talks,” *Washington Post*, February 26, 2008.

ties for well-known, well-connected, or well-financed private individuals and organizations around the world to exert effective pressure on the Chinese government.

In such a situation, any snowballing of international opprobrium could seriously damage Beijing's Olympic image. In the aftermath of the Spielberg defection, mounting pressure has been applied to other artistic consultants (such as Quincy Jones, Ang Lee, Zhang Yimou, and Yves Pepin), as well as international corporate sponsors such as Coca-Cola, McDonald's, General Electric and Johnson & Johnson, to withdraw their support of the Beijing Games. Locked into expensive commercial contracts, however, the major corporate sponsors have thus far been unresponsive to such pressures.³⁴ Still, momentum appears to be building. Under the circumstances, the position of the CCP's designated Leader-In-Waiting, Xi Jinping, the man in charge of ensuring a successful Olympics, is hardly an enviable one.

Policy Recommendations

Faced with mounting pressure from the private and NGO sectors, what should Western governments do? How should they set their Olympic (and broader human rights) compass? Here I would defer to the wise general counsel offered many years ago by my late friend and colleague Mike Oksenberg, which he presented at a Congressional hearing in the aftermath of the 1989 Tiananmen bloodbath. Although times have clearly changed since 1989, and the present pre-Olympic "crisis" is hardly commensurable with the earth-shaking events and repercussions of that earlier period, there are nonetheless important principles to be re-affirmed, and important lessons to be learned about the nature and limits of productive governmental action:

What considerations should govern our approach to China at this time? Here is the list that I would keep in mind:

- ▶ Let our expressions of moral indignation recognize that ... too many of our pronouncements are self-righteous and do not acknowledge that our sentiments are felt by many Chinese as well ...
- ▶ Let us not inadvertently drive the leaders of China into evoking ... their strong inclinations toward xenophobia and nativism. Excessive rhetoric on our part or application of the harshest sanctions available to us could return us to an adversarial relationship with China.
- ▶ ... It is important that we continue to engage in dialogue with the Chinese and consult with them on matters of mutual concern.
- ▶ ... Even as we sympathize with the plight [of Chinese dissidents] and give them refuge in our midst, as we must, let us recognize that their interests and ours do not coincide.
- ▶ Let us therefore retain a balanced posture, mindful of both interest and principle. Let us not be governed by the emotion of the moment but

³⁴ "Stars Asked to Join Olympic Boycott," *Telegraph.co.uk* (London, online), February 14, 2008, <http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2008/02/14/wspielberg114.xml>.

keep in mind ... our longer term strategy, pursued by five Presidents, of seeking to integrate China into the international community.

- ▶ But let the leaders of China confront the consequences of their actions. Deny them the opportunity to blame China's intensifying ... difficulties on Western actions. Let the burden rest on the leaders for their inability to confront [their own] problems ...
- ▶ Keep the United States in step with Western Europe and Japan. Do not depart from our allies, and do not become a special target of Chinese animosity ...
- ▶ Do not undertake measures that do more harm to the people of China than to its government. Let us remember the target and whose mind we are seeking to change. And let us not do more damage to ourselves than to the Chinese government. I put withdrawal of MFN status in this category ...
- ▶ Finally, let us preserve our flexibility. We wish to respond with alacrity should the situation improve ...

There is much about the current situation that dictates prudence, caution and balances. We are fortunate to have a President that understands the situation, and he merits bipartisan support—not pressure—from the Congress.³⁵

Mutatis mutandis, Oksenberg's advice remains as timely and relevant today as it was in the unquiet summer of 1989. In the present international political context this means that the United States and Europe should coordinate their application of steady but low-key pressure on China to improve its human rights performance at home and abroad, and to liberalize both its political processes and its trade policies. Both sides of the Atlantic need to persist in applying pressure on China, both at governmental and non-governmental levels, to uphold its various treaty commitments and legal obligations under the WTO, the ICSECR, and various other international regimes. Vigorous scrutiny of Chinese human rights practices, foreign policies, and civil and political liberties by a variety of public interest groups and international NGOs will keep a critical spotlight focused on China, even as Western governments get on with the important business of "constructive engagement" with China. For its part, Washington must refrain from indulging in excesses of self-righteous moral posturing, vilifying and blaming China, e.g., for American's own excessive domestic consumption, profligacy, and growing trade deficits.

Along with properly modulated governmental attitudes and policies, informal efforts should be made (or strengthened, where appropriate) on both sides of the Atlantic to assist China to improve "capacity building" in such critical areas as legal education, local elections, prevention and treatment of epidemic diseases, environmental protection, health and unemployment insurance schemes, rights awareness training, and media

³⁵ Excerpted from Michel Oksenberg, "Human Rights and Political Developments in China." Testimony to the Committee on Foreign Affairs, 101st Congress, 1st session, July 19, 1989, in Scott Kennedy (ed.), *China Cross Talk: The American Debate over China since Normalization* (Rowman and Littlefield, 2003), pp. 90–94.

professionalization, *inter alia*. Ongoing efforts along these lines, initiated in recent years by various international organizations should be actively encouraged and generously funded. Helping China to build “social and institutional capital” must be recognized as being in our own, as well as in China’s, long-term interest. It should also be recognized that low-profile initiatives by international NGOs can often succeed where higher-profile actions by national governments cannot.

Such a multi-layered, multi-textured approach, combining steady pressure with continuing engagement and capacity-building, cannot guarantee China’s future “good behavior”; still less can it ensure China’s eventual liberalization or democratization. But by coaxing and rewarding good behavior, while continuing appropriately to highlight—and proportionately to criticize—bad behavior, it will be easier for China’s leaders to make responsible, constructive choices, while at the same time avoiding a mobilization of those more extreme and intemperate voices within China that look for excuses to pull the PRC back into a radical-nationalist shell, or fortress mentality. For this reason, while we should welcome critical public scrutiny of China’s pre-Olympic behavior, any official Euro-American boycott of the Beijing Olympics would be very bad policy indeed.

European Co-operation with China: Human Rights, Rule of Law, the Environment and Civil Society

Gudrun Wacker

Introduction

The legal foundation of the co-operation between the European Communities and China was first laid down in a five-page document in 1985.¹ Since the 1990s, the European Commission has been publishing strategy papers concerning China (1995, 1998, 2003 and 2006), and annual summit meetings between the European Union and China have taken place since 1998. While the country strategy papers and the Joint Statements resulting from summits provide a general framework for European relations with China, many practical co-operation projects have been conducted, especially in the fields of human rights, the environment and civil society over the last ten to fifteen years.² Co-operation on these issues has not only taken place between Brussels (several Directorate-Generals of the Commission) and China, but individual Member States have either launched projects of their own or conducted projects on behalf of the Commission.

Human rights issues have been on the agenda between Europe and China since the 1980s; good governance and the rule of law started to receive more attention during the 1990s and especially in the run-up to and following China's accession to the World Trade Organization (2001). Sustainability and environmental/energy issues have come to the foreground more recently, even though sustainability was mentioned in all EU strategy papers on China. Projects of poverty alleviation—classical developmental aid issues—are ongoing, but are no longer centre stage. Poverty and the issue of “winners and losers” in the reform process have become integrated into projects addressing governance and the environment. These changes are, of course, closely linked to China's rapid economic growth and the increasingly visible and pressing negative impacts which thirty years of such unrestrained growth have had.

¹ European Commission, “1985 EC-China Trade and Co-operation Agreement,” http://ec.europa.eu/external_relations/china/docs/1985_agreement.pdf. This document was supplemented twice, in 1994 and 2002, by an exchange of letters agreeing on political dialogue. An overview of EU-China relations with links to the relevant documents can be found at http://ec.europa.eu/external_relations/china/intro/index.htm (accessed March 7, 2008).

² A list of ongoing projects can be found at <http://www.delchn.ec.europa.eu/download/Overview%20EU%20MS%20ongoing%20cooperation.xls> (accessed March 7, 2008). For the years 2007 to 2013, €224 million have been earmarked for funding co-operation. Cf. European Commission, *China: Strategy Paper 2007–2013*, http://ec.europa.eu/external_relations/china/csp/2007_sp_en.pdf (accessed March 11, 2008).

From the start, one core element of the European agenda for China consisted in “supporting the development [...] of institutions and a civil society based on the rule of law.”³ And from 1998 onward, all strategy papers stated as one aim of the EU activities in China to support China’s transition to “an open society based on the rule of law and the respect for human rights.”⁴ The following paper will address the question what the EU and its Member States have actually been doing to reach their lofty goals in China. Since the EU documents draw a close connection between “open society,” human rights and the rule of law, the three areas cannot be strictly separated from each other. Simply put, three levels (or “pillars”) need to be looked at separately: EU strategy papers and EU–China Joint Statements provide a general framework for the relationship. Below this level of identifying the broad areas for co-operation, a range of institutionalised political and sectoral dialogues have been taking place between the two sides, from the ministerial down to the working levels of government institutions. The third level consists of concrete projects and programmes that take place in various forms, with various partners and in various localities. The measures range from capacity-building (invitation of delegations, seminars, training) to technical support. An evaluation of the co-operation between the EU and China for the period 1998 to 2006 was finalised and published in April 2007⁵—it provides a good overview of EU–China co-operation as well as interesting insights into the problems encountered and lessons learned.

Human Rights

“Promoting good governance, the rule of law and human rights” in China is one of three declared focal sectors of the EU, and it is the third largest programme sector in terms of budget.⁶ There certainly exists a broad consensus in Europe that China’s human rights situation leaves much to be desired, and that violations of human rights are widespread and need to be addressed. Due to its own history and tradition, Europe is more likely than the United States to acknowledge that—in addition to civil and political rights—social and economic rights should also be considered important human rights.⁷ In this respect, it stands closer to the Chinese position than does the US. Therefore, Europeans acknowledge the Chinese government’s success in having lifted millions of people out of absolute poverty as being an important improvement in human rights in China. However,

³ European Commission, *A Long Term Policy for China–Europe Relations*, Communication of the Commission, COM (1995) 279 final, p. 5.

⁴ European Commission, *Building a Comprehensive Partnership with China*, Communication of the Commission, COM (1998) 181 final, p. 9.

⁵ European Commission, *Evaluation of the European Commission’s Co-operation and Partnership with the People’s Republic of China. Country Level Evaluation. Final Synthesis Report*, April 2007, <http://www.oecd.org/dataoecd/34/51/37274405.pdf>, (hereafter cited as *Evaluation*).

⁶ *Evaluation*, p. 78.

⁷ Cf. Ferrero-Waldner’s speech at the European Parliament, December 12, 2007 (Speech/07/817).

while Europe has praised China's progress in social rights and pluralisation, progress in civil and political rights has been painfully slow and unsatisfactory.

There is a divide within European countries between parliaments (reflecting media reporting and broader public attitudes) and governments when it comes to human rights in China. Parliaments in European Member States as well as the European Parliament in Strasbourg have regularly passed resolutions criticising China for violations of human rights. Governments of European states have, in contrast, switched to a less public approach: In the second half of the 1990s, European countries—with France in the lead—stopped co-sponsoring China-critical resolutions in the Human Rights Commission in Geneva. Instead of publicly stating criticism on the international level, the EU and some European countries started human rights dialogues with China directly on a regular basis. As has been the case with other issues, not all European states agreed with this change to procedure.⁸ The switch to human rights dialogues was also assessed as a wrong move by many academic observers as the following statement demonstrates: “From the point of the EU Member States, it is hard not to regard the dialogue as a replacement for a real human rights policy on China. The fact that a dialogue was continuing meant that the EU Member States could say that they were doing something about China's human rights record, however worthless the dialogue might be.”⁹ However, the dialogues have been firmly established as the main instrument of European human rights policy vis-à-vis China. On the EU level, they have taken place—with an interruption in 1997—twice annually since 1995 (i.e., once under each presidency). In October 2007, the 24th round of the EU-China Dialogue on Human Rights was held in Beijing.¹⁰

The dialogue is now taking place in tandem with a legal seminar, which is open to academics and representatives of NGOs. Under the German presidency in 2007, China walked out of this seminar because they did not accept one of the NGO representatives invited by the European side. The human rights situation in Europe is also part of the agenda (migrant workers, legal regulations on freedom of expression and freedom of the press in different Member States, etc.). In recent years, field trips have been undertaken within the framework of the EU-China human rights dialogue, for example, to a legal aid centre in Shanxi province. In the run-up to the Olympic Games, the European Parliament and some parliaments in Europe held hearings on the human rights situation in China. The pressure on China with respect to the freedom of the media is likely to

⁸ For details on the breakdown of the European consensus see Frédéric Krumbein: “Die Auswirkungen der westlichen Menschenrechtspolitik auf die Menschenrechtssituation in China” [The Impact of Western Human Rights Policies on the Human Rights Situation in China], *China aktuell* 5 (2007), pp. 115–136 [118].

⁹ Philip Baker, “Human Rights, Europe and the People's Republic of China,” in *China and Europe since 1978: A European Perspective*, ed. Richard Louis Edmonds, (Cambridge University Press, 2002), [The China Quarterly Special Issues New Series, No. 2], pp. 45–63 [59].

¹⁰ Press release, October 17, 2007.

become even stronger before the opening of the Beijing 2008 Olympic Games. So far, the EU has not succeeded in upgrading the level of the human rights dialogue to the vice-ministerial level.

Of special interest for the EU are the following issues:

- ▶ administrative detention and *laogai* (re-education through labour);
- ▶ torture (support of the recommendations of the UN Special Rapporteur on Torture);
- ▶ excessive use of the death penalty/executions, especially for non-violent crimes, and rights of defendants;
- ▶ the criminal justice system in China, especially Criminal Procedure Law;
- ▶ rights of minorities, religious freedom, freedom of expression and the media, and human rights defenders;
- ▶ two issues have constantly been raised by the EU: the ratification of International Covenant on Civil and Political Rights, and the release of those imprisoned as a result of Tian'anmen Square protests in 1989.

In addition to EU-level efforts, several European Member States have initiated their own human rights forums with China (United Kingdom, Sweden, Germany¹¹).

Efforts to co-ordinate European activities in the field of human rights have been under way through the Bern Process (initiated by the Swiss government and including twelve countries that are involved with HR dialogues with China). This process has enhanced the exchange of information. However, there is room for improvement in all matters concerning co-ordination and communication between the EU and Member States as well as among Member States.

Even though the EU and Member States have acknowledged making progress in some respects of human rights over the last years, the general assessment of the human rights dialogues has been rather bleak. The formulation used most often is that progress has been “slow or non-existent” in those fields that are of concern for the Europeans (or the results are called “marginal”). There is a lot of criticism in the media and in the European publics that human rights dialogues with China and the German rule of law dialogue are only fig leaves to cover up the little that has been done by Europe to support human rights. The fact that these dialogues are taking place behind closed doors and that only little information is published afterwards has created suspicion that nothing substantial is actually going on during these meetings. The wider public (and also the media) would welcome a less discreet and more outspoken approach. This was also demonstrated by the reaction in Germany to Angela Merkel's meeting with the Dalai Lama in September 2007: Most Germans reacted positively to the meeting and welcomed that the German chancellor did not cave in to Chinese pressure.

Underlying this, however, a more fundamental change of moods in Germany (and other countries in Europe) vis-à-vis China might be happen-

¹¹ Germany launched the dialogue in 2003.

ing: More and more, China is perceived not only as a threat to Western/European standard of living but also to the value system and the “Western” prerogative to define international norms and values. The debate in Europe on China’s activities in Africa illustrates this point. This debate is not only about China’s growing commercial engagement, but also the “export” of its own standards of behaviour to other parts of the world.

Rule of Law—Judiciary

Despite the ongoing legal reform in China, the system can still be characterised as rule *by* law and not the rule *of* law. Law courts are not independent; they are funded by the local level and therefore remain dependent on the administration and Party on the local level. Without an independent, reliable and transparent judicial sector, the rights of the individual and of groups of people are subject to a degree of arbitrariness.

Promoting the rule of law in China has been at the heart of EU co-operation with China. One specific field in which the EU has been active is, of course, the support for China in adapting domestic laws and regulations to WTO standards. Safeguarding European economic interests (investments, etc.) and supporting China’s integration into the global economy were two major motives for the EU to get involved in this field. But co-operation with China in promoting the rule of law goes beyond commercial interests. It is also closely linked to the human rights issues mentioned above, to governance and stronger participation of civil society. This can be seen from the many programmes that focus on providing legal advisory service for the reform of China’s criminal law, as well as the training of judges, prosecutors and personnel in prisons and labour camps. Other rule-of-law projects address environmental protection. The programmes funded in this field show that supporting the legal reform process in China has been high on the EU’s agenda.

The “EU–China Judicial and Legal Cooperation Programme” (JLCP) was agreed on in 1998 and ran from 2000 to 2005. It comprised the following elements:

- ▶ addressing legal professionals (judges, lawyers, prosecutors)—training for central and provincial-level judiciaries;
- ▶ environmental protection laws in China;
- ▶ implementation of laws and regulations.

Another programme called “EU–China Network for the Ratification and Implementation of the Human Rights Covenants” (HR network) organised seminars in connection with the political human rights dialogue.

Germany has held a rule of law dialogue (*Rechtsstaatsdialog*) annually since 1999,¹² with the main focus on commercial and administrative law. Within the context of this German dialogue, a series of concrete co-

¹² An almost 300-page-strong booklet was published on this dialogue in German: *Der Deutsch-Chinesische Rechtsstaatsdialog—Ein Überblick* (Eschborn: German Corporation for Technical Cooperation [GTZ]), <http://www.gtz-legal-reform.org.cn/en/Broschuere%20RSD%20dt.pdf> (accessed February 13, 2008).

operation projects take place.¹³ A first agreement for exchanges and co-operation in the judicial field was signed in 2000 and extended several times since then. Responsible on the German side is the Federal Ministry of Justice, and on the Chinese side the Law Bureau under the State Council and other institutions. The agreements cover a wide area of co-operation—the drafting of laws and regulations, training for lawyers and judges, and implementation and translation of German judicial literature into Chinese. A German–China Law Institute was established in 1989 at the University of Nanjing. And a Europe–China Law School is planned and will focus on European, international and comparative law.

The UK not only holds a regular human rights dialogue with China, but the British foreign ministry (Foreign & Commonwealth Office—FCO) is also funding human rights projects in China within the framework of its Sustainable Development programme (police training in international HR standards, police training in interrogation procedures, rights protection in prisons, death penalty, torture, HR training for young journalists). The UK also offers judicial training (organised by the Department for Constitutional Affairs).¹⁴

In general, a shift has been taking place from assisting in formulating laws and regulations to implementation and enforcement, since poor implementation (related to poor governance) is a major obstacle in China in all fields. A notable experience has been that even sensitive issues like the death penalty can be addressed in projects on the rule of law, because among professionals they can be treated in a more technical and less “politicised” manner. European programmes might not always have reached their ambitious goals, but they have functioned as eye-openers and succeeded in establishing a common language and understanding.

NGO Enhancement and Civil Society

Closely linked to efforts to support the rule of law in China are projects that try to broaden public participation in policy- and law-making, and thus try to support civil society and NGO activities, to raise awareness among different groups of professionals—lawyers, journalists and other stakeholders—for topics like human rights, urban development, etc. The Chinese government has come to the conclusion that stronger engagement with civil society groups is needed and can play a positive role in providing social services (especially where the state has limited capacity or willingness to provide these services). At the same time, officials’ suspicions that civil society groups could undermine the existing political order or start to mobilise people against it has led to restrictive registration and taxation rules and a difficult legal environment for such groups. Administrative efforts to keep activities of NGOs and other groups under control

¹³ For this programme, the German Corporation for Technical Cooperation (GTZ) maintains a special website: <http://www.gtz-legal-reform.org.cn/>.

¹⁴ Cf. United Kingdom FCO, *Human Rights Annual Report 2006*, October 2006, pp. 42 ff. on China.

have again been strengthened as a reaction to the “colour revolutions” in the former Soviet Union.

EU programmes in this respect are focussed on funding and capacity-building. One of the biggest (and most successful) projects conducted by the EU was the “Village Governance Training Programme,” which ran over five years (decided upon in 1996 and actually ran from 2001 to 2006). Six pilot provinces were selected and training and teaching materials were provided to support grass roots democracy. While a lot of difficulties were encountered in the project’s early phase, it was successfully concluded. The major question is whether the Chinese government will replicate the lessons on a nationwide scale.

The European Initiative on Democracy and Human Rights (EIDHR) is an EU instrument to promote and support human rights and democracy worldwide in third countries. It directly funds civil society organisations. In China, it supported twenty-one projects addressing migrant workers’ rights, women’s labour rights, AIDS, media, etc. Two categories of projects can be funded, so-called micro-projects and macro-projects, which have greater funding and include the involvement of international NGOs and sometimes Chinese government institutions as well. Several projects on Criminal Law were among the “macro-projects,” for example on strengthening the defence in death penalty cases (EU funded, conducted by Max Planck Institute for Foreign and International Criminal Law in co-operation with the Chinese Academy of Social Sciences and Great Britain China Centre), on public opinion and the death penalty in China, and on the prevention of torture. However, the instruments used by EIDHR have been assessed as flawed because they do not adequately take into account the specific reality of civil society in China, and this has limited the effectiveness of partnerships with Chinese civil society groups.¹⁵

As agreed during the 9th EU–China summit meeting in Helsinki (September 2006), an EU–China Civil Society Round Table was inaugurated in June 2007—on the European side it involved the European Economic and Social Committee, on the Chinese side the China Economic and Social Council. Topics on the first Round Table included sustainable development and climate change and the importance of engaging civil society on these challenges.

A planned civil society co-operation programme was near final agreement, but was cancelled late in 2004 due to sudden Chinese concerns. An agreement on a new programme called “Governance for Equitable Development” (GED) was reached between the EU and the United Nations Development Programme in May 2007. This programme will run from 2007 to 2012 with a budget of US\$10 million. It will address three key issues and concerns: “law making through the National People’s Congress (NPC), the judicial process through the Supreme People’s Court (SPC) and civil participation through the Ministry of Civil Affairs (MoCA) and civil

¹⁵ See in more detail *Evaluation*, pp. 85ff. The “normal” EU regulations for applying to such projects apply, which is a science in itself and therefore a big hurdle, especially for smaller local groups.

society organisations (CSOs) in China.”¹⁶ The programme will devote about half of its budget to improving the legal framework for civil society organisations (registration process, setting up a national CSO association).

Several co-operation projects have also been launched under the framework of “Good Governance, Civil Society, Social Services and Mongolia”:

- ▶ EU–China Information Society Programme (2005–6);¹⁷
- ▶ the China–Europe Public Administration project (CEPA) (2003–2007, with follow-up and upgrading planned)¹⁸ supports the China National School of Administration in training high officials.

Co-operation projects in this field have also been initiated by Member States and by non-state organisations in Europe:

- ▶ A German-Chinese Dialogue Forum was launched in 2005 with representatives from government, business and science (Xu Kuangdi and Heinrich von Pierer). It was decided to open this forum for representatives from civil society in 2007.
- ▶ The political foundations of German parties are also engaging in co-operation projects. For example, the Heinrich Boell Foundation (a foundation affiliated with the Green Party) has only recently opened an office in Beijing. It has established contacts with Chinese NGOs and GONGOs in the environmental sector in China and also found a co-operation partner among one of the universities for journalism and media. Projects are also going on between media, for example the Bavarian Broadcasting Corp. runs a project on Chinese and German regulations in the fields of radio broadcasting and television.
- ▶ The British Council conducted a project called COMPACT in co-operation with Qinghua University’s NGO Research Institute to study the British model of co-operation between government and the third sector (partnership between government and civil society). The project ran from April 2005 to March 2007. The British Council also conducts a media project with the magazine *Caijing* (technical training for investigative journalism and promotion of media rights).

When visiting China, European politicians usually take the opportunity to meet with representatives of civil society groups. These meetings have also taken place with the intention to strengthen the “third sector” (Merkel in 2006 and 2007).

Finally, it should be mentioned that the EU also supports civil society within the inter-regional framework of ASEM/ASEF (Asia–Europe Foundation). Chinese organisations have received support and funding within Asia-wide programmes for mitigating the negative impact of socio-economic reforms by civil society groups.

¹⁶ United Nations Development Programme, “Governance for Equitable Development,” press release, May 14, 2007.

¹⁷ See <http://www.eu-china-infso.org>.

¹⁸ See <http://cepa.nsa.gov.cn>.

The Environment, Climate Change and Sustainability

Environmental degradation, air and water pollution, desertification and accidents like toxic spills have become a great domestic concern in China and also a source of domestic unrest. Fast economic growth is still the paramount goal at the local (and the central) level and considerations of sustainability have been sacrificed for the sake of quantitative growth. The Chinese leadership have realised that the problems have become pressing and that drawing up laws and regulations is a necessary step, but not a sufficient one. With respect to the environment, implementation and enforcement of decisions of the central government have been very weak. Resistance on the local level, the lack of financial incentives and disincentives and weak institutions are factors that have limited the effectiveness of government efforts. The Olympic Games have brought China's grave environmental situation into the international limelight.

Concerning environmental issues, there has been a huge range of co-operation initiatives of the EU and individual member countries with China. The environment and sustainable development have become one of the focal points of European activities, and related programmes are the second largest in terms of budget.¹⁹ The new prominence which the problem of climate change has gained through international reports (Stern Review) and during Germany's EU and G-8 presidencies has pushed the issues of energy and climate very high on the agenda. However, the problems China is facing in this respect are enormous.

As a reaction to the high priority of the issue on the European as well as the Chinese side, the "sectoral dialogue" on environment was upgraded to the ministerial level in 2003.²⁰ The Commission (DG Environment) and the State Environmental Protection Administration (SEPA; recently upgraded to the Ministry of Environmental Protection) jointly drew up a working programme for this policy dialogue in 2005. The topic has also been included into the Joint Statements of the EU-China Summit meetings the last few years.

An example for concrete and successful co-operation was the Liaoning Integrated Environmental Programme. With a budget of €37 million, this represented the largest technical assistance project of the EU in China so far. It was completed in 2005 and comprised several elements (e.g., an air-quality monitoring system, Liao River Basin Plan).²¹ Other programmes address forest management and energy environment, biodiversity and river basin management. Partnerships with other donor organisations (United Nations Development Programme and World Bank) were initiated for some of these programmes. A Climate Change Partnership was agreed between China and the EU in 2005, which was supposed to improve co-operation on energy efficiency, renewable energy and near-zero-emissions

¹⁹ *Evaluation*, p. 78.

²⁰ European Commission (DG Relex), *China Action Points/Guidelines for Action—Stocktaking April 2005*, Brussels FS D(2005).

²¹ For a description, see *Evaluation*, p. 79.

coal technologies (carbon dioxide capture and storage).²² China has also expressed an interest in assistance for capacity-building within the Clean Development Mechanism (CDM).

Of the Member States, Germany, the UK and the Scandinavian countries are more actively engaged in this field. German activities are particularly strong because it is convinced that it has a competitive advantage in the field of environmental technology and alternative energy resources (renewables)—so there are also commercial aspects at work in the background. The Green Party's role until 2005 in the German government coalition was also a factor. The stated aim of the German Federal Ministry for Economic Cooperation and Development (BMZ) in China is to provide it with “stimuli for the reform process and for a sustainable development.” Priorities are environmental and climate protection, including energy and sustainable economic development as well as consulting in the judicial field.

The British Department for International Development (DFID) officially launched the UK-China Sustainable Development Dialogue (SDD) in November 2005, based on a joint prime-ministerial declaration in May 2004. Within the SDD framework, several water projects (in co-operation with the World Bank and the United Nation's Children Fund) have been enacted. The focus of these programmes is on rural areas, sustainable water management and providing safe water and sanitation for all. The co-operation partner on the Chinese side is the Ministry of Water Resources, and provincial and county Water Resource bureaux. Co-ordination takes place with National Development and Reform Commission (NDRC), Ministry of Finance, Ministry of Health and SEPA; universities and research units are also involved. Issues addressed have been water sector reform (National Water Law 2002), water resource management (implementation of international best practice), community participation and watershed management. Priorities agreed within the SDD for 2007 and 2008 are:

- ▶ sustainable consumption and production (chemicals, industrial circular economy at provincial level, sustainable procurement);
- ▶ natural resources management (forestry, agriculture, biodiversity);
- ▶ urban development (low-income housing, urban regeneration, spatial planning);
- ▶ capacity-building and governance for sustainable development capacity (local sustainable development indicators, training activities).

Working groups and fora exist for the four fields and funding comes from the International Sustainable Development Fund (ISDF).²³ DFID has also been active on climate change.²⁴

²² “Climate Change Takes Centre-stage at EU-China Meeting,” <http://www.EurActiv.com> (accessed January 18, 2007).

²³ For more information on SDD see: <http://sdd.uk.cn>.

²⁴ United Kingdom DFID, *UK-China Action Plan on Climate Change and Energy*, Briefing Note, December 2007. This is the UK's overarching strategic objective from 2007–2010 for its engagement with China (ensure climate security and secure, clean energy supplies at affordable prices ...), divided into seven objectives, of which DFID is involved in six. DFID

During his first visit to China as Prime Minister, Gordon Brown pledged £50 million from an Environmental Transformation Fund to boost energy efficiency and clean energy projects. One of the projects will be support for an “eco-city” near Shanghai (Dongtan on the island of Chongming).²⁵

France has also become more active in this field: President Nicolas Sarkozy and President Hu Jintao signed a climate-change pact during the French president’s visit in China in November 2007. Both sides envisage strengthened co-operation in biodiversity, desertification and pollution, as well as technological co-operation in energy efficiency and renewable energy. No specific details were provided, however.²⁶

Environment, energy efficiency and energy supply will remain high on the agenda of the EU and China, and co-operation in this respect is likely to be expanded in the future. Environmental issues still need to be included in other fields of EU–China relations, for example, trade. Priority will be given to those issues which have a regional and global impact.

Conclusion and Implications for Transatlantic Co-operation

The EU has not been successful in all fields of co-operation with China addressed above. The 2007 evaluation report made some valuable recommendations for future co-operation. These address especially the questions of replication and roll-out of projects supported by the EU, follow-up processes and cross-cutting issues.²⁷ One major problem seems to be the speed with which change is taking place in China, which is not matched by a sufficient degree of flexibility on the European side. Moreover, benchmarks have not always been reached—the formulation of goals on the EU side often being overly ambitious. After all, one needs to be realistic about what can be achieved and what kind of leverage external actors actually possess to make a difference in a country the size of China.

In general, Europe and the US share common views concerning the direction which developments in China should *ideally* take with respect to human rights, the rule of law, civil society, pluralisation and the environment/climate change. These are areas in which, in addition to political dialogues, many *concrete* projects have been put in place from the European side over the last few years. A conflict between the EU and the US concerning these programmes and projects is not likely.

However, differences can be identified for different fields:

- ▶ The biggest contrast to the EU is that the US government, due to legal restrictions, has only been funding projects in China which promote

China is a member of the UK–China Working Group on Climate Change. See <http://www.dfid.gov.uk/Pubs/files/DFIDChina-climate-change-December07.pdf>.

²⁵ *People’s Daily Online*, January 21, 2008.

²⁶ AFP, November 26, 2007.

²⁷ *Evaluation*, p. xi.

civil society, the rule of law and democracy in a very narrow sense.²⁸ No Official Development Assistance (ODA) through USAID is provided to China. Therefore, co-ordination mechanisms which exist now between the EU and its Member States, between the EU and other non-European donors like Canada or Australia, and between the EU and international organisations like the World Bank, do not exist with the US.

- ▶ With respect to human rights, there is a difference in the respective approaches of the EU and the US (public versus more discreet). Moreover, priorities might also differ. At least under the Bush administration, religious freedom has become a major US concern. The US has never made a similar “deal” with China as have the Europeans; for example, the US never promised to give up public international criticism of China in exchange for a dialogue. However, domestic pressures also exist in Europe and criticism of China has become stronger. This explains why Angela Merkel’s meeting with the Dalai Lama received strong support from the German public.
- ▶ More exchange of information would be useful in the field of human rights. The Bern Process seems to be a good platform for exchanging information and co-ordinating efforts. European countries as well as the US already participate. Suggestions to improve the Bern Process by some human rights organisations were made in 2003,²⁹ but it is unclear to what extent these suggestions have been put into practice.
- ▶ On the rule of law (as opposed to the rule by law) in China, there is no dissent between the EU and the US. At least for the domestic Chinese context, the EU and the US support the transition to more transparency, independence of the judiciary, reform of the criminal procedure law, etc. From the US side, the private sector is active in this field.
- ▶ With regard to civil society, European organisations such as German political foundations have been very careful to work with official institutional partners for all projects. This has only recently started to change due to the livelier civil society scene in China. While the US are suspected by China (and other countries) of using “remote control” on civil society groups for undermining the Chinese party-state—especially since the colour revolutions in the former Soviet Union—European activities are probably considered as less subversive and destructive for the Chinese political system.
- ▶ The issues of environment, energy and climate change will become more important in the coming years, since they have a direct impact on the regional and international levels. Also, they are one of the top priorities for the Chinese leadership. Again, no dissent exists between the EU and the US concerning approaches to the domestic situation in China. However, differences in outlook play a role on the regional and

²⁸ See in detail Thomas Lum, *U.S. Foreign Aid to East and South Asia: Selected Recipients*, updated August 22, 2007 (CRS Report for Congress, RL31362), <http://www.fas.org/sgp/crs/row/RL31362.pdf> (accessed March 11, 2008), pp. 14ff.

²⁹ See “Behind Closed Doors: Bilateral Dialogues on Human Rights,” *China Rights Forum 2* (2003), pp. 22–29 [24].

international levels. The discourse in the US on energy supply is more securitised and “geo-politicised” than in Europe. The solution which the Europeans are pursuing on the climate change issue is different from US approaches to the problem—at least under the present US administration. On this problem, which is strongly related to the issue of sovereignty, China’s attitude is similar to that of the US. The difference between Europe and the US does not lie in “binding caps” versus “technological innovation,” but in a more institutionalised approach within a UN framework by the EU and the more coalition- or initiative-based approach by the US.

It does not necessarily produce positive effects if a wide variety of activities is co-ordinated and streamlined. But to share information in order to avoid redundancies, inconsistencies (e.g., with respect to the lists of political prisoners handed to the Chinese authorities) and waste of funds, and also to avoid being played against each other, could enhance the position of the delegations conducting the dialogues with China. To have several simultaneous official dialogues on human rights with China can have advantages (deliver a stronger message) and disadvantages (empty ritual, limited capacity). Stronger co-ordination and/or joint programming in the fields covered by this paper could and should be tried through already-existing multilateral and multinational organisations and institutions, not necessarily between the EU and the US. The EU considers China as a partner, and Europe and China even make efforts to work together in African countries.

The question is: Can more transatlantic co-operation be expected in the areas covered by this paper if the EU and its Member States are not even able to co-ordinate and streamline their own efforts?

Economic Issues

U.S. and European Approaches to China's Economic Reforms

Nicholas R. Lardy

China's global economic rise makes it a key policy concern both in Europe and the United States. While the growth of China's foreign trade has been rapid throughout the reform period, China began from a position of near autarky in 1977 when its total trade turnover was under \$15 billion and it accounted for only about one half of one percent of global trade. Thus not until 1993, following 15 years during which its trade expanded at well over twice the pace of global trade, did China regain its previous historic peak share of global trade and enter into the ranks of the top ten global trading countries. But now China's exceptionally rapid foreign trade growth has been sustained for 30 years and in 2007 its exports alone reached \$1.2 trillion, surpassing those of the United States. That made it the world's second largest exporting country, after only Germany.

Similarly, China has become much more integrated into and a very large player in the global financial system. For the last fifteen years China has regularly received more inward foreign direct investment than any other emerging market country and in a few years has actually received more direct investment than any other country. In recent years it has become a significant investor abroad as well. In 2007 China was the recipient of \$83 billion in inbound direct investment and was the source of an estimated \$25 billion in outbound direct investment. In addition, China is a substantial player in cross-border mergers and acquisitions, investing more than \$30 billion abroad in this form in 2007, substantially more than any other emerging market country. Finally, China last year created the China Investment Corporation (CIC). CIC is likely to become a major investor abroad as it assumes the responsibility for managing a growing share of China's massive foreign exchange reserves, which stood at \$1.53 trillion at year-end 2007.

Traditionally Europe and the United States pursued economic policies vis-à-vis China that were both somewhat different and relatively uncoordinated. Most notably, in the negotiations for China's entry into the World Trade Organization in the 1990s, Europe let the United States take the lead in its bilateral discussions with China to negotiate both far reaching measures to open China's goods and services markets as well as key rules-based commitments. This led to the November 1999 bilateral agreement between China and the United States that became the real blueprint for China's WTO entry. Some months later in May 2000 the EU concluded its own bilateral accession negotiations with the Chinese.¹ These resulted in

¹ "The Sino-EU Agreement on China's Accession to the WTO: Results of the Bilateral Negotiations," www.europe.eu.int/comm/trade/bilateral/China/res.pdf (accessed June 13, 2000).

only very minor additional market access concessions by the Chinese and no further improvement in terms of rules-based commitments.²

For the next five years it was the United States that appeared to take more substantial action vis-à-vis China in an attempt to ensure more complete compliance by China with its WTO commitments. Compared to Europe, the United States sustained a broader effort in high level trade and economic dialogue with China, through regular meetings of the U.S.–China Joint Commission on Commerce and Trade (JCCT), the U.S.–China Joint Economic Committee (JEC), the Joint Liaison Group (JLG), the U.S.–China Economic Development and Reform Dialogue (State–NDRC Dialogue), the Joint Committee on Cooperation in Agriculture (JCCA), and, most recently, the Strategic Economic Dialogue (SED); made more active use of the WTO, including both information requests and the dispute settlement process to resolve trade issues; and made more use of bilateral trade remedies available to WTO members, including a large number of antidumping cases.

Activities in the WTO show the clearest difference between the European and United States approaches. The United States filed the first ever formal WTO information request to China in October 2005 when it sought detailed information from China on its IPR enforcement efforts.³ Subsequently the United States has filed five WTO trade dispute cases against China.⁴ Only in one, a Trade Related Investment Measures (TRIMs) case on auto parts filed in March 2006, did the EU join as a co-complainant with the United States. The EU declined to join the United States as a co-complainant in the case of the value-added tax on integrated circuits filed in March 2004, the subsidies case filed in February 2007, the IPR protection and enforcement case filed in April 2007, and the case on trading rights and distribution services of publications and audiovisual products also filed in April 2007.⁵

Beginning in the second half of 2007, however, the European approach to trade issues with China began to change. EU Trade Commissioner Peter Mandelson at the time of the EU–China joint ministerial trade commission meeting in June with China’s minister of trade Bo Xilai was critical of China’s limits on market access and failure to live up to its IPR commitments. As indicated below, Commissioner Mandelson appears to have taken the lead in encouraging the EU to adopt a more proactive trade policy vis-à-vis China. The two sides have agreed to initiate a High Level

² Nicholas R. Lardy, *Integrating China into the Global Economy* (Washington, D.C.: Brookings Institute Press, 2002), pp. 152, 178.

³ United States Trade Representative, *U.S.–China Trade Relations: Entering a New Phase of Greater Accountability and Enforcement, Top to Bottom Review* (Washington, D.C.: USTR, February 2006), p. 14.

⁴ Another case involving antidumping duties involving kraft linerboard was settled bilaterally over a weekend in January 2006 after U.S. negotiators announced that they would be filing a case in Geneva on Monday.

⁵ Details on the integrated circuits case in the WTO can be found at http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds309_e.htm; for the other cases the case numbers are 340, 358, 362, and 363.

Economic and Trade Dialogue in the first half of 2008. Also the prospects for closer EU–U.S. cooperation seem to be on the rise, at least judging from a January 21, 2008 press conference following a joint meeting of United States Trade Representative Sue Schwab and Commissioner Mandelson to discuss bilateral trade issues.⁶ Both officials identified China as a priority area for an ongoing exchange of views and closer cooperation. A review of U.S.–EU cooperation on currency, however, suggests limits to cooperation are likely to continue to exist.

China and Global Economic Imbalances

In the first 25 years of reform China's external trade position averaged less than 2 percent of GDP, but in the past few years China has become a major contributor to global economic imbalances. This is reflected in China's current account surplus which soared from less than 2 percent of GDP in 2001 to more than 11 percent of GDP in 2007, a level that is unprecedented for one of the world's top trading economies. China's emergence as the largest global current account surplus country in absolute terms in 2006 is a consequence of the failure of Chinese policy makers to recognize that its fixed exchange rate vis-à-vis the US dollar would, as the value of the dollar fell from its peak in February 2002, inevitably make Chinese goods more competitive on global markets. They also did not take into account the rapid growth of productivity in the export sector, which compounded the increasing global competitiveness of Chinese goods.

Despite some appreciation of the RMB vis-à-vis the US dollar starting in July 2005, because of continuing dollar weakness against major currencies, by end-December 2007 the Chinese currency compared to mid-2005 on a real trade-weighted basis had barely moved and compared to February 2002 had actually depreciated slightly. The United States sought to address this combination of a rising Chinese global trade surplus and a depreciating RMB through several mechanisms. The Treasury's semi annual report to Congress on International Economic and Exchange Rate Policy, while falling short of naming China as a "manipulator," used increasingly strong language to criticize China's exchange rate policy and to call for currency appreciation. The Treasury also engaged China in direct bilateral negotiations culminating in the establishment of the Strategic Economic Dialogue between China and the United States under the leadership of Treasury Secretary Paulson and Vice-Premier Wu Yi. The United States also sought to enlist the support of other members of the G7 in encouraging China to allow its currency to appreciate. And multilaterally the United States Treasury took the lead in encouraging the International Monetary Fund to exercise effective multilateral surveillance of China's exchange rate policies.

⁶ "EU and US Discuss Bilateral Trade, Doha Trade Talks," January 21, 2008 at http://ec.europa.eu/trade/issues/bilateral/countries/usa/pr210108_en.htm#javascript.

The EU and individual European governments for several years offered little, if any, support for the US position. European governments repeatedly resisted stronger language criticizing China's exchange rate policy in communiqués following meetings of the G7 finance ministers and offered, at best, lukewarm support for enhanced IMF multilateral exchange rate surveillance. As noted above, not until the second half of 2007 did things begin to change.⁷ The Euro area finance ministers (the Eurogroup) in October issued a statement calling for China to allow its effective exchange rate to move to facilitate reduction of its large and growing current account surplus. The president of the Eurogroup, the president of the European Central Bank, and the European Commissioner for monetary affairs went to Beijing in November for the first direct bilateral discussions on China's monetary and exchange rate policy. Simultaneously the Tenth China-EU Summit was held in Beijing. The first set of discussions led to the establishment of a joint People's Bank of China-European Central Bank working group to discuss currency questions. In the Summit the two sides agreed to convene by the end of March 2008 a High Level Economic and Trade Dialogue between the European Commission and the State Council of China.⁸ While the details of this Dialogue have, at the time of this writing, yet to be revealed, it appears to bear considerable similarity with the Strategic Economic Dialogue between the United States and China.

Europe's painfully delayed reaction to China's growing and now massive global trade and current account imbalance demonstrates some of the limits to transatlantic cooperation on economic issues growing out of the rise of China. European policy makers until quite recently seemed to assume that the exchange rate between the dollar and the RMB was entirely a bilateral matter. Since the Euro area's global external position, as reflected in its small overall current account position, was basically in equilibrium, European authorities appeared to take the view that RMB undervaluation was irrelevant for Europe.

However, it was always clear that RMB undervaluation eventually would have substantial consequences for the Euro-dollar exchange rate and for the trade weighted value of the Euro as well. From the early part of the decade it was clear that in order to reduce the massive external deficit of the United States the effective, i.e. trade weighted, value of the dollar would have to come down substantially. Indeed, as already noted, from February 2002 it did begin a long but orderly decline. But this decline occurred primarily with respect to the Euro, the Canadian dollar, sterling, the Australian dollar, and other floating currencies. There was much less decline against many Asian currencies where the authorities intervened in the market to prevent appreciation of their currencies. And until July 21, 2005 there was absolutely no depreciation of the dollar vis-à-vis the RMB

⁷ Jean Pisani-Ferry, "The End of Europe's Longstanding Indifference to the Renminbi," in Morris Goldstein and Nicholas Lardy (eds.), *Debates on China's Exchange Rate Policy* (Washington, D.C.: Peterson Institute for International Economics, 2008).

⁸ The meeting actually took place in April 2008.

since the Chinese authorities intervened massively in the currency market to keep the bilateral rate rigidly pegged at 8.28. The net result was that the Euro and other floating currencies appreciated excessively against the dollar leading to an overvaluation of the Euro on a trade weighted basis, at significant macroeconomic cost.⁹

China's move to a more flexible exchange rate regime in July of 2005 did not resolve this problem. Although the authorities announced at that time that the currency would be managed with reference to a basket of currencies, for the first two and half years the dollar was given overwhelming weight in the RMB adjustment process. This is very clear from examining changes in the value of the RMB vis-à-vis the dollar and the Euro. By the end of the of 2007 the RMB had appreciated cumulatively by 13.3 percent vis-à-vis the dollar (including the initial July 21 step appreciation of 2.1 percent) but over the same period the RMB actually depreciated 6.1 percent vis-à-vis the Euro.¹⁰ Predictably Chinese goods became increasingly competitive in the Euro area and a growing portion of China's rapidly growing global trade surplus was accrued with Europe.¹¹ That led EU Trade Commissioner Peter Mandelson to make his widely quoted statement that the EU-China trade deficit was expanding by \$15 million per hour, a pace that would make the EU deficit with China catch up with the US-China trade deficit in a year or so.¹²

The causes of this European policy failure are not entirely clear but one has to begin by recognizing several critical structural factors. First, the European states are hardly united in their view on China's trade and currency policy. The French, as reflected in public statements by President Nicolas Sarkozy, have called for "an acceleration of the appreciation of the yuan vis-à-vis the Euro" in order to "to arrive at currency rates that are harmonious and fair."¹³ German firms, by contrast, have enjoyed booming exports to China and the German finance minister praises a strong Euro and is silent on the question of RMB valuation.

The second structural problem is that at the highest political level in China-EU summits the European side is led by the President of the European Council and the President of the European Commission. But twelve of the twenty-seven countries they represent have not joined the Euro area.

⁹ Jean Pisani-Ferry, op. cit.

¹⁰ People's Bank of China Monetary Analysis Small Group, *Chinese Monetary Policy Report 2007Q4*, p. 6, February 22, 2008, at www.pbc.gov.cn (accessed February 22, 2008).

¹¹ The deficit of the EU27 expanded by 65 percent between 2004 and 2006, from Euro 80 billion to Euro 132 billion. In the first ten months of 2007 the EU deficit expanded by a further 25 percent. Over this period the EU displaced the United States to become China's largest export market. See <http://epp.eurostat.ec.europa.eu>.

¹² Peter Mandelson, "Europe and the US: Confronting Global Challenges," a speech at the Carnegie Endowment, Washington, D.C., November 8, 2007, <http://ec.europa.eu/com> (accessed December 27, 2007).

¹³ Tony Barber and Mure Dickie, "Sarkozy Raises China Currency Concerns," *Financial Times*, November 25, 2007, www.ft.com (accessed December 27, 2007).

Under this circumstance, it is perhaps not surprising that the EU effectively does not have an overall exchange rate policy.

Third, even within the Euro area, the institutional arrangements for exchange rate policy are complex, in part reflecting an evolving compromise between German and French preferences. The French prefer to vest more authority in the finance ministers of the Eurogroup while the Germans favor vesting more authority in the European Central Bank and the central banks of the Euro area countries, what is referred to as the Eurosystem.¹⁴ The result is that even in the Euro area it is difficult to arrive at a consensus on exchange rate policy.

In sum, there are hopeful signs that the United States and the EU are beginning to act more in parallel on economic and trade issues vis-à-vis China. Whether this simply reflects a temporary convergence of views on selected issues or something that might evolve into more genuine cooperation remains to be seen.

14 C. Randall Henning, "The External Policy of the Euroarea: Organizing for Foreign Exchange Intervention," Institute for International Economics Working Paper 06-04, June 2006, www.petersoninstitute.org/publications (accessed February 1, 2008).

The EU's Policy towards China on Economic Issues: Between Disillusion and Dialogue

Margot Schüller

Introduction

China's economic ascent presents both opportunities and challenges to the EU Member States. Between 2000 and 2006, European companies were able to expand their exports to China from €25 billion to €64 billion, making the country one of the most attractive destinations for their products. Imports from China grew even more rapidly—from €75 billion to €195 billion—not least due to the relocation of the production processes of the European Original Equipment Manufacturers (OEM) to China.¹ Although the European Union's trade deficit with China increased to €131 billion in 2006, total EU trade showed no imbalance. In contrast to the United States, the EU was able to compensate for deficits in trade with China (and with Asia altogether) through a surplus in trade with other countries, including the US.

Nevertheless, the growing imbalance in bilateral trade with China has become a matter of concern to the EU. China's widening trade surplus is being perceived more and more as a result of unfair competition. EU policymakers seem to be disillusioned about the extent to which and the speed at which the expected convergence of the Chinese economic system with Western market economies is taking place. A case in point is the warning by the EU Trade Commissioner Peter Mandelson that EU-China trade relationships are "at a crossroads." In a debate at the European Parliament in July 2007, Mandelson said, "The policy of dialogue and engagement can be challenged. It will be if things do not improve between us."²

Pressure from the business community on national governments and on the EU Commission has grown over the last few years, with businesses demanding a stronger stance towards China's fulfilment of its World Trade Organization (WTO) commitments and the introduction of international standards in specific industries and business areas. The EU Commission paper "EU-China: Closer Partners, Growing Responsibilities,"³ published in October 2006, was interpreted by one author as a "major shift from the

¹ Bernadette Andresso-O'Callaghan and Nicolas Francoise, "Complementarity and Rivalry in EU-China Economic Relations in the Twenty-First Century," *European Foreign Affairs Review*, 12 (2007), p. 18.

² "Mandelson Warns EU-China Trade Relationship 'at a Crossroads'" (speech by Peter Mandelson, Strasbourg, July 10, 2007).

³ European Commission, *Accompanying COM (2006) 631 final: Closer Partners, Growing Responsibilities*. A policy paper on EU-China trade and investment: Competition and Partnership, Communication of the Commission, COM (2006) 631 final, Brussels, October 24, 2006 (hereafter cited as Com 2006).

traditional appeasing EU attitude"⁴; and it "... took China's government and Europe watchers by surprise."⁵ Although the "honeymoon" in EU-China relations is gradually being replaced by a more realistic perception, we can expect that questions about China will continue to heavily influence EU policymaking.⁶

Despite the fact that the EU is pursuing a policy more critical of China, its basic concept of "dialogue first" has not changed. This approach contrasts with the US policy towards China, which—due to a different economic and political relationship—seems to rely more on a confrontational stance.

This paper concentrates on the EU's assessment of some of the economic issues that China's trading partners are confronted with. The organisers of this transatlantic conference have proposed five specific topics for this analysis, which are, however, closely interrelated. Nevertheless, the following three topics will be looked at as separate issues: First is the question of how the EU assesses the extent to which China has fulfilled its WTO commitments. The second topic deals with the EU's reaction to the emergence of China's "economic nationalism." In the third section, I will attempt to outline what the EU's position is with regard to the quest for liberalisation of the Chinese currency. The paper concludes with some recommendations regarding further transatlantic dialogues on China.

Before turning to the first topic, some remarks regarding EU policymaking need to be made. When analysing the EU's policy towards China, we have to keep in mind that the EU consists of a large number of Member States, each characterised by different economic development levels and foreign trade structures. Despite these differences, Jonathan Holslag shows that national strategy papers, key statements by officials, and bilateral agreements or specific development programmes on China designed by individual EU Member States contain similar goals, such as increased economic openness or stronger environmental protection.⁷ These similarities are also the outcome of the EU policymaking process. Member States can channel their national interests via committees working on EU Joint Statements or strategy papers on China. These official policy documents, however, need the consensus of all Member States who have agreed to transfer their bargaining power to the EU Commission. The complex process of EU policymaking is time-consuming, because the largest common denominator has to be found. Thus, an emotional ad hoc decision becomes unlikely.

4 Carlo Filippini, "Beyond the Triadic World Order: The Role and Patterns of Trade and Economics in EU-Asia Relations," *European Studies* 25 (2007), p. 159.

5 David Shambaugh, "China-Europe Relations Get Complicated," *Brookings Northeast Asia Commentary*, May 2007, http://www.brookings.edu/opinions/2007/05china_shambaugh.aspx.

6 Günter Schucher, "Dashed Hopes: EU-China Relations after the EU's 2006 Communication on China," *China aktuell*, Vol. 36, No. 6 (2007), p. 95.

7 Jonathan Holslag, "The European Union and China: The Great Disillusion," *European Foreign Affairs Review*, 11 (2006), pp. 556, 580.

The assessment of the EU's China policy by the author is based on strategy papers published by the EU Commission, so-called Communications or Commission Working Documents, as well as official policy statements and reports by various departments within the Commission. In addition, assessment reports and statements from European business associations and national governments' statements on the above-mentioned topics will be referred to. The inclusion of these documents is necessary in order to obtain a more detailed perspective on European policy towards China. In contrast to the EU website, which offers scattered information on topics such as WTO compliance, economic nationalism and currency liberalisation, the United States Trade Representative's (USTR) Internet library offers easily-accessible reports and data. Regarding China's WTO compliance, for example, the USTR is even required by law to report annually to the US Congress. Several US government agencies and representatives from the private sector join in this regular reporting exercise regarding China's WTO compliance.⁸

The EU's Assessment of China's WTO Compliance

The EU does not produce any kind of regular report on China's WTO compliance that is similar to any that the USTR or the Japanese government publish. This can be partly explained by the heavy workload of the rather small number of staff members at the department in charge at the EU Commission: the Directorate-General for Trade (DG Trade). In-depth reports on bilateral or global trade issues are, thus, outsourced to research institutes or consulting agencies in Europe. During my work in the Europe-China Academic Network (ECAN)—a network activity financed by the EU Commission—an external consultant was asked to write a report on bilateral economic relations with China. Although this report can be regarded as an input to the 2006 EU Communication on China, WTO compliance was not dealt with as a separate issue by the consultants.⁹ During the internal discussion of the report, DG Trade staff pointed to their own close co-operation with the WTO in the preparation of the WTO's Trade Policy Review on China.¹⁰ In light of the important instrumental function of a China-WTO compliance report for domestic purposes—especially in public discussion on China's trade policy and for parliamentary requests—there is discussion within the EU Commission regarding whether the DG

⁸ United State Trade Representative, *Annual USTR Report to Congress Finds Mixed Record by China in Implementing World Trade Organization Obligations*, December 11, 2006, <http://www.ustr.gov.com>.

⁹ European Commission (DG Relex), *A Report for the European Commission, EU-China Economic Observatory*, May 2006. The report was produced by a team of economists from T-A-C.

¹⁰ World Trade Organization, *Trade Policy Review People's Republic of China*, WT/TPR/S/161, February 28, 2006, http://www.wto.org/English/tratop_e/tp_r_e/s161-0_e.doc (hereafter cited as WTO 2006).

Trade should offer a regular report on China's WTO compliance in the future.

How the EU Commission is assessing the extent to which China has fulfilled its WTO commitments is reflected in the various EU Communications on China since 2001. In the last Communication, published in 2006, the Commission points out that it seeks:

"[...] to ensure that China meets its WTO obligations and continues to liberalise access to its goods, services, investment and public procurement markets. It will seek the end of forced technology transfers for European investors and imposed export requirements. The EU will seek tougher protection of the legal rights of EU companies, especially in the area of intellectual property and urge China to end the unfair subsidisation or protection of strategic industries. It will seek to ensure that these issues are taken forward within the overall process of dialogue and co-operation."¹¹

Market-access barriers that European companies are faced with on the Chinese market are regarded as a major problem in the EU 2006 Communication on China. Although the EU recognised the reduction of tariffs to an average of 8.8 percent on non-agricultural products, the tariff-peaks that China maintained in some specific industries (textiles and clothing, leather and fur, footwear, ceramics, steel and vehicles) were criticised. In addition, the EU pointed to some non-tariff barriers (product certification, import approval requirements, labelling standards and customs clearance delays) and their discriminatory effects on European companies.

With regard to the Agreement on Trade-Related Investment Measures (TRIMs), the EU complained about the still-existing local-content requirements in some industries and about the compulsory establishment of joint ventures in specific industries such as the automobile, steel, semiconductor, petrochemical and shipbuilding industries. Discriminatory policies in the telecom and financial-services sectors were also mentioned by the EU Commission; these were the result of high capital requirements and complex approval procedures.¹²

According to an external study financed by the EU, European exporters faced an estimated total loss of €12.5 billion due to missed export opportunities because of non-tariff barriers to the Chinese market in 2004. Furthermore, the near exclusion of European companies from three sectors—the financial services, telecom and construction sectors—resulted in an estimated loss of €8.9 billion in 2003.¹³

Although China did not sign the Agreement on Government Procurement (GPA)—no other emerging market economy did so either—it adapted its own legal regulation on government procurement, became an observer with the GPA and announced its intention to prepare for membership in

¹¹ Com 2006, p. 3.

¹² Ibid., p. 9.

¹³ *Future Opportunities and Challenges in EU-China Trade and Investment Relations 2006–2010*, a study financed by the European Commission (DG Trade), implemented by Emerging Markets Group & Development Solutions, February 2007, pp. 3–4.

the medium term, starting accession negotiations in 2008. As the Chinese procurement market is basically closed to European businesses, companies were forced to enter technology-transfer agreements as a condition of participating in international bids.¹⁴

The EU's 2006 Communication on China lists a few actions intended to push for openness, including close monitoring of China's implementation of WTO commitments, co-operation with "Chinese authorities at all levels" and a closer co-operation with Member States in order to accelerate exports to China.¹⁵

Regarding the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Communication defined China as the EU's first priority for intellectual property enforcement worldwide. The EU announced a series of policy measures to fight intellectual property right (IPR) infringement, including closer co-operation between customs authorities in the EU and China (setting up a special risk-assessment for customs control), programmes to reduce production of fake products and their export to Europe, and closer co-operation with the EU's other major economic partners.¹⁶ On the trilateral level, including the US and Japan, the business organisations within the EU have increased their co-operation on IPR protection in China, especially between business associations. The "Joint Declaration of US, European, and Japanese Organizations on the Occasion of the Second Annual Multilateral IPR Summit," formalised at the May 2006 meeting, represents a joint working programme in terms of benchmarking, information exchange and IPR enforcement. During this meeting, the representatives from various business associations had pointed out that China was once again the country of origin for most of the pirated goods in 2005.¹⁷

To summarise, compared to previous Communications, Com 2006 on China is much more outspoken in its demands for "levelling the playing field" for European companies. Although tougher in tone and substance,¹⁸ the document underlines that conflicts should be resolved through dialogue and negotiations. In the event that this approach fails, the EU will refer to the WTO dispute-settlement system for solving trade disputes with China. The EU's 2006 Communication ends with a warning that a perceived lack of reciprocity in the bilateral trade relationship could increase political pressure in the EU to "resist further openness to Chinese competition [...] as we are already seeing in the United States."¹⁹

¹⁴ Com 2006, p. 9.

¹⁵ Ibid., p. 11.

¹⁶ Ibid., pp. 9–10.

¹⁷ UNICE, *UNICE Position Paper on EU–China Relations*, March 9, 2006.

¹⁸ Shambaugh, "China–Europe Relations," op. cit.

¹⁹ Com 2006, p. 15.

The EU's Reaction to a Growing "Economic Nationalism" in China

Nationalism in China is often perceived in the West as "ideological patriotism, anti-Westernism and Confucian traditionalism, striving for a strong central state, the uncompromising protection of China's national interests and the enhancement of state capacity through the world market integration and economic regionalization."²⁰ In order to participate in the competition among the leading nations of the world, the Chinese government and the Communist Party of China are fostering a proactive strategy of integration into the global economy. Accession to the WTO and the support of "national champions" going global are major policies towards attaining this goal. On the other hand, economic nationalism in China includes the protection and support of domestic companies, often at the expense of foreign businesses. The latter policy is rather common to all "late-developing countries" in East Asia and part of their economic catch-up process. Following the blueprint of Japan, the industrial policies of South Korea, Taiwan and Singapore showed similar goals, relied on similar instruments and institutions, and were based on a strong outward orientation.²¹

China's economic nationalism, however, conflicted with WTO regulations on non-discrimination at the time of its accession to the WTO. Despite adjustments made by the Chinese government, some industries are still strongly supported and protected. The EU's 2006 Communication also points to additional problems:

"In key sectors such as automobiles, steel, semiconductor or shipbuilding, new policies are emerging which appear to be based on a 'China first approach' contrary to the non-discriminatory principles of the WTO [...]. There is a growing risk that competition policy will be used against foreign operators and the lack of independence or transparency of many regulators results in decisions favouring Chinese operators."²²

China promised to adapt its investment policies in accordance with TRIMs. Thus, local-content requirements imposed on foreign-funded enterprises (FFE) as well as requirements for trade performance (export quota) and trade balancing had to be removed from laws and regulations, and national treatment of foreign enterprises had to be ensured. As part of the process of adapting national laws and regulations, the "Catalogue of Guidance of Foreign Investment" was revised in 2002, 2005 and 2007. According to the first Trade Policy Review published by the WTO at the end of February 2006, the amendment increased the number of "encouraged

²⁰ Gunter Schubert, "Nationalismus in China," Institut für Ostasienwissenschaften (Institute of East Asian Studies/East Asian Politics), University Duisburg, Project Discussion Paper No. 18, 2001, p. 5, <http://www.uni-duisburg.de/Institute/OAWISS/download/doc/discuss18.pdf>.

²¹ Margot Schüller and Anke Turner, "Die chinesische Industriepolitik: Orientierung am Beispiel Japans und Südkoreas?," in: *M&A in China*, ed. Kai Lucks, (Frankfurter Allgemeine Buch, 2006).

²² Com 2006, p. 9.

industries” from 186 to 262 and reduced the number of “restricted industries” from 112 to 75. However, the WTO concludes: “Foreign equity limits tend to vary by industry and are not necessarily related to the category.”²³

The automobile industry is a case in point, as manufacturing of automobiles is listed in the “encouraged” category, but the share of foreign equity is limited to 50 percent.²⁴ Regarding the manufacturing of automobiles, national treatment has still not been granted to foreign companies. Local-content requirements have continued to exist and discourage imports of automobile parts and components. In 2003 the Chinese government issued a draft version of a new automobile industry policy in which imports of complete knocked-down auto kits were discouraged by high tariffs on the one hand, while targets for the use of domestic technology were set on the other.²⁵ The draft regulation went a step further in the compulsory technology-transfer as new automobile and automobile engine plants were required to make substantial investments in research and development facilities. Despite protests from other WTO member states, China issued the final version of this policy in 2004 and measures for implementation in 2005. These measures include restrictions on the import of auto parts, which have to be registered by the joint ventures if they are used for manufacture of the entire automobile (Measures on the Importation of Parts for Entire Automobiles). In the event that a specified threshold is exceeded in the number or value of imported parts, a higher tariff rate applies. The same holds true for other imported key parts and assemblies that must be manufactured locally.²⁶

In reaction to the violation of WTO compliance, the European Union requested dispute settlement consultations with China on 30 March 2006.²⁷ The EU objects to the raising of tariffs on imported components from the current 10 percent to 25 percent in cases where these components are assembled into complete vehicles. Together with the US and Canada, consultations were held in Geneva at the WTO, but they were not successful. In October 2006 the EU, the US and Canada worked together to establish a panel on the issue; the panel’s report is expected to circulate by spring 2008.²⁸

Supporting “national champions” is regarded as another expression of “economic nationalism.” Since 2001, the globalisation of Chinese compa-

²³ WTO 2006, p. 53.

²⁴ WTO 2006.

²⁵ United States Trade Representative, *2006 Report to Congress on China's WTO Compliance*, http://www.ustr.gov/assets/Document_Library/Reports_Publications/2006/asset_upload_file688_10223.pdf, p. 55.

²⁶ United States Trade Representative, *2006 National Trade Estimate Report on Foreign Trade Barriers*, March 31, 2006, p. 55, http://www.ustr.gov/assets/Document_Library/Reports_Publications/2006/2006_NTE_Report/asset_upload_file929_9220.pdf.

²⁷ European Commission (DG Trade), *DS 339—China—Measures Affecting the Imports of Automobile Parts* (procedural state: panel).

²⁸ European Commission (DG Trade), *General Overview of Active WTO Dispute Settlement Cases Involving the EC as Complainant or Defendant and of Active Cases Under the Trade Barriers Regulation*, Brussels, January 18, 2008, pp. 7–8.

nies has become a major goal. With explicit reference to China's forthcoming accession to the WTO, the former Ministry of Foreign Trade and Economic Cooperation (MOFTEC) underlined the importance of overseas investment as follows:

"By 'Going Global,' the enterprises can invest and set up factories overseas, better utilize the domestic and foreign markets and resources, further expand the export of equipment, materials and labour service and create new export growth points. Thus we can enhance the level of China's opening to the outside world."²⁹

The motivations of the government and the companies to pursue this strategy are not necessarily one and the same. For the government, access to overseas natural resources, China's geopolitical positioning and the strengthening of its national competitiveness count as basic motives which explain economic policy support. Another reason for the Chinese government to support the "going global" strategy is the growing number of anti-dumping complaints from its major trading partners. Thus, direct investment has become an attractive vehicle with which to explore foreign markets. Therefore, outward investment and the support of the global expansion of large (state-owned) companies have been added to the overall programme of foreign economy policy.³⁰

Securing access to natural overseas resources and turning the country into a global player are goals that are closely related to the self-perception of the Chinese government (and the Chinese Communist Party) and its role in the economy. Basically, the government believes that it has the mission of restoring China's place in the international arena and developing the country into one of the leading powers (or maybe *the* leading power) of the world.³¹ Government support for (state-owned) companies' overseas investments in oil, gas and mining activities is part of China's national energy strategy,³² which is itself an expression of economic nationalism.

The EU's Assessment of China's Currency System

China's currency system has undergone a far-reaching adjustment process towards convertibility over the last two decades. Devaluation of the currency in several steps took place, and China's renminbi (RMB) became convertible for current account transactions in 1996. Restrictions on the capital account, however, remained in place, contributing to the strong increase in foreign exchange reserves.

²⁹ MOFTEC, *Implementing Vigorously the Opening Strategy of Going Global*, 2001, <http://www.yearbook.org.cn/english/2001/wx2asp> (accessed July 13, 2005).

³⁰ Schüller and Turner, "Die chinesische Industriepolitik."

³¹ John Garver, "Interpreting China's Grand Strategy," *China Brief*, Vol. 5, No. 14 (July 2005), <http://www.jamestown.org>.

³² Saskia Hieber, "Energiesicherheit in China: Instrumente zur Versorgungssicherung," *China aktuell* (April 2004), pp. 401–404. Chietgj Bajpae, "Chinese Energy Strategy in Latin America," *China Brief*, Vol. 5, No. 14 (June 2005), <http://www.jamestown.org>.

One of the important policy steps was the revaluation of the currency (by 2.1 percent) and the establishment of a Chinese basket peg in August 2005. This currency peg represents the obligation to hold the renminbi within a fixed margin of a constant nominal value of a basket of currencies. In contrast, the renminbi exchange rate before was based on a fixed margin of the US dollar (USD). The new system was designed to allow for more flexibility in the management of the basically fixed exchange rate by the central bank (People's Bank of China—PBoC). Over time, the trading range was broadened. In May 2007, the PBoC increased the renminbi's daily trading band against the dollar from 0.3 percent to 0.5 percent. Since July 2005 the renminbi has appreciated in small steps, from 8.11 RMB/USD to around 7.6 RMB/USD at the end of June 2007.³³

With China's growing surplus in trade with the US and the EU and its ever mounting foreign currency reserves (\$1,530 billion at the end of 2007), the quest for a revaluation of the renminbi and a flexible exchange rate system became stronger. Although the US Treasury Department concluded in its report on International Economic and Exchange Rate Policies in 2006 that no evidence existed that the Chinese government was intentionally manipulating the value of the renminbi, the discussion of whether the value of the Chinese currency was to blame for the US trade deficit with China and the decrease in the number of manufacturing jobs in the US continued.³⁴

Similar to the reporting on China's WTO compliance, the close watching of exchange rate policies of foreign countries and annual reports by the US Secretary of the Treasury is based on a specific act.³⁵ In its last report to Congress in December 2007, the US Treasury pointed out that a substantial undervaluation of the renminbi existed, requiring China to accelerate the appreciation of its currency and to reform its exchange rate regime altogether.³⁶ The US Treasury report admitted that the renminbi appreciated since July 2005 (by 12.1 percent against the dollar and 3.8 percent against other major currencies).³⁷ The gradual adjustment of the exchange rate, however, has been met with strong objections from both academics and politicians in the US. At the same time, two American Nobel Prize winners (Robert Mundell and Joseph Stiglitz) are supporting the Chinese

³³ Michael Funke and Marc Gronwald, "The Undisclosed Renminbi Basket: Are the Markets Telling Us Something about Where the Renminbi-US Dollar Exchange Is Going?," BOFIT Discussion Paper 20, Bank of Finland, Institute for Economies in Transition, 2007, pp. 8–10.

³⁴ Daniella Markheim, "China's Yuan: Manipulated, Misaligned, or Just Misunderstood?," The Heritage Foundation, Asia and the Pacific, Web Memo No. 1608, September 11, 2007.

³⁵ The Omnibus Trade and Competitiveness Act of 1998.

³⁶ United States Department of Treasury, *Report to Congress on International Economic and Exchange Rate Policies*, December 2007, p. 35, <http://www.treas.gov/offices/international-affairs/economic-exchange-rates/pdf/Dec2007-Report.pdf>.

³⁷ *Ibid.*, p. 32.

approach of a gradual revaluation; Mundell even suggested maintaining the fixed exchange rate system.³⁸

In contrast to the US, there is no similar legal obligation to regularly observe and report on foreign countries' currency systems for the EU Commission. While some business associations are trying to reintroduce in Congress the so-called Hunter-Ryan China Currency Bill (in order to sanction currency manipulators), this procedure would not be possible in the EU. Apart from the differences in the legal systems, the much greater extent to which the US economy was challenged by the huge inflow of Chinese goods and capital into the state bond market seems to be more relevant for explaining why the EU has reacted differently.

Recently, though, the EU Commission and the European Central Bank (ECB) have become more engaged in the discussion of China's currency system and the quest for a stronger appreciation of the currency value. The change in behaviour seems to have been triggered by the strong devaluation of the US currency and the worry that the EU Member States will have to bear the brunt of the plunge of the dollar, as the dropping of the dollar influences the exchange rate of the Euro and the renminbi.

During the 10th EU-China Summit in Beijing last November, the EU's Economic Affairs Commissioner, Joaquin Almunia, thus, asked the Chinese government to consider that not all adjustments should focus on the relationship between the dollar and the renminbi and to think about the evolution of the exchange rate towards the Euro.³⁹ Jean-Claude Juncker, Luxembourg's prime minister and chairman of the meetings of the Euro zone states, and Jean-Claude Trichet, president of the ECB, also went to China in November 2007, to lobby for an appreciation of the renminbi.⁴⁰

Compared to the rather cautious position towards the issue of the Chinese currency system in the EU's 2006 Communication,⁴¹ this topic has lately become much more prominent. In his speech at the China-Europe Business Meeting in Frankfurt in November 2007, Jean-Claude Trichet pointed to the negative impact of the renminbi exchange for Europe:

"An undervalued exchange rate can also pose a negative externality to producers in other countries. Indeed, the widening of the Euro area's trade deficit with China, which gained particular momentum after 2003, has paralleled a steady depreciation of the renminbi against the Euro. Even after China reformed its exchange rate regime in July 2005, the Euro has continued to appreciate against the renminbi. Although the renminbi has since 2005 appreciated by around 10–11 percent against the US dollar and

³⁸ Xiaohu Zhang, *The Economic Impact of the Chinese Yuan Revaluation*, School of Economics, Politics and Tourism, Faculty of Business and Law, University of Newcastle, Australia, 2006, http://www.cfses.com/06confchina/documents/Final_Papers/Paper_ZhangXiaohe_Economic_Impact_Of_Chinese_Yuan_Revaluation.pdf.

³⁹ "EU, China Disagree over Yuan, Uneven Trade at Business Summit," *DW-World*, November 28, 2007, <http://www.dw-world.de/article/0,2144,2976109,00.html>.

⁴⁰ "EU Presses China to Let Currency Rise," *International Herald Tribune*, November 13, 2007.

⁴¹ Com 2006, p. 10.

the Japanese yen, it has depreciated continuously against the Euro, losing about 8 percent of its value against the single currency. Over the same period, China's trade surplus vis-à-vis the Euro areas has grown by more than 20 percent."⁴²

Recommendations for Transatlantic Dialogue

1. Due to specific political and economic interests, the EU and the US apply different policy approaches to their relationship with China. The mutual understanding of the factors influencing their policy concepts and ideas seem to be a first and necessary step towards a potentially fruitful policy dialogue.
2. Learning from each other's successful concepts in the economic co-operation with China seems to have started already and should be further encouraged. One example is the establishment of a "High Level Economic and Trade Dialogue" between the EU Commission and the State Council of China (at the level of vice-premier), which will begin in April 2008. Following the US' blueprint, this forum will basically discuss strategies in EU-China trade, investment and economic co-operation.
3. On the issue of WTO compliance, the EU and the US are already working together on a number of projects, especially on IPR protection, and further co-operation should be encouraged.
4. Comparative studies on the industries most affected by Chinese competition in the EU and US would allow some well-based arguments for a common policy approach towards China.
5. A potential for co-operation also exists with regard to studies on China's technology policy and the impact on both the EU and the US.

⁴² "Jean-Claude Trichet: The Emergence of China in the Global Economy—A European Perspective" (speech by Mr Jean-Claude Trichet, president of the European Central Bank, at the China-Europe Business Meeting, Frankfurt am Main, November 8, 2007).

Appendix

Adjustment of industrial policies in selected emerging markets under pressure from the WTO: The case of the automobile sector

<i>Land</i>	<i>Discriminatory industrial policy measures</i>	<i>Adjustment to WTO rules and regulations</i>
China	– Compulsory establishment of Sino-foreign joint ventures; – Local-content requirement; – Compulsory R&D	No adjustment to WTO requirements
India	Local-content requirements	May 2000: WTO panel requests adjustment of automobile industry policies
Indonesia	Local-content requirements	1998: WTO panel requests adjustment of automobile industry policies July 2002: Indonesia agrees to abolish restrictions within five months
Malaysia	Local-content requirements	July 2001: Malaysia asks for prolongation of transitional period for adjusting to TRIMs until 2003 2004: Abolishment of local-content requirements 2005: New automobile policy guidelines
Mexico	Local-content requirements	2001: Mexico asks for prolongation of a transitional period for adjusting to TRIMs until January 2004

Source: Author's own compilation based on surveys.

Security Issues

U.S. Policies and Views toward Eight Key Security Issues Involving China

Michael D. Swaine

In the security arena, the United States government pursues an overall strategy toward China that combines efforts to engage and enmesh Beijing in stability-inducing norms and structures, along with realist-style balancing and deterrence activities in the form of external security cooperation with other nations and unilateral US military deployments. U.S. policies regarding eight security-related issues are of particular relevance to any effort that might be undertaken to coordinate security-related approaches toward China between Washington and the European Union (EU): energy security, Taiwan, military transparency and exchanges, technology transfers, arms embargos, global peacekeeping operations, the proliferation security initiative, and counter-terrorism. The following short paper briefly summarizes U.S. policy goals and features in each area and discusses some of the major issues, debates, and recent trends that influence them.

Energy Security

Reliable, affordable, and efficient sources of energy are critical to the maintenance of Chinese growth and improvements in China's huge environmental problems. For China, energy security is apparently defined as "sufficient energy to support economic growth and prevent debilitating energy shortfalls that could trigger social and political turbulence." (Yergin 2006, p. 77) Beijing seeks to address this challenge via a multi-pronged market- and non-market-based approach that includes the diversification of supply sources; the use of long-term energy contracts and the formation of close political relationships in energy-producing areas (in Asia, Near East, and South America); equity ownership over some overseas production or refining facilities; greater use of domestic coal and gas, increased nuclear power and natural gas; increases in energy efficiency and conservation; and additions to China's strategic oil reserves. However, it remains unclear as to whether China is actually pursuing a coordinated, comprehensive global energy security strategy. Many elements of its approach to energy security are driven by separate (and sometimes competing) bureaucratic and commercial interests, etc. Some experts (e.g., Downs) have described China's energy policymaking apparatus as "fractured."

The U.S. government clearly has concerns regarding China's energy security policies. In September 2005, Deputy Secretary of State Robert Zoellick identified energy as a potential point of conflict or cooperation between Washington and Beijing and questioned whether Beijing was pursuing "mercantilist" policies by attempting to "lock up" energy supplies

around the world. He also stated that such a “mercantilist” strategy could lead to partnerships with regimes (e.g., Sudan) that “... hurt China’s reputation and lead others to question its intentions.” It can also put China at odds with U.S. non-proliferation policies regarding energy-rich countries such as Iran. Washington is also concerned that China’s quest for secure energy supplies could lead it to attempt to protect its sea-based energy transportation routes through the acquisition of long-range power-projection capabilities that could threaten U.S. military operations and destabilize the strategic environment in the Western Pacific, South Asia and the Middle East.

Hence, the U.S. government seeks to encourage China to realize that the best way for it to pursue its energy security is to help strengthen global markets, not to seek preferential equity deals with irresponsible and unstable regimes, nor to acquire deep water, long-range power projection capabilities. Various dialogues and fora initiated in the Executive Branch (e.g., the strategic dialogue between Robert Zoellick and Dai Bingguo, a U.S.–PRC dialogue directed by the Department of Energy, and the Strategic Economic Dialogue under Secretary Paulson) are all intended in part to provide such encouragement regarding the operation of global markets. Unfortunately, this effort has enjoyed only sporadic support in Washington and is at times undermined by actions taken by other branches of the U.S. government, e.g., when the Congress strongly opposes the sale of U.S. oil companies to Chinese firms. Such moves short-circuit established procedures for vetting sensitive economic transactions and arguably weaken the attempt to encourage China to base its energy policies on market-based criteria.

On a more positive note, some U.S. observers have identified a range of possible areas for cooperation between Beijing, Washington and the EU in this policy arena: to expand non-oil and gas types of supply (e.g., clean coal technology, biofuels, renewables, nuclear, hydrogen gas, etc.); to lower demand and increase efficiency of usage, including through standards for the many appliances made in China; to develop and expand each side’s strategic petroleum reserve; to cooperate on transport security against non-traditional threats, etc. Moreover, all three entities have an interest in ensuring that the energy trade is not stopped at chokepoints or manipulated through monopoly providers. Finally, as Robert Zoellick and other have pointed out, Sino-American cooperation on energy security may also improve the context for cooperation on other bilateral topics. For example, it can build U.S.–PRC confidence in working together to counter energy blackmail that could threaten regional or global security.

Taiwan

A major confrontation between Beijing and Washington over Taiwan could escalate into direct military conflict or seriously damage overall bilateral political-diplomatic relations, thus posing extremely negative consequences for U.S. interests and stability in the broader Asia-Pacific region.

The intersection of three critical factors ensure that avoiding such a crisis with China will remain a major challenge for the United States: the unstable, zero-sum nature of Taiwan's domestic politics, characterized by sharply contending images of national identity; Beijing's steady accumulation of military power and the deployment of military forces along the Taiwan Strait in an apparent effort to deter movement toward independence; and the deepening U.S.-Taiwan security relationship—designed to counter the Chinese military build-up. These three interrelated factors can work to intensify the existing arms race across the Strait, compel the Taiwan government to seek ever greater levels of U.S. support, and encourage pro-independence political groups on Taiwan to revive their effort to achieve eventual *de jure* independence, perhaps by precipitating a crisis between Beijing and Washington.

A normal Sino-U.S. relationship depends on the maintenance of an understanding regarding Taiwan reached between Beijing and Washington during the normalization period of the 1970s. This understanding trades a U.S. acknowledgement of the One China position for a Chinese commitment to the search for a peaceful means to resolve the Taiwan issue as a first priority. From the U.S. perspective, this understanding contains three critical elements or requirements: First, a commitment not to challenge China's position that Taiwan is a part of China. This has evolved into a U.S. stance against any unilateral effort by Taiwan to attain independence. Second, an expectation that China would not seek to resolve this issue by force. If Beijing did seek to use force, normalization and workable relations would become impossible to sustain, as Washington would be compelled to confront Beijing over Taiwan. Third, a recognition of the need for the U.S. to deter the Chinese militarily from using force against Taiwan, by maintaining (both directly and via defense assistance to Taiwan) a credible military capability to counter a Chinese attack.

U.S. policy toward Taiwan therefore requires the maintenance of a continuous balance between deterrence and reassurance, aimed at both Taipei and Beijing: on the one hand, efforts to deter any Chinese miscalculation leading to the use of force while reassuring China that the U.S. will not use its superior military power to encourage or advance Taiwan's independence; on the other hand, efforts to reassure Taiwan that the U.S. will not permit the forcible or coerced resolution of the issue against Taiwan's interests while deterring Taiwan from undertaking unilateral actions that move Beijing toward a belief in the necessity to use force. Fortunately, current trends on Taiwan and in the larger U.S.-China-Taiwan relationship suggest that the most destabilizing elements of the Taiwan situation will likely remain under control for the next several years, despite concerns over provocative statements and actions made by the outgoing president of Taiwan. The next U.S. administration will almost certainly seek to maintain Washington's longstanding core policy features on this issue (centered on the One China policy, the three Sino-U.S. communiqués and the Taiwan Relations Act), in order to preserve existing trends toward moderation and restraint.

Military Transparency and Exchanges

U.S.-PRC military contacts and exchanges began in the 1970s and have continued—with some significant interruptions and revisions—until the present-day. Prior to Tiananmen, such interactions served a very specific strategic purpose, centered largely on a common desire to counter or control the military activities of the former Soviet Union. Since the collapse of the USSR and the forcible suppression of the Tiananmen demonstrations in Beijing in the late eighties and early nineties, the U.S.-PRC mil-to-mil relationship has evolved to serve a variety of functions.

From the U.S. perspective, such interactions, if properly designed and implemented, have the potential to:

1. increase mutual understanding and improve communication between senior military officers, thereby reducing distrust, antagonism, and prejudice;
2. dissuade the Chinese military from contemplating any threatening actions, e.g., with regard to Taiwan, thereby strengthening deterrence;
3. obtain important intelligence on the thinking, operations, and capabilities of the Chinese military;
4. monitor the Chinese military's influence in PRC internal politics and foreign policy decision making;
5. reduce the possibility of miscalculations and accidents between operational forces (e.g., via CBMs);
6. enhance educational exchanges in specific functional areas of benefit to the U.S. military (e.g., military medicine);
7. expand PLA participation in appropriate multinational and multilateral military activities; and
8. shape the attitudes and beliefs of up-and-coming junior officers within the Chinese military.

Some of these objectives relate directly to the U.S. desire to promote greater transparency in the overall military-to-military relationship, and in particular with regard to the strategic rationale behind China's ongoing, robust program of military modernization. Washington continues to express concern about the pace, scope and direction of China's military modernization program, especially with regard to the build-up of forces across the Taiwan Strait.

How best to attain the goals of the U.S.-PRC mil-mil relationship, along with greater overall military transparency, have been a subject of continuous controversy within the U.S. government and among outside observers. Over time, and as sensational reports on Chinese military-related espionage appeared in the U.S. media, the U.S. government (through both Executive policies and Congressional legislation) has tightened controls over the scope and form of mil-mil contacts, in an effort to increase transparency and reciprocity and prevent the transmission of militarily sensitive information to the PLA. Some observers argue, however, that such controls are excessive and restrict the ability of the U.S. government to obtain benefits from contact with the PLA. Indeed, some observers point

out that the U.S. has gained very significant access to PLA facilities and personnel over the years and has learned a great deal from such contact, while disclosing very little if any truly sensitive information. Some studies have advocated dropping any emphasis on reciprocity and transparency as criteria for mil-to-mil contacts. Both goals are viewed as unrealistic, given the unswerving belief of the Chinese leadership that they gain little and risk much by exposing their strengths and weaknesses to a much stronger, potentially hostile United States.

Technology Transfer

U.S. controls or restrictions regarding the sale or transfer to China of technologies or dual-use items are centered primarily on military or national security-related products and information. The basic logic driving this undertaking is the intent to deny or delay the technological development and enhancement of the Chinese military. A wide array of U.S. government regulations applies to this area, involving several bureaucracies (e.g., DoD, NSA, State, and Commerce). The sheer number and complexity of U.S. regulations governing dual-use product and technology exports have grown over many years, thus generating criticism among some businesses, experts, and foreign observers that they have become excessively complicated, inconsistent, and unwieldy. Some U.S. businesses continue to insist that the regulations in most cases serve to undermine the competitiveness of American companies without significantly affecting China's military modernization effort, since most restricted items can be obtained by China from other foreign commercial competitors.

The Department of Commerce Bureau of Industry and Security (BIS) is the U.S. organization most responsible for developing regulations in this area. BIS and its interagency export control partners evaluate proposed exports of dual-use items and technology to China. According to U.S. officials, they do not issue export licenses for items that directly contribute to China's electronic and anti-submarine warfare, intelligence gathering, power projection, missile technology, WMD technologies, or air superiority capabilities. The U.S. government also does not approve licenses for military end-users or end-uses within China, in line with the long-standing U.S. arms embargo (see below).¹ It has also pressured some foreign

¹ Items that are subject to controls, if destined for a military use in China, include certain products, software, and associated technology in twenty categories: depleted uranium; carbon fiber and prepregs for use in composite structures; hydraulic fluids; bearings and bearing systems; computer and non-computer controlled machine tools used for generating optical quality surfaces; dimensional inspection or measuring equipment; oscilloscopes; flash X-ray machines and pulsed power systems; high performance computers (exceeding 0.5 Weighted TeraFLOPS) (this would not include most available desktops or laptops, but may include certain servers); radio equipment that meets MILSPEC requirements or uses QAM; phased array antennas; lasers; optical sensing fibers; airborne communication and inertial navigation systems; underwater systems; aircraft; aero gas-turbine engines; and microprocessors with certain performance criteria (these were already controlled for military end-use to a number of countries, including China,

countries (e.g., Israel) to limit or end the provision of sensitive items to China. And the U.S. has also placed sanctions on several Chinese companies that have exported dual-use items to “countries of concern.” At the same time, the U.S. has reportedly eased export restrictions affecting certain high technology non-strategic trade with China (e.g., regarding computer hardware, general purpose microprocessors and certain semiconductor manufacturing equipment), largely because the technologies involved have become obsolete or such items have become increasingly available in the global market. Moreover, the U.S. government insists that export controls do not impede overall U.S.–PRC bilateral trade. The total value of denied license applications for China in 2004 was only \$10.8 million. (Lichtenbaum 2005)

Nonetheless, this subject remains one of intense debate and dispute in the United States and between the U.S. and some foreign entities. In this debate, there are basically two camps within the U.S.: “... those that want to liberalize controls in order to promote exports and grow economic opportunity, and those who believe that further liberalization may compromise national security goals.” (Fergusson 2008, p. 2) According to Peter Lichtenbaum, secretary for commerce for industry and security, balancing these two sides is what makes China a particular challenge for the U.S. policy of export controls on sensitive technologies and commodities with potential military uses. Washington continues to emphasize its strong concern over the transfer of such items to China by both American and foreign entities, as well as China’s export of sensitive items to other “countries of concern” or terrorist weapons programs.

Arms Embargo

Significant U.S. government prohibitions on the transfer of military weapons and sensitive weapons-related technologies to China have been in place since the violent Tiananmen suppression of June 1989. Other democratic countries, primarily located in Europe, also prohibit such transfers to varying degrees. This issue became the source of a major controversy between Washington and the European Union in 2004 and 2005 as two leading EU members, France and Germany, led an effort to lift the long-standing EU arms embargo against China. The EU claimed that the embargo had become outdated—in light of the major advances that had taken place since 1989 in China’s economic and social conditions and the overall deepening of PRC relations with democratic nations—and was weak and largely symbolic. EU governments, led by the United Kingdom, argued that the embargo could be replaced by a stronger EU export control regime—centered on an enhanced EU Code of Conduct on Arms Exports—that would improve accountability and better control arms sales to China and elsewhere.

under existing regulations). Moreover, according to recently issued regulations, “... an exporter will be judged to have knowledge of a military end-use if, among other things, the company ‘should have known’ of such military end-use.” See Lichtenbaum 2005.

The United States vociferously resisted the EU initiative, however. U.S. officials warned that the end of the embargo could seriously damage transatlantic relations and U.S.–European defense cooperation. The U.S. Congress voiced its strong disapproval, with some Members threatening possible retaliation with restrictions on American technology transfers to Europe. Such pressure, combined with pre-existing concerns among some EU members regarding China’s ongoing human rights abuses, China’s passage in March 2005 of an “Anti-Secession Law” warning of a possible use of force against Taiwan, the rise to power in Germany of Angela Merkel (who does not support lifting the embargo), and the admission into the EU of several new Central European states that also oppose the lifting, together resulted in a reversal of the EU position. The EU arms embargo remains in effect today because the 27 members of the EU cannot reach unanimous agreement to lift it. However, in November 2007, EU foreign policy chief Javier Solana confirmed that the 27-member bloc is “willing to carry forward work toward lifting the embargo on the basis of the Joint Statement of the 2004 EU–China Summit and subsequent European Council Conclusions.” Moreover, France renewed its call for lifting the EU arms embargo against China in December 2007, saying the punitive measure has long become obsolete and unable to reflect the current relationship between Europe and China.

The U.S. government continues to strongly oppose a lifting of the EU arms embargo, for a variety of reasons. It “remains skeptical that even a tighter EU Code will contain sufficient enforcement and transparency mechanisms to dissuade EU countries from exporting advanced defense technologies that could enhance China’s military build-up and ultimately threaten common U.S., European, and Asian interests in peace and stability.” (Archick et al. 2007, p. 2) In particular, it fears that newly transferred European military arms and technologies could end up being used against U.S. forces in a conflict with China over Taiwan. Closely related to this is the concern that such transfers could significantly augment the pace and scope of PLA capabilities against Taiwan, thereby contributing to a possible PRC miscalculation regarding the use of force. The U.S. government also believes that the end of the arms embargo would send the wrong message to China and other countries by implying that the post-Tiananmen PRC regime has greatly improved its human rights record. Furthermore, Washington does not think that ending the arms embargo will serve European interests, since China could sell transferred technologies and weapons to less stable regions of the world or use them as tools of domestic repression.

Global Peacekeeping Operations

The U.S. is generally supportive of UN peacekeeping operations (albeit within certain limits), even though U.S. political and financial support for PKO has decreased since the mid-1990s. In addition to supporting UN involvement in the effort to establish or maintain peace in unstable areas,

Washington seeks to improve the administration and efficiency of UN peacekeeping operations, making them more cost effective and selective, while also enhancing the professional military capabilities of United Nations forces. At the same time, the U.S. prefers not to commit many U.S. troops to peacekeeping forces and seeks to limit the scope of PKO whenever possible. In recent years, Bush Administration officials have at times spoken in favor of reducing the overall size and duration of certain ongoing peacekeeping missions while attempting to lower costs and improve safety. (Avni 2005) Moreover, even though the U.S. provides key transport, communications, and logistics units and skills and bears the main financial burden of PKO (covering over one-quarter of the UN PKO budget and sometimes funding over one-half of specific PKO missions), it will not place U.S. forces under direct UN command in enforcement operations. It prefers to leave war fighting to multinational coalitions. The Bush Administration has also asserted that U.S. peacekeeping forces will not be subject to prosecution by the International Criminal Court.

While U.S. support for and participation in UN PKO has encountered some limits and qualifications in recent years, China has steadily increased its involvement in this area. Since the 1990s, over 6,000 Chinese military personnel, police, and civilian officers have been involved in 16 UN missions. This makes China the 12th largest contributor to PKO in the UN and the greatest among the Perm Five of the UN Security Council. This is a major change from the late eighties, when China viewed UN PKO as “doing no more than providing a buffer with small gains at enormous costs.” China now believes that PKO can alleviate crises and provide support for “developing countries suffering from a lack of allies as well as their own weaknesses.” (*China Daily* 2007) Perhaps more realistically, China receives certain geo-strategic benefits from participating in UN PKO, e.g., increased influence, improvements in its international reputation, and an expanded global presence overall. Involvement in such PKO missions can also enhance the professionalism and overseas experience of the PLA and PAP. The Chinese government currently follows three principles in its support of UN PKO: gain the approval of the country concerned; only use force in self-defense; and remain neutral in any dispute (Fravel 1996).

Some outside observers assert that China’s involvement in UN PKO is designed to “block efforts at democratization, especially in what Chinese leaders see as their Asian backyard.” (Friedman 2005) However, such extremist views are not widely shared in Washington. The U.S. generally endorses China’s increasing participation in UN PKO as an indication of its growing involvement in the international system and its willingness to take on greater responsibilities as a “stakeholder” in that system. On the other hand, U.S. officials are also concerned that Beijing’s apparent support for the three principles mentioned above, along with its growing economic and political interests in unstable countries or regions that are subject to UN peacekeeping operations (e.g., Sudan), can at times lead to efforts to obstruct or weaken U.S. objectives in such areas.

Proliferation Security Initiative (PSI)

The PSI was announced by President Bush in mid-2003, in response to a U.S. concern that existing laws and treaties designed to end WMD proliferation had failed, and that the threat posed by such proliferation had increased markedly, in light of the discovery of the A.Q. Khan illicit nuclear trade network, the worsening North Korea nuclear crisis, and the emergence of more capable non-state terrorist organizations interested in acquiring weapons of mass destruction (WMD). The PSI embodies a set of principles and activities, agreed to by over 15 core nations (including the U.S., Russia, Japan, France, Germany, and the United Kingdom)² that is aimed at interdicting the transfer via air, land, or sea of WMD, their delivery systems, and related materials to and from nation-states and non-state actors of proliferation concern. Most notably, the PSI enhances law enforcement cooperation and intelligence sharing among states and provides a basis for intercepting and searching suspect naval vessels in international waters. The PSI is a voluntary political commitment—not a formal treaty-based organization—that is to be activated when a particular need arises and is supposedly consistent with national legal authorities and relevant international law and frameworks.

Since September 2003, dozens of countries have participated in or observed PSI interdiction exercises, including the United States. Of all Asian countries, Japan and Singapore have been the most active in PSI, with both countries acting as hosts and participants in numerous exercises. The Philippines has also shown significant support. However, other key Asian nations continue to express skepticism toward the initiative. In particular, China, along with Indonesia, South Korea, and India, has not signed onto the PSI, although New Delhi has participated in PSI exercises in the Bay of Bengal. Both Beijing and Seoul were invited to the 2007 PSI exercises hosted by Japan but chose not to attend due to sensitivities about the reaction of North Korea.³ More broadly, although China voices support for the goals of the PSI, it claims that it does not participate in the initiative due to concerns regarding its possible illegality and consequent fears that it could undermine the principle of state sovereignty and produce uncertainty and instability among nations.⁴ Some PSI member states, such as Russia, have expressed similar qualms about the initiative.⁵ The failure

² Over 60 other nations—including many European countries—have agreed to cooperate on an ad hoc basis.

³ In addition, some Chinese media suggested that Japan's enthusiasm for hosting PSI-related events was associated with Tokyo's desire to become a major military power.

⁴ In 2003, a Chinese foreign ministry spokesman stated: "China understands the concerns of the member nations of the PSI over the proliferation of weapons of mass destruction ... But internationally, the legality of some of the PSI measures have some negative aspects that could result in bad consequences and have raised a lot of concerns. PSI members should earnestly consider this." See "China Warns of Illegalities," *HiPakistan*, December 9, 2003, as cited in Persbo 2003.

⁵ Western critics have also expressed broad concerns over the PSI. For example, in mid-2004, Andrew Prosser, Peace Fellow at the Center for Defense Information, wrote: "Fun-

of Beijing and South Korea to support the PSI is particularly troubling because it casts doubt on the effectiveness of any PSI-based interdiction efforts aimed at North Korea, a logical target of the initiative. The United States continues to consult with China regarding the PSI.

Counter-terrorism

Since, September 11, 2001, the United States has focused the bulk of its foreign policy attention and resources to the ongoing effort to combat global terrorism. U.S. counter-terrorism policies are multi-faceted, requiring extensive interactions with a wide range of nations and international organizations and activities. According to the Department of State's Coordinator for Counter-terrorism (S/CT), U.S. counter-terrorism policy is based upon four principles: the government makes no concessions to or agreements with terrorists; terrorists must be brought to justice for their crimes; states that sponsor terrorists and terrorism must be isolated and pressured so as to force a change of behavior; and the counter-terrorism capabilities of countries allied with the United States, and those that require assistance in fighting terrorism, must be bolstered. In accordance with the fourth major principle, the S/CT is charged by the Secretary of State with coordinating efforts to improve cooperation between the U.S. government and its foreign counterparts (including non-state actors, multilateral organizations, and foreign governments) to advance the counterterrorism objectives and national security of the United States. If foreign governments do not have the means to counter existing threats within their borders or to prevent a terrorist problem from taking hold, the S/CT coordinates the resources of the Department of State, DOD, the Justice Department, the FBI, the CIA, Treasury, Homeland Security, and other agencies to provide the tools and training required. (MIPT 2006)

The U.S. has worked with China in a variety of areas to counter terrorism or terrorist-related activities, both bilaterally, and as part of broader multilateral efforts. In addition to providing intelligence on possible terrorist activities and networks (particularly those relating to money laundering) within or near China, Beijing entities such as the Financial

damental legal, operational, and budgetary questions remain unanswered regarding the PSI, damaging its prospects for international support and effectiveness. PSI states remain secretive about the methods being employed and the number of actual interdictions being carried out. Under such conditions, it has been difficult to evaluate the success of the endeavor." (Prosser and Scoville Jr. 2004) Other analysts have pointed to additional concerns, e.g., that it might compel some states to acquire WMD before PSI can take full effect; that allies will become more alienated "because of disagreements regarding validity of intelligence, unilateralism, and violations of international law; and that arms control agencies and agreements will be weakened because of diversion of resources and efforts to PSI." (Valencia 2005, p. 68) He adds: "... allowing legitimate, commercial transport of WMD components would undermine the objective of the program. But unilaterally interdicting legal shipments—especially on the high seas ... would undermine international law, particularly freedom of navigation, as well as weaken the United Nations." (Valencia 2005, p. 70.)

Intelligence Unit have worked closely with the Financial Crimes Enforcement Network in the U.S. to develop its capabilities. The FBI Legal Attaché Office was officially established in Beijing in 2004 to strengthen Sino-U.S. cooperation on counter-terrorism investigations. In early 2006, a U.S. Coast Guard Liaison Office was also established in Beijing to facilitate Sino-U.S. exchanges designed to enhance port security in both countries. (MIPT 2006, pp. 32-34). China is also a member of the Megaports Initiative and the Container Security Initiative (CSI) which allows U.S. inspection of containers bound for the U.S. Although China and the United States have not engaged in any joint military actions aimed at combating terrorism, Washington is considering a degree of counter-terrorist security cooperation with Beijing related to the 2008 Olympics. (Kan, "U.S.-China Counter-Terrorism," 2005)

More broadly, the Chinese government has assisted in the U.S.-led reconstruction of post-Taliban Afghanistan and supported Pakistan's close cooperation with the United States in combating both the Taliban and Al Qaeda. It has also played an increasingly important role in preventing the volatile North Korean nuclear issue from degenerating into a major crisis, through its support for the Six Party Talks and in direct discussions with Pyongyang.⁶ Finally, on an indirect level, China's counter-terrorism actions reinforce existing policy trends toward the enactment of greater domestic Chinese controls over WMD proliferation-related activities and have stimulated efforts to "... make cooperation on non-proliferation issues a positive aspect of bilateral relations." (Spector et al. 2003) As a result, U.S. officials have publicly noted China's increased willingness to cooperate with Washington to prevent nuclear proliferation.⁷

Critics of Sino-American cooperation in the area of counter-terrorism argue that Chinese support for the undertaking is weak and largely ineffective, and in some instances is actually designed to undermine it. In addition, others maintain that U.S. support for Chinese counter-terrorist activities facilitates human rights violations within China. For example, a report from Human Rights Watch states that China's counter-terrorism laws are too often used as "... new weapons against old political foes, [and permit the] systematic violation of terrorist suspects' due process rights, and tightening of controls on refugees and migrants." (Human Rights Watch 2003) There is little doubt that U.S. support for Chinese efforts to

⁶ "The Chinese have played a very positive role in the Six-Party process, hosting the talks, helping draft the September 19, 2005 Joint Statement, supporting strong measures in the United Nations, and urging Pyongyang to return to the negotiating table. It is imperative that China continue its efforts in this process. The Administration is committed to continuing to work closely with the Chinese to find ways to persuade North Korea to abandon completely, irreversibly, and verifiably its nuclear weapons program; adopt more responsible behavior; and implement the Joint Statement." (Christensen 2007.)

⁷ This is occurring for both positive reasons (i.e., a greater Chinese appreciation of the dangers of proliferation in a post-911 world) and for negative reasons (i.e., as a result of heightened U.S. expectations and pressure regarding Beijing's non-proliferation efforts).

combat foreign-connected Islamic terrorist groups⁸ not only strengthens China's hand in maintaining control over domestic insurgents but also arguably reduces outside scrutiny of China's often highly repressive behavior toward non-terrorist dissident groups.⁹ Nonetheless, Washington regards its cooperation with Beijing in combating terrorism worldwide as of net benefit to U.S. interests overall.

As the above overview indicates, U.S. policies in these eight security-related areas address both challenges and opportunities in the ongoing effort to maximize cooperation and minimize friction or confrontation with an increasingly capable and dynamic China. Moreover, each area potentially offers a basis for establishing some level of greater security-oriented policy coordination with the nations of the European Union.

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European Union–China Cooperation on Security Issues

Bates Gill*

Introduction

At one level, security-related ties between the European Union (EU) and China have become increasingly regularized and institutionalized encompassing an expanding range of political, economic, military, scientific, technological, educational, and cultural areas. The breadth of the “Joint Statement of the 10th China–EU Summit,” a 47-item document laying out areas of agreement and disagreement between the two sides on issues 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, and Burma, and business, educational, and cultural exchanges—is a remarkable testament to the wide range of issues China and the EU intend to jointly address.¹

However, at a more profound level, it is important not to exaggerate the strategic meaning of these developments. Critical indicators of a stronger strategic and security relationship between the EU and China still belie the notion of “comprehensive strategic partnership.” This is felt most keenly in the emergent economic and trade tensions between the two sides (even as they become each other’s largest trade partners), but is also seen in differences of broader strategic, foreign policy, and security concern. 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, and technology transfers.

This paper will examine these developments in two major parts:

- ▶ Detailing some of the major security- and defence-related contacts, consultations and cooperative programs across public and private sectors;
- ▶ Considering the policy implications of these developments for strategic and security relations amongst the EU, China, and the United States.

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¹ “Joint Statement of the 10th China–EU Summit,” November 28, 2007, http://www.eu2007.pt/UE/vEN/Noticias_Documentos/20071202CHINA.htm.

Cooperation on Security- and Defence-Related Issues and Activities

In spite of persistent gaps in the political and security relationship between China and the EU, the two sides, by and large, continue to see far greater opportunities than threats in continued collaboration in security- and defence-related spheres. This is certainly true in comparison to the China–U.S. relationship. The following pages outline some of the most important developments in seven areas: global and regional security issues; non-proliferation and arms control; peacekeeping, military transparency and defence exchanges; the EU arms embargo on China; Taiwan and cross-Straits relations; science and technology cooperation; and energy security.

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 [...]”² The principal means through which the EU seeks to accomplish these steps are through dialogue at the annual EU–China summit, as well as through participation, along with China, in the Association of Southeast Asian Nations (ASEAN) Regional Forum (ARF) and the Asia–Europe Meeting (ASEM). The 7th 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 two sides regularly issue joint statements commenting on a range of global and regional developments in Asia and beyond. For example, at the most recent 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 upon their joint commitment in 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 denuclearisation” on the Korean peninsula, and “confirmed their full support” for the good offices

² These quotes from Council of the European Union, Press Release, 2771st Council Meeting, Brussels, December 11–12, 2006, 16291/06 (Presse 353), article 6, p. 7, http://ec.europa.eu/external_relations/china/gac.htm.

of UN Secretary General Special Advisor 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.)³

Looking ahead, it is likely 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 neighbouring deployment of the United Nations African Union Mission in Darfur (UNAMID), where blue-helmeted Chinese 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.⁴

Non-proliferation 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.”⁵ The Joint Declaration encompassed a broad range of priority areas for cooperation, including: the implementation of United Nations Security Council Resolution 1540 on non-proliferation of weapons of mass destruction; promotion of and compliance with all non-proliferation and disarmament treaties, other international agreements and additional protocols; and strengthening of export controls on weapons of mass destruction (WMD)-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.⁶ 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. The EU High Representative Javier Solana’s personal representative on non-proliferation of WMD Annalisa Giannella headed the EU delegation and shared with the Chinese participants EU efforts to

³ See “Joint Statement of the 10th China-EU Summit,” *op. cit.*

⁴ See Council of the European Union, Press Release, 2771st Council Meeting, Brussels, *op. cit.*, article 8, p. 7.

⁵ “Joint Declaration of the People’s Republic of China and the European Union on Non-proliferation and Arms Control,” Ministry of Foreign Affairs of the People’s Republic of China, December 9, 2004, <http://www.chineseembassy.org/eng/wjdt/2649/t173749.htm>.

⁶ “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/ldcom/96/50118a05.htm>.

prevent proliferation of WMD, regulations for controlling exports as well as coordination between various European agencies to prevent WMD proliferation.⁷

At the ninth EU–China summit, both sides also reiterated their willingness to deepen cooperation in the fields of non-proliferation and disarmament, particularly in the 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 tenth summit in November 2007, only modest emphasis was placed on the need to “enhance dialogue and deepen practical cooperation ... such as export 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.⁸

Peacekeeping, Military Transparency, and Defence Exchanges

Like other aspects of EU–China security cooperation, military-related ties are also intensifying. At this stage, the bulk of EU–China military relations are largely in such “soft” activities as strategic dialogues, peacekeeping training, military-to-military diplomacy and educational exchanges, port visits, and basic joint exercises.

For example, the two sides agreed to carry out a regular vice ministerial level dialogue on international and regional security issues beginning in late 2005. China has also established formal bilateral counter-terrorism and defence consultation dialogues with France, the United Kingdom, and Germany. In addition, China has exchanged military officers with France, Germany, and the United Kingdom for training at their respective military colleges, and lower-level European and Chinese military officers and enlisted men have also increasingly interacted through port visits and other military activities such as peacekeeping and military exercises.

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 People’s Liberation Army (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.⁹ 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 UK, France, Sweden, and Norway, have engaged the

⁷ “China–EU Workshop on Dual-use Export Controls,” EU in China Newsbriefs, April 2005, accessed at: http://www.delchn.ec.europa.eu/newsletters/200504/004_en.htm.

⁸ “Joint Statement of the 10th China–EU Summit,” *op. cit.*, article 5 and 13.

⁹ “Monthly Summary of Contributors of Military and Civilian Personnel,” UN Department of Peacekeeping Operations, January 2008, <http://www.un.org/Depts/dpko/dpko/contributors/>.

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 UK has also been involved in the training of PLA officials prior to their deployments in UN peacekeeping missions in Liberia and the DRC.

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 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, United Kingdom and Mexico observed an amphibian 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.

Since 2001, the Chinese navy has made several 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 which included port calls in Greece and Portugal. Several European navies have visited Chinese ports, with France leading the way with 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 2004, two Chinese naval vessels—the missile destroyer Guangzhou and a replenishment ship Weishanhu—embarked on their first extensive visit to four European countries. The Chinese vessels made port calls in Russia, Britain, Spain and France. It was the first time any active duty Chinese naval vessel crossed into the Baltic Sea. More important, it was the first time Chinese vessels conducted joint military 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 defence 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.

Last year, 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

Unlike the American arms 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 EU membership” at the time the statement was made more than 16 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.

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 engines and avionics packages. In addition the export of militarily-relevant sub-systems, 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.” As the line between “military” and “civilian” technologies increasingly blurs, European (and other countries’) exports of commercial high-technology and expertise with potential military applications continue to expand and already contribute to improvements in Chinese defense production capabilities (a further discussion of space technology cooperation is found below).

Rather than focus on the “embargo,” a second, potentially more restrictive set of guidelines, deserves greater attention. Like the “embargo,” the 1998 EU 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 criteria which 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.”

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 favoured lifting the ban—such as France, Germany, Italy, and Spain—arguing it no longer reflects the increasingly positive EU–China relationship. With a strong American backlash to the idea in early-2005, and with new leader-

ship in France and Germany in particular, European political interest in lifting the embargo has been shelved for now.

Nevertheless, some within Europe argue the need to pursue a lifting of the embargo, but to do so in a more strategic way which has demonstrably positive outcomes. For example, a more comprehensive package should be presented which (1) replaces the embargo with a more effective export control mechanism to stem the ongoing 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. In the end, lifting of the embargo at this time would require the unanimous assent of all EU members, many of which—such as the Nordic countries and some Eastern European members—are opposed to the idea. Nevertheless, recent joint statements from previous EU–China summits have seen the EU’s interest to “work towards lifting the embargo” without providing any specific timeframe.

The full joint statement on the arms embargo at the November 2007 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 recognised 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.”¹⁰

Cross-Strait Relations and Taiwan

The EU’s policy on cross-strait relations and Taiwan became more explicit in the EU Council Conclusions on the “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-straits 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

¹⁰ “Joint Statement of the 10th China–EU Summit,” *op. cit.*, article 4.

between all stakeholders concerned. The Council encourages both sides to jointly pursue pragmatic solutions related to expert participation in technical work in specialised multilateral fora.”¹¹

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 build-up 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 has also hardened its views on Taiwan President Chen Shui-bian’s renewed calls for Taiwan independence. 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 intended 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.”¹² 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. The EU has instead promoted a more pragmatic approach and proposed in May 2004 that the WHO would invite Taiwanese experts to “practical cooperation on technical issues.”

S&T Cooperation and Technology Transfer

Europe and China are also expanding science and technology (S&T) cooperation, which in some cases may have an indirect security component. A bilateral China–EU science and technology agreement entered into force in 2000, and saw the opening of an EU–China office for research and development and science and technology cooperation in Beijing in 2001. The agreement was renewed in 2004, and further follow-on agreements and specific programs have proceeded. For example, in recent years, the EU and China have established specific cooperation agreements in such technology spheres as information technology, nanotechnology, environmental technologies, biotechnology, satellite navigation cooperation, and cooperation on the peaceful uses of nuclear energy.

¹¹ See Council of the European Union, Press Release, 2771st Council Meeting, *op. cit.*, article 12, p. 9.

¹² “Joint Statement of the 10th China–EU Summit,” *op. cit.*, article 3.

In addition to EU-level agreements, China has established formal government-to-government science and technology programs to support specific scientific and technical cooperation and collaborative research with some 17 bilateral partners in Europe. As of 2006, over 130 joint research projects involving a total investment of around €850 million were underway with over 150 Chinese participants. The EU-funded CO-REACH project, launched in 2005, helps to identify priorities and channels for future S&T 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 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 2007–2014 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.

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. A dialogue on cooperation in space science, applications and technology has been launched and high-level meetings exploring areas of cooperation, particularly earth observation satellite and training regarding the 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 as 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 Centre. 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 kilometres. 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 US\$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 Centre. 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.

Energy-related Security

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 further provide a more solid foundation for EU–China relations.¹³ 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. Both the EU Council Conclusions of December 2006 and the joint statement of the EU–China summit in November made clear that energy and climate change issues would become central aspects of the bilateral relationship (the November 2007 joint statement devoted 5 lengthy articles to a discussion of cooperation on energy, climate, biodiversity, 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 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 Energy and Transport (TREN) and the Chinese Ministry of 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.

¹³ “An Overview of Sectoral Dialogues between China and the European Commission,” http://ec.europa.eu/external_relations/china/intro/sect.htm#Energy.

In 2008, 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 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. At the 2007 EU–China Summit, leaders from both sides further endorsed the idea of establishing a China–EU Clean Energy Centre 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.

Conclusions:

Policy Implications for Trans-Atlantic Relations

China and the EU are at an interesting crossroads in the development of their security relationship. Both are seeking to become more influential actors in the international system, including in the security sphere, and have taken some significant steps in this direction in recent years: witness China's remarkable increase in contributions to UN peacekeeping operations, and the increased presence of European armed forces in places such as Afghanistan and in Africa. Moreover, as the role of China and Europe grows in a globalizing world, the two sides find they have an increasing range of common interests—economic, political, diplomatic, and in security terms—in an increasing number of places around the world. At the same time, however, a deeper and more tangible security relationship between China and Europe will remain elusive for the near- to medium term.

A number of developments help explain this mutual hesitancy and ambivalence. To begin, both China and the EU will remain predominantly focused on (and distracted by) their own internal development projects rather than expend the necessary time and energy to truly expand their security relationship. The U.S.–Europe security relationship, while having suffered considerably 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.

Moreover, public opinion and other political dynamics running beneath the EU–China relationship will likely slow the possibility of a more structured and tangible security relationship. Surveys in Europe in recent years show a steady erosion in favourability ratings toward China. In part reflective of their populations, new leaders in Europe recent years—particularly in France, Germany, and the United Kingdom—appear to take a

less sanguine view of relations with China than their predecessors. To date, negotiations on a Partnership and Cooperation Agreement (PCA) remain stymied, progress in official dialogues remains hostage to political developments, and lifting of the EU arms embargo on China will remain contentious and unresolved in the near term. Other emergent and specific issues—such as China’s expansive role in Africa—likewise can stand out as issues of concern rather than cooperation. Over 2007, the Chinese anti-satellite test and Beijing’s tightening grip on nongovernmental organizations and on civil and religious freedoms also had a souring effect on European views toward China.

All that said, the overall trend looks positive that security-related cooperation between the EU and China—while starting from a relatively low base—will move in the direction of deeper and more constructive ties. However, these relations will not unfold in the traditional “hard power” aspects of security ties—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, and technology transfers. Importantly, much focus will be given to a broader definition of “security” which will lead the two sides to work on such trans-national issues as energy security and climate change.

Three important policy-related implications might be drawn for transatlantic relations vis-à-vis China. First, concerns emergent in the United States in recent years of Europe and China joining forces in strategic condominium have been, and continue to be, exaggerated. If anything, greater emphasis can be placed on finding those areas of convergence in U.S., European, and Chinese positions on certain key security questions. Developments in the horn of Africa and in the Middle East/Persian Gulf in particular, and on emergent trans-national security challenges, seem ripe for more of this kind of thinking.

Second, the EU and some of its individual member 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. Washington and its European partners should closely consult with one another and exchange views on China–Europe military-to-military ties with an eye to gaining greater insight into Chinese security- and military-related strategy, doctrine, professionalization, and modernization.

Third, Washington should nevertheless do a better and more informed job of watching developments in EU–China relations. Issues which Washington will watch carefully would include debate about the arms embargo, increasing EU–China S&T cooperation, especially related to space, and how it might contribute to Chinese military modernization, and the role of Chinese and key European players, including the EU itself, in multi-lateral fora.

Foreign Policy Issues

China's View of International Norms and Institutions

Harry Harding

One of the most important developments in U.S.–China relations over the last decade has been the expansion of the two countries' bilateral agenda. For the first twenty years after the normalization of their diplomatic relations, the two nations were primarily preoccupied with what might be called the “three T's”: Taiwan, trade, and Tiananmen (or human rights more generally). China's proliferation practices also entered the agenda in the 1980s, and its military modernization program attracted increasing attention in the 1990s, particularly after the Taiwan Strait Crisis of 1995–96.

Over the last ten years, however, the two countries have begun discussing a far wider range of issues, including terrorism and other transnational security issues, incoming and outbound direct and portfolio investment, energy security, climate change and other environmental issues, China's development assistance and foreign investment practices in the Third World, Beijing's position on global and regional security issues, and China's views on Asian regional economic architecture and the future of the WTO. In addition, China's attitudes toward such hot spots as the North Korean and Iranian nuclear programs, and toward repression in Burma and Sudan, have also become controversial issues in its relations with the United States.

The expansion of the U.S.–China bilateral agenda reflects China's increasingly important place in a globalized world. The increasing volume and velocity of flows of people, goods, and capital—as well as viruses and pollutants and greenhouse gases—across international borders is introducing a wide range of new international problems, which have variously been described as economic security, financial security, food security, energy security, climate security, and human security. China's growing economy—and the importance of international trade and investment in China's development process—means that its impact on these new issues is growing, exacerbating some of them, and helping manage others. Moreover, given China's growing weight in international affairs, Americans increasingly expect that China will do more to contribute to the stability and prosperity of the international system from which it has benefited so greatly over the last thirty years of reform and opening, and to act as what the U.S. government has termed a more “responsible stakeholder” in international affairs.

Some of these important new issues on the U.S.–China agenda have been addressed in other papers in this collection. Such questions as proliferation, China's military modernization, and its policies toward transnational terrorism have been analyzed as part of the broader discussion of security. Its effects on international trade and investment flows have been

included in the discussion of economic issues. And its energy and environmental policies have also been given separate attention. But that still leaves other topics that are not dealt with elsewhere. These include China's policy toward humanitarian issues and human rights violations in the Third World, Beijing's policy with regard to development and development assistance, and China's role in the G-8, the United Nations, and other institutions of global governance. It is those residual issues that are the subject of this paper.

These issues could be addressed one by one, but the result would be rather disjointed and even incoherent. As an alternative approach, this paper examines China's evolving views on three general aspects of international governance: the norms governing economic sanctions and military intervention in dealing with humanitarian problems, norms governing development and development assistance in the Third World, and the structure of international institutions. Beijing's views on these broad topics can provide important clues about China's approach to many of the substantive issues that presently constitute its dialogue with the United States. The main thesis of the paper is that Beijing's views on all three sets of norms are evolving in ways that are moving China closer to the U.S, but that major differences remain between Beijing's and Washington's positions.

An analysis of China's normative preferences does not provide a fool-proof way of understanding or predicting China's foreign policy behavior. Obviously, China's actual foreign policy behaviour may deviate from its stated norms in several ways:

- ▶ China may violate its own norms if it believes that its national interests require it to do so. For example, it may violate its norms against non-intervention if it believes that vital Chinese economic or security interests are at stake.
- ▶ China may be reluctant to support or participate in the enforcement of international norms if it has important economic or security interests in the country in questions. For example, China often appears to be protecting the governments of North Korea, Iran, and Sudan against tough international sanctions because of its interests in those countries.
- ▶ Conversely, China may tolerate actions by the international community that it would otherwise find unacceptable if those actions have gained substantial international support. For example, Beijing has frequently refrained from vetoing UN resolutions on peacekeeping and humanitarian intervention that it had previously condemned, simply because it did not wish to run against an emerging consensus in the Security Council.¹
- ▶ China's foreign relations are conducted by a number of agencies, including a wide range of government departments, state-owned enterprises, and increasingly private entrepreneurs, whose activities may be

¹ On China's willingness to accept decisions taken by a majority of the General Assembly, despite its own reservations, see Alastair Iain Johnston, *Social States: China in International Institutions, 1980–2000* (Princeton: Princeton University Press, 2008), pp. 135–137.

outside the control of the Ministry of Foreign Affairs, and whose actions may therefore depart from official norms.

Still, despite these deviations, a focus on general norms, rather than on the details of specific Chinese policies, not only offers a more coherent approach to understanding China's positions on current international issues, but also provides a way of forecasting Beijing's approach toward similar problems that might arise in future.

Sanctions and Intervention²

China has long viewed itself as a victim of the violations of its sovereignty by Western and Japanese imperialism in the 19th and 20th centuries. These violations included the imposition of extraterritoriality, insistence on the various economic privileges, demands for the right to conduct missionary work, the extraction of various financial indemnities from the Chinese government, and the stationing of foreign troops on Chinese soil—as well as periodic military interventions in China. Given these bitter memories, it is hardly surprising that respect for sovereignty and non-intervention in internal affairs were among the five principles of peaceful coexistence announced in 1954, which in turn provided the conceptual foundations of Chinese foreign policy in the early years of the People's Republic.³

One of the implications of this policy was that Beijing would consistently oppose intervention by one country in the internal affairs of another, and would not undertake such interventions itself. To be sure, China did not always respect these norms in practice. Beijing's support for communist uprisings or national liberation movements in the Third World—usually directed against countries allied with the United States—can easily be seen as violating the principle of non-intervention. But on a normative level, China regarded the principle of sovereignty as virtually sacrosanct.

After China's admission to the United Nations, however, it had to develop a response to proposals for UN action that would stretch or even violate this norm. For example, it needed to determine its reaction to Security Council resolutions that would have imposed sanctions for violations of international norms (such as the sanctions targeting the North Korean and Iranian nuclear programs) or would have authorized peacekeeping or humanitarian intervention within sovereign states (as in

² This analysis draws in part on Allen Carlson, "More Than Just Saying No: China's Evolving Approach to Sovereignty and Intervention Since Tiananmen," in Alastair Iain Johnston and Robert S. Ross (eds.), *New Directions in the Study of China's Foreign Policy* (Stanford, CA: Stanford University Press, 2006), pp. 217–241; Bates Gill, *Rising Star: China's New Security Diplomacy* (Washington, D.C.: Brookings Institution, 2007); Johnston, *Social States: China in International Institutions, 1980–2000*, op. cit.; and Stephanie Kleine-Ahlbrandt and Andrew Small, "China's New Dictatorship Diplomacy: Is Beijing Parting with Pariahs?," *Foreign Affairs*, Vol. 87, No. 1 (January-February 2008), pp. 40–56.

³ The Five Principles also included respect for territorial integrity, non-aggression, equality and mutual benefit, and peaceful coexistence.

such cases as Somalia, East Timor, and Sudan). All such proposals could be seen as violating the sovereignty of the state being targeted.

China was initially reluctant to accept the right of the international community to address some of the issues. For example, it was slow to accept human rights conditions inside individual countries as a legitimate international concern. Indeed, Beijing has still not agreed that there is an international duty to protect the rights of various groups caught up in domestic political conflict, unless there would otherwise be clear harm to international peace and security.

Nonetheless, over time Beijing's position on these issues has become less absolute and more conditional. China not only accepts the legitimacy of increasingly broad range of international norms, including those governing proliferation, human security, and human rights. Equally important, Beijing is also willing to contemplate international sanctions to enforce those norms—against South Africa for apartheid, Iran and North Korea for their nuclear programs, Sudan for internal violence, and even Burma for its domestic repressive policies—if such action has been authorized by the United Nations.

China is even willing to endorse military intervention to enforce norms, at least in the area of human security. Beijing has accepted United Nations peacekeeping operations in countries whose governments have invited, or at least accepted, UN intervention. Moreover, as in the case of Sudan, China has actually begun pressing governments to accept international intervention, so as to provide the necessary condition for its support. And in the cases of East Timor and Chad, China has also come to accept UN Security Council resolutions that authorize the use of national armies—rather than UN peacekeeping forces *per se*—to engage in such peacekeeping operations.

China is willing to support military intervention not only with its vote, but also with its own troops. Beijing has provided contingents of its own military and police forces to participate in those activities, although not yet in combat operations, and not yet under its own flag rather than that of the United Nations. Indeed, it has contributed more forces to UN peacekeeping operations than has any other permanent member of the Security Council.

All these changes bring the Chinese positions on the limitations to sovereignty and the justifications for sanction and intervention into closer alignment with the prevalent views in the United States. Indeed, as Allen Carlson has pointed out, some analysts in China are willing to accept even stricter limitations on those principles than Chinese government officials are so far prepared to do.⁴

However, important differences remain between China and the U.S.:

- ▶ First, China tends to argue that the relevant international norms should be applied universally, and is quick to point out examples of what it

⁴ Carlson, "More Than Just Saying No," *op. cit.*

regards as double standards, particularly if they involve criticism or sanctions against a government with which it has friendly relations. For example, like Russia, it is reluctant to single out Iran for sanctions against its uranium enrichment program, when other countries are permitted uranium enrichment facilities.

- ▶ Second, although Beijing now agrees that the international community can intervene in cases of extreme violations of human security (such as apartheid or genocide), and in cases in which humanitarian problems threaten international peace and security, it is more reluctant to open lesser human rights problems to international scrutiny. In fact, it has successfully weakened the ability of the new UN Human Rights Council to undertake a comprehensive assessment of the human rights situation in individual nations. Relatedly, China absolutely rejects the proposition that the fundamental solution to violations of human rights and human security is for the international community to foster regime change.
- ▶ Third, compared with Western nations, Beijing is slow to accept the need for sanctions. It favors what it calls a more “cooperative” approach—i.e., diplomatic dialogue, presumably with positive incentives alongside the prospect of sanctions—in dealing with norm violators. It views sanctions as a last resort, and, when sanctions are ultimately necessary, it tends to favor modest and voluntary sanctions over stringent and mandatory ones. Relatedly, it favors economic sanctions over military intervention.
- ▶ Finally, China insists that decisions to impose sanctions should be made by the United Nations, or at least a regional body with universal membership, rather than unilaterally by a single nation (particularly the United States), or even by a group of nations that it regards as unrepresentative.

In short, Beijing is increasingly willing to accept various international norms, including those governing proliferation, internal conflict, and even human rights. It is also willing to accept international action to enforce those norms when they are violated. However, China may differ with the U.S. over the application and enforcement of those norms. In particular, it will be more reluctant than the U.S. to impose sanctions against alleged violators. China will ask, first, whether other countries have been allowed to engage in similar activities without being sanctioned. It will argue that the first response to alleged violations should be “cooperative” (i.e., dialogue and negotiation), rather than confrontational (i.e., imposition of sanctions). If China deems that sanctions or other forms of intervention are necessary, it will favor moving gradually, with mandatory economic sanctions imposed relatively late in a process of escalating pressure, and military sanctions imposed only as a last resort. China will demand that sanctions be imposed only by cognizant international bodies, particularly the United Nations, rather than unilaterally by a single nation or a group of nations. And Beijing may resist sanctions against countries with which it has close economic or political relations.

Development and Development Assistance

China's position on development and development assistance has evolved as dramatically as has its position on sovereignty and intervention. In the Maoist era, China's concern was first with promoting revolutionary change (through the 1960s) and then in supporting a "new international economic order" (in the early 1970s). In the early decades of the reform era, Beijing dropped its support for revolutionary movements in the Third World, and muted its calls for a transformation of the international economic system. It also remained relatively silent on development issues in the Third World. More recently, however, China has identified global prosperity and Third World development as central objectives of its foreign policy. It has also begun to suggest that its own development strategy may be more effective in advancing those goals than the so-called "Washington Consensus," and to argue against placing conditions on official development assistance (ODA) to the Third World.

China's emerging interest in development was originally reflected in its insistence that key international economic organizations adopt a development agenda—not just organizations with an explicit developmental mission like the World Bank, the regional development banks, and the UNDP—but also trade organizations like the Asia-Pacific Economic Cooperation forum (APEC) and more recently the WTO. In this regard, post-Mao China's views echoed some aspects of China's promotion, during the late Mao era, of a new international economic order.

APEC, for example, has gradually developed a three-part economic agenda: trade liberalization, including the possibility of creating a free trade area for the Asia-Pacific; harmonization of technical standards, a common visa regime, and similar measures to facilitate trade; and economic and technological cooperation to promote the development of less advanced member economies. Where the U.S. has tended to emphasize APEC's free trade agenda, China has focused on programs of economic and technological cooperation that can promote development.

Similarly, during the Doha Round of negotiations in the WTO, China has stayed relatively aloof from the core negotiations over a package that would trade reductions in agricultural tariffs, quotas, and subsidies in the developed world for reductions in tariffs on manufactured goods in the developing world. Instead, it has satisfied itself with more general pronouncements that the Doha Round should promote the process of Third World economic development. Some Chinese analysts have begun talking about the desirability of "fair trade agreements" (presumably in contrast to "free trade agreements") that would give preferential treatment to developing economies.

In a more recent policy change, Beijing has increasingly advocated its own development experience as a point of reference, if not a comprehensive model, for developing states. In the early years of reform, Deng Xiaoping steadfastly refused to offer China's experience to Third World leaders, advocating simply that they draw lessons from their own experi-

ence and create development plans on the basis of their own conditions. Today, in contrast, Chinese analysts have started to suggest that their experience is worthy of examination, and have begun to codify that experience into a strategy of economic development.

The fact that the articulation of the Chinese experience is just getting underway is reflected in the fact that it does not yet bear an official label. Some in the West have proposed the term “Beijing Consensus,” as a way of contrasting China’s development model with the “Washington Consensus” associated with the U.S. government and the international financial institutions headquartered in Washington.⁵ But few if any Chinese have adopted that formulation. They appear to have rejected the term “Washington Consensus” because they wish to draw a distinction between the development models associated with the World Bank (about which they have fewer doubts) and those associated with the IMF and the U.S. Government (about which they have more reservations). And, by extension, they have not adopted the parallel term, “Beijing Consensus,” to describe their own development strategy.

Instead, Chinese analysts generally describe the Western model of development as the “American model.” Some then call their own country’s experience the “Chinese model,” while others refer to it more generally as an “integrated development concept that recognizes the roles played by both governments and markets,” which they then associate with Asia rather than specifically with China.

By whatever term it may come to be known, the key features common to most descriptions of the Chinese experience are:

- ▶ Devising a development strategy that is rooted in local conditions. The Chinese model emphasizes experimentation rather than the application of a universal model. (In that sense, Deng’s original argument has been turned on its head: the need to experiment based on local conditions has become part of the Chinese model, rather than an explanation as to why there is no Chinese model at all.)
- ▶ Adopting an incremental approach to reform, rather than implementing economic liberalization or privatization through a “big bang” or “shock therapy.”
- ▶ Building a powerful government that is committed to development. One Chinese analyst has privately described this as the creation of a “strong and pro-development state that is capable of shaping national consensus on modernization and ensuring overall political and macroeconomic stability in which to pursue wide-ranging domestic reforms.” This contrasts with the American tendency to minimize the role of government

⁵ The term “Beijing Consensus” appears to have originated with Joshua Cooper Ramo, in *The Beijing Consensus* (London: Foreign Policy Centre, 2004). The term “Washington Consensus” originated with the American economist John Williamson; see Moises Naim, “Fads and Fashion in Economic Reforms: Washington Consensus or Washington Confusion,” paper prepared for the Conference on Second Generation Reforms, sponsored by the International Monetary Fund, Washington, D.C., October 26, 1999.

and maximize the role of the market, especially in more advanced developing countries.

- ▶ Relatedly, postponing democratization reforms until a later phase of development, on the grounds that political pluralism might undermine the effectiveness of the developmental state. This conflicts with the American advocacy of democratization even at early stages of economic development.
- ▶ Applying a policy of development assistance that focuses on building infrastructure, rather than on technical advice or institutional reform.
- ▶ Rejecting the idea that developmental assistance should be conditioned on the domestic performance of the recipient country, especially with regard to such issues as corruption, environmental protection, and labor standards.

Increasingly, too, Chinese analysts are presenting a different model of “democracy” than is common in the United States. This model will most likely contain the assertion that “democracy” does not, in fact, require either pluralism or contestation as is assumed in the West. Instead, “Chinese-style” democracy will involve technocratic governance that undertakes “scientific development” strategies to meet the economic and social needs of the population. The views of the public can be tapped by polling and various forms of consultation, in ways that will supposedly be more efficient and effective than a reliance on competitive elections and the “turmoil” and “confusion” that they allegedly produce.

Both Chinese and American analysts generally emphasize the differences between the two countries’ development models. The prevailing Chinese view is not only that the Chinese model is different from the American, but also that it has been far more successful. The scholar who described the Chinese model as an “integrated development concept that recognizes the roles played by both governments and markets” went on to say that that concept had succeeded in Asia while the Washington Consensus had failed in Latin America. Another analyst has asserted that “the American model remains unable to deliver the desired outcome, as shown so clearly in failures from Haiti to the Philippines to Iraq,” and that therefore “the Chinese model will become more appealing to the world’s poor.”⁶

Conversely, American analysts usually argue that adopting the Chinese model of development will replicate the same domestic problems that China has experienced over the last thirty years, such as inequality, corruption, repression, and pollution, and that this will eventually produce a serious backlash in the Third World. In addition, they also assert that the recipient countries will ultimately conclude that, despite its seeming generosity, Beijing is more interested in extracting resources from the recipient countries than in promoting development. For example, Moises Naim, editor of *Foreign Policy*, has characterized China’s ODA program as

⁶ Weiwei Zhang, “The Allure of the Chinese Model,” *International Herald Tribune*, November 2, 2006.

nothing less than “rogue aid” that will create far more problems than it solves.⁷

But a minority of analysts in both China and the U.S. downplay the differences between the “Beijing Consensus” and the “Washington Consensus.” Recently one Chinese scholar has not only denied that Beijing is opposed to the Washington Consensus, but has actually described his country as the “best student” of that consensus, since its development model has emphasized the creation of a market system that is highly integrated with the international economy. The recent appointment of Peking University economist Justin Lin as chief economist of the World Bank suggests that at least one important Western institution also sees potential synergy between the Chinese experience and the Washington Consensus.

Eventually, China may create a fully elaborated model of development that, on both the political and economic dimensions, will differ considerably from that associated with the United States. If that model yields attractive results, while the American model fails to produce new success stories comparable to those exemplified by the “Asian Tigers” of the 1980s, this may contribute to a shift in the balance of soft power between China and the U.S., particularly in the developing world.

Meanwhile, China's developmental norms will shape its policies toward many countries in the Third World. As the resources at its disposal increase, Beijing will offer development assistance to a wide range of countries to build political support for any of several objectives: isolation of Taiwan, gaining access to energy or other natural resources, or simply building friendly “partnerships” with key regional actors. Its aid will feature “regime-friendly” projects, particularly in the area of traditional infrastructure, rather than “society-friendly” projects focusing on the creation of a civil society. Perhaps more than the West, it may offer debt relief as its preferred method of promoting “poverty reduction.” Beijing will be likely to oppose conditionality on the aid offered by others, particularly to enforce the stricter terms of the Washington Consensus.

For a time, all this will make China more popular among Third World elites, if not necessarily Third World publics or NGOs. And when Beijing provides unconditional aid to Third World countries, on terms favored by Third World governments, Western donors may feel obliged to relax their own conditions to avoid losing influence vis-à-vis China, even while complaining that Chinese policy tolerates corruption while failing to further good governance or balanced development.

International Institutions

In its early years, the PRC was highly skeptical about the United Nations—largely because its rival on Taiwan held the Chinese seats in the General Assembly and the Security Council, and because the UN had declared North Korea an aggressor in the Korean War and had authorized the use of

7 Moises Naim, “Rogue Aid,” *Foreign Policy*, No. 159 (March–April 2007), pp. 95–96.

force to liberate North Korea altogether. Even after Beijing gained its seat in 1971, displacing Taipei, China remained somewhat aloof. Although it rarely exercised a veto, it was unenthusiastic about UN peacekeeping operations and humanitarian interventions.

More recently, however, China has become far more engaged in the United Nations. It has come to see the UN as an organizational reflection of the multipolar world that it favors, as a means of advancing its stated goals of a more “democratic” and “harmonious” world, and as a way of achieving its unstated goal of limiting the freedom of action of the United States. In an ironic turn of events, Beijing now champions “democracy” in the international system while it favors the continued hegemony of the Communist Party in its domestic affairs, whereas Washington champions democracy in individual countries while advocating the continuation of what it regards as the benign hegemony of the United States in the international system.

China’s enthusiasm about the UN also extends to regional organizations with universal membership, particularly those that reach decisions on the basis of consensus.⁸ Beijing has been supportive of South Asian Association for Regional Cooperation (SAARC), and has played a major role in the creation of the Shanghai Cooperation Organization (SCO) in Central Asia. It appears willing to support the eventual establishment of a Northeast Asian security organization, building upon the Six-Party Talks on the North Korean nuclear program. It is positively disposed toward the Association of Southeast Asian Nations (ASEAN)—and, given its preference for universal membership, opposes any effort to deprive Myanmar (Burma) of membership in that organization because of its violations of human rights. It portrays all of these organizations as representing a “new security concept”—or what Western analysts and governments are more likely to call “cooperative security” arrangements—that contrast with military alliances or organizations based on common values.

While favoring organizations with inclusive membership, Beijing sometimes defines the boundaries of the relevant region in ways that are exclusive. China has often been resistant to allowing “outside” powers to gain membership, or even observer status, in Asian regional organizations. Its opposition to granting the U.S. observer status in the SCO is one example of this pattern. Its apparent support for various East Asian economic groupings that exclude the U.S.—such as the East Asian Summit—may be another, but here it is important to acknowledge that Japan has been equally unenthusiastic, if only because of its fear that the U.S. would attempt to create more rigorous free trade arrangements than Tokyo could support.

Nor does China’s preference for organizations with universal membership always imply that all members of those organizations should be treated equally. For example, China seems entirely comfortable with its

⁸ Johnston, *Social States: China in International Institutions, 1980–2000*, op. cit., pp. 162–164.

veto in the UN Security Council, even though it rarely employs it, on the grounds that great powers have greater responsibilities than smaller ones.

However, Beijing regards some forms of inequality in international organizations as unacceptably out of date. It is pressing for greater voting rights for itself and other large developing countries in the World Bank and the IMF—a proposal that the U.S. government has now endorsed. And it is increasingly willing to countenance an expansion of the Council's permanent membership, albeit most likely without veto, particularly to include representatives of the developing world. In fact, Beijing is using its potential support for the candidacy of particular countries as a way of gaining leverage in negotiations with those countries' governments over various bilateral issues.

In contrast to its support for universal membership organizations, China is unenthusiastic about organizations with more selective memberships, particularly formal alliances and groupings based on shared values or political institutions. Beijing argues that alliances, particularly those centered on the United States, are "relics" of the Cold War, and that their maintenance or strengthening reflects an outmoded "Cold War mentality."

China realizes that it is infeasible to call for the disbandment of such alliances—and even realizes that some of them, particularly the U.S.-Japan alliance, may be beneficial if they enable countries that China mistrusts to ensure their security through a relationship with the United States rather than through independent military preparations. However, Beijing generally resists efforts to strengthen such alliances, or to weave bilateral alliances into multilateral arrangements. It thus opposes America's creation of new alliance-like security relationships, particularly in areas surrounding China (e.g., Central Asia) where they did not previously exist. And it is adamantly opposed to any indication that a U.S.-led alliance would be mobilized to support an American intervention in a crisis in the Taiwan Strait.

Beijing has also expressed concern about international security groupings that select members on the basis of common values and shared political institutions. It has been particularly alarmed by proposals from the U.S. and Japan for some kind of "concert" or "council" of democracies that would exclude China. Not only has China argued that such organizations would be divisive, rather than inclusive, but it has been particularly concerned by the argument, made by some American proponents of these organizations, that they could provide legitimization for the imposition of sanctions, or even the use of military force, in situations in which the UN Security Council, or the relevant regional organization, could not reach consensus. China's fear is that such organizations would reflect a unipolar world, centered on the U.S., whereas organizations with universal membership would reflect a more multipolar world, in which American initiatives can be more easily blocked by others.

China accepts selectivity in the membership of economic organizations far more easily than in the case of security organizations. Beijing is active-

ly engaged in negotiating what it describes as free trade agreements with a variety of economic partners, although the terms of such arrangements are far less stringent than the U.S. would prefer. Nor has China criticized the efforts of other nations to create free trade agreements with their trading partners, with the major exception that it does not accept Taiwan's right, despite its membership in the WTO, to be a party to such arrangements.

Beijing also seems to accept the norm that countries at comparable levels of development can legitimately form their own exclusive organizations. China does not appear to have any objection to the existence of the OECD, or its exclusion from it. It is listed as a member of the G-77 (the grouping of developing countries within the United Nations that originally had seventy-seven members), and as a "special invitee" of the G-24 (the sub-grouping of developing countries that focuses on monetary and development finance issues).

The G-8 poses a dilemma for China. Beijing participated in the so-called "outreach" sessions of the G-8 in 2007, but unlike Russia has not become a regular member of the grouping. Membership in the G-8 appears to remain controversial in China, perhaps reflecting Deng Xiaoping's early comparison of the grouping with the eight-power intervention in China at the height of the Boxer Rebellion. Extending regular membership to Beijing would also be problematic for many of its existing members, particularly given the fact that the group's relations with its eighth member, Russia, are already troubled.

The key may lie in deciding whether the G-8 is a group of advanced industrial democracies (making it, in effect, a subset of the OECD, from which Russia might then be excluded), or whether it is simply a group of the most important actors in international trade and finance (in which Russia and other key developing economies might well deserve membership). China would be a more suitable member of—and would be more likely to join—an organization with the latter definition than the former.

Conclusion

China's attitudes toward the norms and institutions governing the international community have evolved quite dramatically during the three decades of reform and opening. Beijing has joined virtually all relevant international organizations. It has formally endorsed a wide range of international regimes, with the most important exception being its refusal to ratify the International Convention on Civil and Political Rights. It is increasingly willing to support international action to enforce those norms when they are being violated. It has embraced the concept of economic globalization, and at least some of the major institutions (such as the WTO and the World Bank) that govern the process. And it is increasingly enthusiastic about the creation of new multilateral organizations in both the economic and security spheres.

In some ways, this evolving position has brought China closer to the United States. Both countries now are engaged in negotiating regional and bilateral free trade agreements, although occasionally on a competitive basis. They have tacitly agreed on the appointment of a Chinese national as chief economist of the World Bank, and have explicitly agreed on expanding the voting rights of developing countries in the Bank and the IMF. Washington and Beijing now work together in the United Nations to promote the enforcement of international norms, with regard not only to maintaining peace and preventing proliferation, but even to addressing severe violations of human rights that might threaten international security.

But in other ways, Beijing and Washington remain some distance apart. This is not only because of the limits to China's acceptance of international norms, but also because of changes in American policy under the Bush Administration. As China has been moving toward the international community, the United States has in some ways been moving away from it, particularly with regard to its assertion of its right, together with a "coalition of the willing" to impose sanctions unilaterally—up to and including preventive military action—against states it believes have violated international norms.

The evolution of Chinese and American views on international governance has important implications for the U.S.–EU relationship. In most ways, the United States and Europe will share common perspectives on this aspect of Chinese foreign policy. They will welcome the fact that China increasingly accepts a common set of international norms, and supports concerted international action to support them. But they will be frustrated by the fact that China generally opposes international intervention in what it regards as strictly domestic human rights concerns, that it is reluctant to impose sanctions against nations that violate international norms, and that it thus far refuses to impose conditions on its development assistance programs. Some Europeans and Americans will conclude that China's reluctance to rigorously enforce international norms calls into question the sincerity with which Beijing has accepted them.

In some ways, however, China and the EU may find common ground against the United States, at least as long as some of the policies of the Bush Administration remain unchanged. Both may question the American tendency to act unilaterally, in the absence of the formal authorization by a cognizant international organization. They may join in doubting the universal relevance of the development norms contained in the "Washington Consensus." And they may even resist the United States in its preference for strict free trade agreements, in favor of somewhat less ambitious but more feasible arrangements for lowering barriers to trade and investment.

China's position on international norms and institutions is a good example of the overall contours of the U.S.–China relationship: the two countries increasingly have shared interests that provide the grounds for cooperation, but they frequently disagree over the specific strategies and tactics for promoting their common goals. They agree on the need for

international organizations, but differ over the principles by which they are created and the procedures by which they make decisions. This blend of common and divergent interests and norms is one of many reasons why American officials characterize the relationship between the two countries as “complex,” and why many Americans regard China and the U.S. as being neither adversaries nor close allies.

How Much Is China's Foreign Policy Shifting towards International Norms and Responsibilities—And How Should China's Partners Respond?

François Godement

China's foreign policy combines continuity of key principles and interests inherited from history, with adaptations or even major changes that reflect not only China's vastly increased international influence, but also its growing interdependence with the rest of the world. This dilemma is often seen by analysts as a choice between a realist and an institutionalist view of China's foreign policy. Yet China's fundamental interests may necessitate integration into the global system with a strong economic vantage point, rather than the preservation of principles and strategies inherited from another era. China's economic rise and global integration would have been impossible without important changes in foreign policy and the acceptance of international norms. The latter also implies major domestic changes.

Thus, forsaking self-sufficiency and accepting the dependence that came initially with foreign debt in the 1980s and 1990s, China allowed an ever larger foreign economic and increasingly cultural presence in China. This presence has changed the face of the country. China has abandoned any pretence of an international alliance based on ideology, and has long maintained a low profile on many defence and security issues. These changes went beyond foreign policy as such.

Basic debates on China's national goals and its comparative situation, such as the 2003–2005 controversy over the issue of “peaceful rise,” are by essence linked to foreign policy.¹ Yet, whether one considers “peaceful rise” or “peaceful development,” as the concept turned out, it hinges first on a view of China's present economic stage, its ensuing needs and the consequences of new interdependent relationships.² In other words, these principles are rooted first in a definition of self-interest, not in a new international vision or in a liberal vision of international relations.

In that respect, any discussion of China's foreign policy is overshadowed by its record growth, the even faster surge of exports and the gigantic foreign reserves, which grew by 43 percent in 2007. In the not so distant past, China's actual influence was largely limited to neighbouring countries in Asia. Its rhetoric could be easily discounted in many aspects of global affairs and in regional issues beyond Asia. Not so today. Equally, the choice between “engaging” or “containing” China has faded away: China is

1 Robert Suettinger, “The Rise and Descent of ‘Peaceful Rise’,” *China Leadership Monitor*, 12 (Fall 2004). In fact, the concept has survived as “peaceful development.”

2 Zheng Bijian, “China's ‘Peaceful Rise’ and Its Great Power Status,” *Foreign Affairs* (September–October 2005).

engaging its partners with powerful means in many areas. The choices ahead for China's partners concern many tough issues, but they are sectoral and either business or rules-based. Even over major security and political issues, choices have narrowed. For instance, Europe maintains an embargo "for human rights reasons" over an army whose contribution is welcomed in peacekeeping operations and whom almost every major power engages directly in visits or manoeuvres. The criticism of China over human rights issues does not lead to new and compelling decisions.

Increasingly, as China widens its footprint and its international influence diversifies, foreign policy is only one of the variables of China's international projection. Outside observers focus more on overall national goals, many of them domestic in essence, rather than on distinct foreign policy perspectives. Domestic interests and issues always help to shape foreign policy—even if strategy and decision-making remain contingent to policy-makers' and statesmen's visions. But in China's case, while observers understand increasingly better domestic issues and the economy, knowledge of foreign policy and security mechanisms remains elusive. There is scant public debate of foreign policy: it is often limited to nationalist and ideological outpourings or to the expression of official policies. Observers therefore tend to assume that China's foreign policy flows from its developmental needs. A peaceful international environment is dictated by the need for access to technology, energy, raw materials and external markets. What is more, China's external trade policy has borrowed a leaf from economic liberalism: Both extol the "win-win" principle formerly preached to China by free-traders. This is not only a rational, but also a realist assertion for China with its rising share of global trade. But from the liberal wording of this formula, it seems only natural to deduce a new and liberal approach to foreign policy as a whole. How many readers of the "win-win" formula know that China, still claiming developing economy status, actually seeks to delay until 2028 the full liberalisation of foreign trade in its key industrial sectors?

There are also lofty views of a Confucian world outlook, recast today in postmodern language, such as the remarkable "One World, One Dream" motto for the Beijing 2008 Olympic Games, or the official concept of "harmony in international relations" put forward by President Hu Jintao. These views seem to favour stability and top-down international co-operation. There are many nuances of Chinese world views today, and neo-Confucianism is only one of them, although the most popularly absorbed by audiences abroad. The promotion of these views is no accident. In his speech to the 17th CCP Congress, President Hu Jintao emphasised the importance of culture as "soft power" in international relations.

These visions—the liberal rational perspective of international trade, the harmonious neo-Confucian perspective on international relations—now dominate most views on China's foreign policy and its international actions. China is now viewed from the inside-out. Its transition (to market and to rule by law, if not to rule of law) and integration (of international norms and values) serve as yardsticks to gauge China's progress on the

path of globalisation and towards becoming a “normal state”: the latter really means “more like us” or more like the democratic West and Japan. This “inside-out” perspective is replacing the former traditional view of China as a realist geopolitical power. Few analysts today would maintain, as was often the case, that China's foreign policy can be changed directly by international action, whether it relies on pressure or merely coddling: This was the perspective from “outside-in,” illustrated by missionary or gunboat diplomacy.

But there remains a “report card” approach, which tallies up China's changes for the better, and lists the remaining unsatisfactory or unsettled issues. China is seen either as a fast or as a slow learner, with the accent on its successful integration, benefiting its own domestic development.

One scholar has been more influential than any other in promoting that approach: Alastair Iain Johnston, whose “learning versus adaptation” concept, first applied to China's changes in arms control policy, has become an explicit or implicit paradigm to describe China's policy changes. This is not least because Johnston's formula in fact describes changes that may happen through external influence and realist thinking (“adaptation”), or through the internalisation of international norms and values (“learning”), but which in any case present China's path on a sliding scale towards international norms.³ We should note, however, that Johnston, in a more recent book,⁴ actually makes the point that China's integrative choices are actually reversible, due to the prevalence among “core leadership” of hard realist interests.

Global or Case-by-case Approach?

The initial benefits of this global “report card” approach have been political: because it is on a sliding scale, it saves the need to hold a debate between a “containment” and an “engagement” school, which would hinge on seeing China as either a “threat” or as “integrated.” This is no small feat, as the West's foreign policy towards China—and before China towards others, such as Taisho-era Japan in the 1920s—was often based on simplistic dilemmas, such as international “stability” and threats by newcomers to that stability. Robert Zoellick's “responsible stakeholder” phrase marvellously avoided repeating that dilemma yet again.⁵ Seeing China as a stakeholder gave China fundamental recognition of its wish for “stability”: a key requirement. Yet being a stakeholder is not the same as upholding the status quo, but it allows for dynamic adjustment. Describing that adjustment in terms of either “learning” or “taking on more responsibility” begs the obvious questions: How is China's increased leverage used? How is the existing balance of power affected? There have been many other

³ Alastair Iain Johnston, “Learning versus Adaptation: Explaining Change in Chinese Arms Control Policy in the 1980s and 1990s,” *China Journal*, 35 (January 1996).

⁴ Alastair Iain Johnston, *Social States: China in International Institutions, 1980–2000* (Princeton University Press, 2007).

⁵ Full text of R. Zoellick's speech at: <http://www.state.gov/r/pa/prs/ps/2005/57822.htm>.

attempts at phrasing co-operation between China and the world as various types of partnership, including Japan's own interesting but arcane description of a "reciprocal strategic partnership," which clearly implies more of a balance of power. But no designation has come close yet to the "responsible stakeholder" statement in capturing the need for an evolving relationship equally based on national interests and global requirements, and in papering over the underlying philosophies interpreting China's international behaviour.

Yet the inference of China's foreign policy from a rational development perspective, or from a global adjustment process, leaves out many unexplained events and policies. They range in 2007 from China's ASAT test to its laying claim again to India's state of Arunachal Pradesh, to the recent denial of a stopover in Hong Kong for US Navy ships, to principled campaigns against figures such as the Dalai Lama but also, for example, the Nobel Prize winner Gao Xingjian, who is not acknowledged by Beijing to be a Chinese writer. The issue of Taiwan itself—perhaps the single most important foreign policy and security issue for China and its partners—also sticks out as a nail, since it is clearly not approached as other issues are, including issues of territorial sovereignty: China passed the Anti-Secession Law in March 2005 at the risk of ruining its prospects of seeing the EU arms embargo lifted. Recent compromises, such as the Declaration on the Conduct of Parties in the South China Sea (2002), or the more recent tripartite agreement (2005) between oil companies from China, the Philippines and Vietnam regarding exploration of resources in contested areas, have no legally binding value for states. Yet they are clearly ahead of the state of affairs regarding Taiwan. And we also have in front of us, straddling both foreign and domestic policies, the case of the Beijing 2008 Olympic Games. What are we to make of the crackdown on journalists and dissidents that is already under way? What are we to make of the extraordinary surveillance preparations, with technologies often acquired in the name of counterterrorism, which will turn these Olympics into the biggest, most widely controlled mass rally for a very long time? Here is a perfect example of a dilemma faced by China's democratic partners: the media and many analysts have assumed widely that the Olympic Games would have a liberalising influence on China, because of the need to put forward a good face to the outside world. What if the result is exactly the opposite? What if China uses the event to advance the promotion of its authoritarian management model, or finds itself trapped in the contradiction between this outwardly open face and the harsher nature of its political regime?

Three explanatory variables are usually invoked to deal with apparent inconsistencies in China's foreign policy:

- ▶ Policy mistakes and administrative bungling—there is no shortage of these in China's foreign policy, especially when decisions concern far away places of limited concern: The Ministry of Foreign Affairs (MoFA)

and its ambassador's mishandling of Zambian domestic politics,⁶ which were corrected by the central leadership and by a Hu Jintao visit, are a good case in point.

- ▶ Another explanatory factor is ascribed to irrationality stemming from turf disputes or bureaucratic compartmentalisation: This was cited, not very conclusively, in the case of China's ASAT test, and it is often invoked in the case of China's Official Development Assistance (ODA) and Outward Direct Investment (ODI) outlays, where it is clear MoFA is only one actor, often not a very significant one.
- ▶ And finally, the ultimate explanatory factor for these deviations remains "nationalism," a catch-all phrase. It involves public opinion (often deemed to be more radical than those of the officials), competition among officials and factions for legitimacy, and increasingly also an assertion of China's unique philosophy and differing worldview. The "Beijing Consensus"—a foreign construction of China's supposedly distinctive view of global affairs—legitimises, from what is described as an indigenous perspective, many undertakings and many declarations which are at odds with international norms.

One may therefore take exception with the convenient use of a single overarching concept for explaining China's foreign policy, even if it is as beautiful as Johnston's "learning" paradigm, or a more traditional realist definition. Certainly, a general categorisation helps to foster a rational debate about China's foreign policy, because it encourages clear and usually international criteria, and it smoothes the quirks and perceived irrationalities in China's behaviour. It makes it unlikely that one factor—the behaviour on any subset issue, however important—could be mistaken as representing the overall direction of China's policies. Indirectly, it also nudges China towards change, since requests or pressures on a specific aspect of China's international behaviour are less likely to be misconstrued as an attack on the overall policy.

We see the value of an integrated approach in dealing with China's foreign policy when we make the opposite choice: seizing a single issue to achieve change. This is the case of using calls for an Olympic Games boycott as a decisive tool over single and discrete issues in China's foreign policy. The first threat of use, over Sudan and Darfur in the first half of 2007, had an electrifying effect on the Chinese leadership—it was indeed the public diplomacy equivalent of a credible threat of nuclear use, and it prompted a revision of China's declaratory policies on Sudan as well as more co-operation with the United Nations and the promoters of an international intervention. But the threat of using the Olympic Games as a tool of pressure on China's diplomacy was repeated immediately by some in the fall of 2007 when the Myanmar crisis unfolded: Faced a second time with the threat of a global judgment on their behaviour stemming from another single issue, Chinese leaders responded far less decisively, and it is

⁶ Christopher Alden, Daniel Large, and Ricardo de Oliveira (eds.), *China Returns to Africa: A Superpower and a Continent Embrace* (London: C. Hurst, 2008), p. 366.

likely that they would respond even less to a third attempt at what they would see as pressure on China's global behaviour from a single case.

After 1989, Deng Xiaoping and his colleagues set in motion a new foreign policy to counter the consequences of global sanctions and judgment against their behaviour in the Tian'anmen crisis. By holding up to China a mirror of global values and norms with a scale of compliance, we have also encouraged China's political system to retaliate by drumming up a competing set of values and norms. And since China's power to prevail internationally from the point of view of shared interests has grown immensely, the West—which identifies with global norms—may lose many beauty contests in the eyes of third parties, from Central Asia and Africa to Latin America. Money talks. China's genuine "soft power"—the appeal of its own values and norms, if any—may be quite limited. But the same hackneyed pseudo-Confucian statements lifted from pre-Second World War Asianism, or non-intervention paradigms inherited from the 1950s, acquire a new lustre when the government which promotes them has actually managed to change the face of contemporary capitalism.

There are other reasons why a global appraisal of China's values and its adhesion to international norms and institutions is likely to fail.

- ▶ China is now involved in too many issues across the scale of international relations. The list of so-called priorities has expanded enormously, from domestic issues which cover every conceivable sector (human rights, sectoral trade and economic issues, intellectual property, environment, legal system and enforcement), to regional and global issues. The example of Sino-European relations is interesting. Both sides now run a fragmented bureaucracy: The last EU-China summit in December 2007 had to address 47 areas of co-operation in a joint communiqué. How do you give a single measurement of success or failure on such a large board? How do you weigh developments which are often unrelated to each other?
- ▶ The practice of "linkage" that is implicit in the notion of global judgement is much more difficult today. China has, to put it bluntly, the capacity to exercise its own linkages over foreign policy issues. This was always the case within a single sector of China's foreign relations—and thus, withholding docking access in Hong Kong for US Navy ships after the announcement of new US arms transfers to Taiwan may not seem like a radical novelty. But there are other more disturbing examples, such as the following: pressure on Chad's government via a flow of arms from Sudan before the Chad government derecognised Taipei in August 2006; cases of economic nationalism involving French companies in China in 2007 (Danone, EDF) while the subject of France's new China policy was the object of much speculation. The pattern of action regarding Germany and the Merkel administration is less obvious, in part because Germany is a decisive economic partner with huge shared cross-

interests. A 2007 CDU-CSU document on German policy towards Asia⁷ in fact stated that Germany's diverse economic interests could be pursued without excessive debasement of values towards the Chinese partner. In this particular case it was Premier Wen Jiabao who pointed out that no linkage should be established between areas of disagreement and sectors of mutual interest. On this European example alone, we should conclude, rather realistically, that China's actual behaviour is often according to its means, rather than according to principles.

- ▶ The combination of market liberalisation, *xiaohai* or "officials getting private jobs," and *zouchuqu* or firms "going abroad," and the web of joint-interest or subsidiary companies established in international partnerships, make it increasingly difficult to single out public or Chinese interests in many cases. This important policy turn—totally outside the realm of formal foreign policy—should be seen as a sequel and a complement to the search for multiple sources and access to energy and raw materials that went on from 2003 to 2005. The original strategy was intended to shield China as much as possible from sanctions, boycotts and even a blockade over a potential crisis in the Taiwan Strait. Today's pattern has less precise aims, but can be related to the search for economic security and the avoidance of the most demanding international norms. This is not necessarily creating a structured Chinese economic leverage, but it is diversifying Chinese interests and mixing them with other investors and market actors. A case in point was the recent divestiture by Sinopec of a subsidiary operating in Zimbabwe: Sinopec in this case shielded itself from the possible consequences of any campaign and sanction movement targeting China's behaviour over Zimbabwe and the Robert Mugabe regime. The other face of this change is the increasing difficulty of identifying, let alone controlling, civilian high-technology transfers to China. Partnerships and joint acquisitions abroad are blurring boundaries in many areas.
- ▶ The uncertainties of democratic systems also give these partners less staying power on many policies than China's remaining authoritarianism affords itself: Democratic leaders occasionally may emerge victorious or undefeated, but that is at a very high price in political capital. This was the case for Japan's Junichiro Koizumi in his quest for diplomatic equality with China: It is fascinating in this case to observe that a country which has broken away from 99 percent of its militarist past and apologised in repeated circumstances to Asian neighbours, was successfully targeted by a government which has never reviewed its own domestic past, and has long promoted a one-sided public view of Japan.

The above arguments do not deny the usefulness of measuring China's increasing respect for global norms and institutions, and even less imply that China's respect for these norms and institutions should actually be decreasing: with one important proviso, however. As China's power rises,

⁷ *Asia as a Strategic Challenge and Opportunity*, Asia-Strategy of the CDU-CSU Parliamentary Group Decision of October 2007.

the practical possibilities of China challenging previously unspoken compromises or of resuscitating semi-buried issues also increase. A recent and noted study of China's past territorial disputes and settlements concluded that China's willingness to make concessions had often been underestimated by outside observers. But the author crucially noted that China had often compromised because it was internationally weak or internally divided: That, precisely, is much less likely to be the case in the foreseeable future.⁸

A global approach to China's foreign policy, structured around its increasing international interaction and interdependence, its membership and acceptance of formal institutions and norms, has much academic value. It is also a good political index for decision-makers who wish to avoid sudden swings in the relationship with China. But does it really serve as a predictor of China's behaviour on single issues? Does it help China's partners in responding to single issues, which is increasingly the case? Does it help equally China's partners, who may be relatively weak or strong in their relative approach to China?

Western approaches to China's foreign policy should therefore be more prudent and based on concrete, case-by-case evaluations and a notion of reciprocity. This need not imply that we take a more negative or harsher view of developments in China's policies. In fact, some of Deng Xiaoping's most celebrated advice might serve as a guide, such as "feeling the stones to cross the stream," (*mo shi guo he*), or remaining equidistant with superpowers—which for China meant judging situations on a case-by-case basis.

To achieve this, we should look for more specific criteria in China's foreign policy.

- ▶ Respect for norms and institutions often depends on China's proximity to the issues involved, and on its effective means of action. In China's neighbourhood, there remains a reluctance to surrender sovereignty in favour of international integration, an irredentist approach to many territorial claims, and a semi-permanent trend to test the outward envelope of China's military reach. On the other hand, China's largest peacekeeping operation engagement so far—and apparently, a disinterested one—lies at the other extremity of the Asian landmass in Lebanon.
- ▶ Conversely, much of China's remaining provocative behaviour is explained or justified by a quest for "equality," and an implicit or explicit calling into question of the United States' (and its Japanese ally's) strategic or military role near China's own borders or maritime domain, or in other invasive areas such as the use of space for military purposes. It is not new that China advocates a rather abstract global disarmament while arming itself. That dualism now has increasingly concrete implications: ballistic and space issues, freedom of navigation vs. policing the high seas.

⁸ Albert B. Wolf and M. Taylor Fravel, "Structural Sources of China's Territorial Compromises," *International Security*, Vol. 31, No. 2 (Fall 2006), pp. 199–205.

- ▶ Where there are “holes” in upholding norms and institutions, there is a much more reluctant move from the central leadership to coerce local Chinese actors into respecting these norms and institutions. The Mattel toy story—of interest to affluent consumers and their children in “first world” economies—was treated promptly and exhaustively. But it took almost a year for China to treat its Zambian copper mine issue in a spirit of respect for norms and governance. Meanwhile, scathing investigative coverage on the issue had also made it a “first world story.”⁹ China's adaptation to norms is therefore based on realist principles, which perhaps does not distinguish it completely from other great powers.
- ▶ There is a diversity of Chinese actors and entities which constitutes its international footprint. They have specific interests, and it may be difficult for the government to exercise control over them. There is the same fragmented bureaucratic approach (officials vs. private or corporative interests, illegal or unregistered acts) that has existed for decades inside China. The “holes” in norms, and the corresponding lack of control on China's part, need not necessarily be looked for in third parties and developing regions such as Africa or the Middle East. A recent documentary study¹⁰ of the Camorra's actions in southern Italy starts with a vivid description of the role played by Chinese networks of “parallel” imports and illegal factories in the underground Italian economy, and of their coexistence of interests with the Camorra. These networks probably increase substantially China's “real” exports to the European Union, but it is difficult to pinpoint the exact level of official responsibility that might exist on the part of China. One is reminded of the complex web of uncoordinated, but convergent actions by China's imperial bureaucracy and its outgoing merchants in Ming-Qing China. The mixture of official and unplanned tools is a long-term characteristic of the Chinese state. Focusing in particular on trade interests, this mixture is a much more distinctive feature than the use of cultural or ideational “soft power” which is now attributed to present-day foreign policy. Some sectors have been the subject of much international interest, such as Chinese oil firms. The same attention will probably focus soon on China's sovereign fund and even more on other financial institutions and their association with private vehicles of finance, be they Chinese or international. It is an overall feature of the born-again Chinese mixed economy and semi-dictatorial system where “soft” and “hard” actors and decision-making processes coexist together. And although China's bureaucracy could never control all of these actors all of the time, it can perfectly control some of them all of the time (e.g., retain top-down priorities) or all of them for some time (e.g., respond to crises and international requests).

⁹ “In Africa, China's Expansion Begins to Stir Resentment: Investment Boom Fuels ‘Colonialism’ Charges; A Tragedy in Zambia,” *Wall Street Journal*, February 2, 2007.

¹⁰ Roberto Saviano, *Gomorra. Viaggio nell'impero economico e nel sogno di dominio della camorra* (Mondadori, 2006).

A European Approach to China's Evolving Foreign Policy

How do these remarks impact on a European approach to China's foreign policy? And what can we say today that would not have been possible to say, for instance, in 2002/03 when an orderly change of leadership occurred in China?

1. Traditional demands of Chinese diplomacy have not changed, and indeed they constitute a significant part of the agenda at China-EU summits, and in policy pronouncements such as the sole official Chinese policy document towards the European Union, issued in October 2003: Taiwan, the Dalai Lama, and sovereignty vs. human rights. Requirements towards Taiwan have in fact toughened: After the "One-China Principle," there is now the "no referendum" clause, which not only curtails the freedom of the present government on the island, but implies even a future compromise with the mainland should it not be subject to popular ratification. Complaints regarding the Dalai Lama exceed even China's own standards, since it acknowledges talks with the Dalai Lama's entourage. There is little argument that the human rights dialogue process between China and the European Union has gone nowhere. Some analysts and many diplomats will argue that human rights are better respected in practice. It is striking, however, especially in view of its sensitivity vis-à-vis the embargo debate, that China has not moved an inch towards ratification of the International Covenant on Civil and Political Rights. Lifting the embargo itself has taken a back seat in official declarations; in unofficial meetings, Chinese participants often "shame" Europeans on that issue by implying alignment with the United States. While many Europeans today do not perceive a specific strategic interest in those issues, a retreat from global values (perhaps relabelled European values) and a neglect of the concerns of Asian full democracies would diminish the reach of European foreign policy and would bring more international disorder elsewhere.

2. New demands have appeared concerning market economy status and technology transfer (the Galileo platform). The considerable rise of China's trade surplus with the European Union—itsself the subject of much debate, in Europe as elsewhere—has not prevented a rise of instances whereby European firms are investing in China's economy. Europe's interest is in promoting a level playing field, which implies reciprocal concessions on investment, respect for intellectual property rights and better co-ordination among EU and US competitors on technology transfers.

3. China and the European Union have launched—both at the EU level and with some member countries—high-profile dialogues about energy, environment and climate change: issues which are part of global governance and foreign policy. These dialogues do not distinguish themselves much with similar enterprises towards the United States or Japan. The good news is that China has kept its sources of energy supplies and its suppliers in these areas widely available—there are no obvious political choices. The bad news is that it is more aligned with the United States in its most stubborn refusal of a post-Kyoto review that would actually set

ceilings for emissions, than with the EU's or Japan's way forward. The dramatic comeback of coal as a rising energy source is a feature of both the Chinese and American economies. In almost all negotiations on capping emissions, China essentially requires financing to achieve goals which are in its own domestic interest. This is true even of carbon certificates. Europe's interest is to exercise leverage on China with the United States, and to exercise leverage over the United States—these conditions for multi-lateral progress are met by neither partner. Yet all parties share interests as energy consumers.

4. In non-proliferation, it is interesting to distinguish between the Chinese attitude to North Korea and towards Iran. China's international cooperation is infinitely larger with the first country than with the second. In both cases China has essentially turned down international mandatory sanctions (the Macao financial sanctions against North Korea were unilateral US sanctions). In both cases China has actually increased its economic footprint with the country involved during periods of international sanctions (just as with Myanmar and Sudan, of course). Arguably, China's search for Iranian gas rights spurred a competition with Japan (up until October 2006) and also with India. Arguably also, China's leverage over North Korea, although of an unspecified nature, has helped to bring about a new positive phase in the denuclearisation process. That phase has largely separated the US from Japan, and carries important negative implications for counter-proliferation elsewhere if the process stops short of a full accounting of North Korea's past nuclear activities: This matters a lot to Europeans, who are participating in a rebirth of civilian nuclear energy. In the last phase of talks about and with North Korea, the Proliferation Security Initiative has been nearly forgotten, with China (and others) vociferously opposed to its restrictions on maritime circulation. A North Korea with nuclear weapons is infinitely more detrimental to China than a similarly armed Iran. This has probably caused more Chinese involvement—but perhaps not strategic or doctrinal change, and China has successfully put the burden on others while itself alternating between arguing for North Korea and drawing it to the negotiation table. China has pursued a bitter quarrel with Japan at the same time—a sure guarantee of North-East Asian disarray. In all this, Europe's interest lies less in any defined regime outcome than in true denuclearisation.

5. China's wider footprint has brought new demands from Europeans on its foreign policy. The main new concern is Africa, where China—by virtue of its soaring trade and soaring public financing (whether one accepts or not to designate it as aid) and through a non-interventionist doctrine into the affairs of governments—has gained new traction. There are strengths and weaknesses in China's newly won position in Africa. Here as elsewhere (the pattern started in South-East Asia and went on in Central Asia), relations with China widen the competition in favour of Africa, even more if one counts the new intra-Asian race for African resources and influence: Taiwan, South Korea, India, Japan and Malaysia are all expanding their ODA, resources and diplomatic commitments to the region. Unquestiona-

bly, China's foreign policy plays a combination of traditional state-to-state relations and win-win rhetoric. But China's presence has its weak points: a large Chinese population that is vulnerable to violence and extortion, as are Chinese economic interests; a Chinese military presence limited to legal or illegal arms supplies, and which can backfire against China. ODA, ODI and governance criteria will shift for the worse or for the better according to the pattern of Chinese action throughout Africa. China's arguments on the hypocrisy of former colonial or neo-colonial powers do little to foster true stability. At the same time, the clear lack of opposition by the West to China's resource acquisition in Africa (for instance, in big oil) implies that solutions can be found while avoiding a strategic conflict. Notwithstanding anti-democratic rhetoric, areas of co-operation and mutual interest with regional organisations and with Africa's traditional partners are in the interest of China and the EU. It should be mentioned at this point that contrasts between old and declining powers (read: France and the United Kingdom) and new democratic partners (read: the United States) are insignificant when one considers the stakes opened by China's arrival. The EU-China dialogue does not seem to be progressing significantly. A triangular dialogue is in the European interest. Is it also in the interest of the United States?

Some general conclusions may be drawn, but it is doubtful that they can lead to practical policy conclusions in the short term. Yet the trend in China's relations with the outside world is so dynamic that major changes should be seen as the most probable outcome.

1. China has risen, and even if the bulk of its population is likely to remain at or near the poverty level for some time, its industrial production has already surpassed America's. Recent projections suggest its GDP (not the PPP version) could overtake America's as early as 2012. None of this is certain, since it relies on projecting present trends. But the notion of "helping" China appears increasingly inappropriate: adapting to the consequences of China's rise might constitute a better agenda. This is true also in the narrow sense—remaining ODA programmes, even when they concern genuinely underdeveloped sectors of China's society and economy, should be shelved in favour of aid elsewhere, or at least should be traded with China against pledges of common ODA co-operation abroad. If it is less the monetary value of foreign aid to China that matters than the transfer of knowledge, management and values that go along with it, then China's government should carry more of the financial burden and contribute to international programmes elsewhere.

2. The most important debate with China is economic, even if it has large foreign policy implications. Open trade—now under threat throughout the WTO negotiation process with the rise of bilateral deals based on sector-specific interests—is an important concern. And China's surplus capital is too important for its partners to close their doors. Beyond the cosy deal that has endured between China and the United States—ploughing back monetary reserves in front of an ever rising trade surplus—Europe

has to be brought in the loop. In some regards Europe converges with the United States, in others it differs. Its trade deficit is in a catch-up phase with America's towards China. Yet because Europe is a net saver and exporter of capital, while China is a net spender and an importer of capital, an inflow of monetary reserves into the Euro would have disastrous consequences under present conditions, while the United States seeks the continuation of the present mechanism with the dollar. Evidently, China will seek to protect itself from the sinking dollar, which means either diversifying its monetary holdings (perhaps not good for Europe presently) or acquiring other assets. This need intersects with China's foreign policy since the acquisition of assets by Chinese companies has been closely tied to China's perceived strategic interests: energy and raw materials, key technologies, financial partners with the required connections that help to deflect political opposition to China's purchases. Both the United States and Europe, with their huge trade deficits, have a clear interest in obtaining Chinese financing and investment in sectors that also enhance their mutual interests. For Europe at least, key infrastructure projects—where financing is presently limited by public budget constraints, and where future income is probable for investors—might be targeted. It would certainly reverse the past history of the early 20th century if Chinese investors owned railways, toll roads and energy distribution systems in Europe. Is this more unpalatable than Gazprom purchases of distribution networks, cosy relationships among European toll road owners and phone companies, subpar European private financing of rolling stock on rail lines that were built with the taxpayers' money? Adaptation to the new economic balance means more deregulation and calling into question established compromises. It is preferable to trade wars or collective pauperisation. Dissociating this investment from the actual awarding of contracts (unlike in Africa where most Chinese ODA or loans are directly tied to commercial contracts) would be a very big hurdle. But in a sense, our trade deficit may serve as leverage towards this. Investment and technology-transfer guidelines are necessary in a strategic sense, much beyond the realm of security.

3. The debate about democratic values and management models for societies includes the need for adjustment by both sides—China and its partners. We can no longer pitch out foreign policies to the average Chinese as merely representing democracy and the rule of law—evidently, there are huge business interests that overshadow those considerations, and China no longer presents such a clear-cut picture in these areas. But should we agree with China's promotion of a negative model of international relations, where China's strong points lie in undercutting international consensus in areas where it has often been difficult to find? If a linkage is to be established, it is between these reciprocal aspects of our relationship. China's insecurity about securing natural resources should be addressed—indeed, the international situation has changed dramatically in this area already. But the crass pursuit of short-term commercial interests, in part a natural function of China's mixed economy, should be

compensated by international co-operation in key areas: governance, social development, climate change. None of these goals can be achieved by keeping China out of any international institutions, but we should also be alert to the possibility that China's entry or raised profile in some of these institutions could backfire by slowing down or preventing initiatives. This is the sad story of Asian-based regionalism in many respects, and it should not be repeated elsewhere. Europe in particular has too much at stake in multilateralism and in deepening institutional regionalisation, and will lose more than any realist-based great power if it compromises these standards.

Concluding Perspectives on Transatlantic Policies towards China

P. C. Hauswedell

The transatlantic conference which gave rise to this volume was jointly organised by the Stiftung Wissenschaft und Politik (SWP) and the China Policy Program at George Washington University, with additional support from the German Marshall Fund of the United States (GMF). It brought together specialists from both sides of the Atlantic for an assessment of the impact of China's rise in world politics, for the Atlantic partners to explore ways of how to accommodate China constructively in the international system, and also about the desirability to agree on common positions to facilitate this accommodation.

The contributors have identified various areas of commonality and divergence in US and European approaches as well as policies towards China. I think it is fair to say that at the present moment—and particularly when compared to the differences which existed during the 2003/04 debate over the EU's possible lifting of its weapons embargo against China—the commonalities in transatlantic China policy are significantly higher than the differences. Europe has certainly become more sceptical of China and has begun to adopt an attitude of “hedging” towards China which was not apparent in the EU–China strategy paper of 2003. But even if the analytical convergence on how to judge China presently is substantial, there remain semi-important or marginal areas of differences between the European Union and the United States. They can be largely explained by the fact that Europe's strategic weight and strategic reach in the triangular US–China–Europe relationship is more of the soft power dimension, and that—in political terms—Europe is less assertive and less ideological towards China than the United States.

For a better assessment of whether convergence or divergence will prevail in the EU and US views of China, David Shambaugh has defined in his paper four substantial issue areas. He has chosen Chinese domestic issues, security issues, economic issues and foreign policy issues as the most important areas. On balance, taking all four issue areas together, the convergences outweigh the divergences. It has to be stated, however, that there are qualitatively different states of convergence in the four sectors and, consequently, the degree of policy co-ordination between the EU and the US is also of a different quality in the respective issue areas.

The highest degree of convergence and policy co-ordination that I see between the US and the EU is in the area of economic issues. Here the EU and the US negotiators absolutely speak the same language when they talk to their Chinese counterparts, whether it is on WTO issues, currency realignment or intellectual property rights.

In the field of Chinese domestic issues, there is one very important convergence between the US and the EU. It concerns the desirability of the political stability of China, which is stressed by both sides. But once that is said, the differences emerge. For most EU countries, the political stability of China and the success of the reform agenda is of paramount importance and—although it is never explicitly stated to the European public—more important than supporting human rights and democracy at all costs. The Europeans here conduct *Realpolitik* and are guided by Max Weber's "*Verantwortungsethik*," despite the fact that their foreign policy is always self-characterised as "value-based" and conducted along moral principles.

The United States has a much more "missionary" approach regarding this issue: while it agrees that the political stability of China is important, it also explicitly tells its Chinese partners that it nevertheless will assertively push the democracy and human rights agendas. The consequence is that China fears a destabilisation of its political system by the United States, but not the EU. The Europeans—in their majority wish for and belief in the gradual transformation of China—will most likely desist from all acts which could undermine that development.

Regarding the issue area of foreign policy, convergence of the US and EU views on China has certainly increased, especially in more recent years. Americans and Europeans have said pretty much the same things to the Chinese about Myanmar, Darfur, China's Africa policy as well as its mercantilist approach to secure raw materials and energy. On most issues one cannot yet speak of a genuinely co-ordinated approach, but the EU and the US have certainly taken parallel approaches. However, I think that—on balance—a parallel approach rather than a co-ordinated approach is the more effective way to express concerns to China. A truly co-ordinated approach would be seen by China as a "ganging-up" exercise and would cause unwanted friction.

When judging convergence and divergence in the area of security issues, one first has to remark that the United States and the EU play in a different league. Europe certainly has strategic interests in Asia, but it has no strategic assets to back up those interests. In this area, I very much see convergence in the form of a European acceptance—for some countries wholeheartedly, for others grudgingly—of American preponderance in East Asia and the American interpretation of the necessities for maintaining the security status quo in that region. As a soft power, the EU accepts that the *Pax Americana* is the only game in town. During the weapons embargo debate in 2003/04, the United States bluntly told the Europeans that the US pays the premium for the security system in East Asia and that the Europeans should not endanger the strategic balance in that region through ill-conceived and dangerous plans to lift the weapons embargo against China. At the end of that debate, an independent European assessment of China—which, however, was never shared by a majority of the European general public or the parliaments—was subordinated to the priorities of transatlantic solidarity.

We now have moved from mere “acceptance” of the US role in Asia to “support”: In the EU security guidelines as well as in the Asia strategy paper (October 2007) of the CDU-CSU faction of the German Bundestag, one now finds explicit positive support for the American security role in Asia. The American interpretation of strategic stability in Asia and the legitimacy of the status quo have been accepted. But as we all know, the Pax Americana is not only a defensive alliance system but also a tool to secure America’s predominant position in Asia. It exists to protect a security perimeter defined by the US. It is also part of a larger policy-mix towards China of “hedged engagement,” where co-operative aspects are balanced by containment elements against China.

Most European countries, however, disfavour containment of China because they believe it could be unnecessarily antagonistic. They rather would like to see a constructive engagement of China prevail. Certainly, if China’s foreign policy were to turn aggressive and if it were to employ military means to force reunification with Taiwan, Europeans would back a US containment strategy. But generally, the Europeans have been more inclined to give China the benefit of the doubt and do not believe that its present behaviour warrants a containment policy. The Europeans fear a situation in which the United States would define any attempt by China to peacefully change the status quo as “aggressive” behaviour. They would probably understand and tacitly acquiesce if the United States wanted to slow down China’s rise, but they probably would not go along if the US were to decide to prevent and undermine China’s rise. If in such a situation the US were to use transatlantic solidarity pressure to attempt to convince the Europeans of its interpretation of China’s behaviour, then the Europeans might balk at being part of such an endeavour.

Like all the Asian countries, the Europeans would abhor a Chinese-American conflict where they would be forced to take sides. They rather would prefer if such a situation never arose and that all energy be spent on forging a constructive US-China relationship to which they would be willing to contribute.

In this context I think the Europeans would like the Americans to be much more imaginative and flexible in coping with China’s rise. The United States must be good at accommodation and not see China’s rise as a zero-sum game whereby it cannot budge an inch. Rather, it should work to let China participate in constructive political and security arrangements in Asia, where both China’s international weight and its legitimate concerns are recognised and where the United States’ interests and assets as a Pacific and Asian Power are equally preserved. That would be in line with taking up the challenge to manage the most important bilateral strategic relationship of this century.

The United States is aware that Taiwan is a priority concern for China. It should attempt to understand that Taiwan is a legitimate concern. The central question of the future is whether the United States would be willing to accept a peaceful reunification of China and Taiwan if it came about as a genuine political accommodation process, free of any military

pressure or political coercion, and if such a solution would gain the support of both governments and a clear majority of the population in Taiwan. Would the United States look at this as an unacceptable “loss” for the United States’ sphere of influence and therefore try to prevent or sabotage it? Or would it rather acquiesce and accept it, thereby laying the foundation for a constructive Chinese-American relationship for the century? Certainly China’s gratefulness to the US would be assured by such a decision. For the Europeans, it goes without saying that they wish that the US will show magnanimity and use superior statecraft when confronted with this question.

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