

The following is a brief summary of the discussions of the meeting of the working group on April 28-29, 2005. The meeting was attended by participants from the government and academic institutions from the U.S. and Europe. Summaries of selected presentations from the meeting as well as selected papers that will be published in July 2005 are also available at [www.tfpd.org](http://www.tfpd.org).

### **Taiwan Issue – U.S. and EU roles**

Europe itself is still fairly polarized on the issue of Taiwan, in part out of fear of antagonizing China. With some exceptions, the prevailing view in the EU is that time is on China's side, the US security guarantee will eventually disappear and US interests will change in favor of China, i.e. what is the point of helping Taiwan fight a losing battle? In many European countries, especially in Scandinavia, Taiwan has very little profile at all. Moreover, there is a strong temptation for the EU and its member states to keep their distance because by letting US bear the diplomatic and military burdens in dealing with China on the Taiwan issue, they benefit from smoother economic relations with China.

That being said, the EU must have a clear policy and a strong role as a matter of practical self-interest and as a matter of credibility: The EU cannot remain aloof of a dispute of this magnitude and expect to be taken seriously in world affairs. The EU must show that its influence on the situation can be significant and it should signal Taiwan that it wants to expand upon the already existing economic ties at a scope and pace determined by the EU, not China. At the same time, however, it should also tell Taiwan that it will not support provocative actions. In consultation with the US, the EU could also intervene through clear and strongly worded policy declarations on the Taiwan issue.

As in the EU, the US wishes to see a peaceful resolution. The difficulty is in trying to maintain a delicate balance between relations with China and those with Taiwan. The existence of a democracy deepens the US commitment to Taiwan. Congress strongly supported Taiwan during the Cold War as a "blow" against communism and support for Taiwan continues because they do not want to let Taiwan down.

Some open questions include: why did the Chinese believe they had the latitude to pass the anti-secession law during height of transatlantic debate over the arms embargo? Why were the Chinese surprised that there was linkage between the anti-secession law and the arms embargo and what does that tell us about the thinking in China?

### **The EU Arms Embargo Revisited**

One of the key EU arguments in support of lifting the embargo is that its existence has impeded the development of stronger relations with China. China itself has said that the

embargo plays no real function anymore and casts a shadow over relations with the EU. However, the US has managed to develop very good relations in spite of its own embargo with China and so it wonders what the EU will achieve that it cannot now achieve. Even for the EU itself, it is sometimes difficult to see what would change on a practical level if the embargo were lifted given the current good relations. However, the EU is moving towards adopting a Framework Agreement with China (the current agreement is 20 years old) and this would probably be hindered by the embargo.

The French believe that the embargo is obsolete, discriminatory and not coherent with the goal of establishing a strategic partnership with China today, which is very different from and “better” than the China of 1989. The French Prime Minister told the Chinese, at a bilateral meeting in China in April, that lifting the embargo will not translate into an increase in military sales in quantitative or qualitative terms. Moreover, there are already strict national technology transfer rules in place (and the French would agree to a legally binding Code of Conduct). The French understand the US concerns and accept that regional security is an issue and thus want to establish a transatlantic dialogue on security in NE Asia.

From the prevailing US perspective, the embargo remains symbolically and substantively valid. Americans generally want to know what the EU is getting from China given that China desperately wants the embargo lifted. In Congress, US Democrats and Republicans are united in taking a tough line with Europeans on the arms embargo. They strongly believe that lifting it is not the right signal to send because China has not come to terms with events of 1989 – perhaps as many as 2000 demonstrators from 1989 are still in prison. Many observers believe that if the embargo is lifted, without having successfully tested the efficacy of a revised Code of Conduct, it will have a negative impact on transatlantic relations and trigger a set of retaliatory actions, making cooperation on other matters, e.g. Iran and defense industrial cooperation, more difficult. These arguments reflect a lack of trust in transatlantic relations and lack of trust of EU motives. As perceived in China, these arguments reflect the fact that the US does not want to see China become strong and prefers a policy of containment.

If the situation with Taiwan were stabilized, lifting the embargo would be viewed in a very different light. Many are fully opposed to anything that *might* facilitate China's military modernization at a time when it is focused on military scenarios in the Taiwan straits. Within the region, Japan has supported the U.S. position, whereas Australia and South Korea have not expressed any opposition to lifting the embargo. The EU, however, does not intend to help to the PLA modernize: the types of products that EU would sell (and is presently selling) are not of the modernizing variety.

It is also interesting to note that most European defense companies who have (or want) strong technology ties to the US are very reluctant to do something that will increase dual-use exports to China (in contrast to French companies with weak ties to the US who have nothing to lose). In order to avoid a deepening dispute over technology sales, an institutionalized dialogue between the US and EU for discussing dual use technologies, platforms and weapons sales prior to the issuance of licenses should be implemented. The US and EU would need to make sure, however, that such cooperation does not look like a conspiracy to the Chinese and thus become counterproductive.

Some open questions include: How does the EU address the security concerns of other Asian countries? Will arm sales make China more or less aggressive or no change at all? How much leverage does anyone really have over China? What can we really get?

### **Domestic Governance in China**

In many respects, what happens inside China is more important than what happens between China and the rest of the world. China is undergoing rapid modernization with massive socio-economic dislocation and a rapidly-changing society, which is creating enormous pressure on the political system to react and respond. Given the government's rather bureaucratic approach to solving problems and because many of these problems begin to question the legitimacy of the Chinese Communist Party, it has a limited ability to find permanent solutions to problems. The government has developed a set of response mechanisms to deal with societal challenges to its authority, i.e. "selective oppression," in addition to successfully co-opting new elites, especially the intelligentsia and the private sector. This increasing repression of opposing ideas can be traced to the government's increasing fear of a loss of legitimacy. Rapid economic growth has disguised many failings of public institutions, i.e. the inability to deliver public goods such as education (underinvestment in human capital, especially at the primary level), public health (less than 50% of the populations has medical coverage) and environmental protection.

There are also problems with widespread corruption and China is devolving into a predatory state. Local authorities have little or no support. The accountability system has broken down in the absence of free press and democracy; it does not respond to public pressure. In contrast, there is a higher degree of trust for the central government mostly attributable to its ability to "deliver" successful development, reach national goals and preserve stability (and save China from fate of former USSR). So long as things keep improving economically and social participation increases, things should remain stable. A key issue is how the population will react if the economy starts to slow down.

Open questions include: where should the West direct its resources, towards weakening the party state or strengthening civil society?

### **Regional Governance – China's Role in Regional Organizations**

China has become increasingly active on a multilateral level as it has realized that such frameworks do not severely limit its interests but give it an opportunity to counter and constrain US interests in the region. The US is aware and skeptical of these motives and it would help decrease suspicion if China invited the US to a regional initiative that China is sponsoring, e.g. the East Asia summit.

China's increased involvement has occurred in tandem with other countries in the region becoming more dependent on China: the biggest importer and exporter in Asia. The regional organizations developed over the years are economic-oriented and consensus driven; they shy away from more difficult questions of hard security. However, there is a growing sense that there needs to be some discussion of security issues.

### **Global Governance – China's Role in the World**

Chinese activities in global governance and international organizations is best characterized by the following factors: (1) China assesses and leans toward the international consensus before acting, (2) China cares about its international image, and (3) China wants to avoid being isolated. China is not ready for supranational forms of multilateralism, but is ready for more cooperation so long as no one tells them what to do. These trends reflect a move away from China's long-held fear of being taken advantage of, which made it reluctant to get involved in multilateral regimes. This attitude has changed as China has sought to become a respected member of the community of nations and the consensus is that the EU and the US must do more to encourage this transition. Another way to further involve China in the international community is to seek Chinese support for activities, e.g. NATO, even if China is not directly involved.

At the UN China has increasingly taken on the role of a responsible nation, e.g. helping in peacekeeping in Haiti even though Haiti has relations with Taiwan. But China's effort to prevent greater international scrutiny of the situation in Sudan looks like the "old" China. In North Korea, Iran and Nepal there will be greater calls for UN action and it will be interesting to see if China is prepared to be more proactive instead of being a diplomatic free-rider.

### **"China Threat" Scenarios**

Rising powers such as China have always become a threat to established world orders. Factors favoring China emerging as a threat include: (1) an inexperienced China will be intoxicated with rapidly-acquired power and not know how to deal with it, and (2) those

who have an “interest” in seeing a Chinese threat, e.g. militaries seeking larger budgets, can create problems if governments fall victim to their own propaganda. Factors against China emerging as a threat include: (1) China is playing by the rules of world order, (2) China’s relative weakness in comparison to other major powers (for at least the next 20 years), and (3) China is becoming a “have” society and it has a lot to lose if it pursues destabilizing policies. The failure of China is the biggest threat that it poses.

There are several possible consequences of a “threatening” China: (1) conflict over Taiwan, (2) territorial disputes with neighbors, (3) angry reactions to provocation from another country, e.g. the erosion of support for the One China policy in the US and the establishment of formal defense ties with Taiwan, or Japan providing formal security for Taiwan, developing nuclear weapons or revising its peace constitution, (4) the domestic situation becomes unstable and leaders attempt to divert attention to foreign issues, and (5) China employs less than savory tactics as it competes for scarce resources.

More concrete, and already apparent threats from China center around trade and the environment. Thousands of companies from EU are investing in China and doing well, but there are also some losers. Poor Chinese practices on intellectual property rights are beginning to sour relations with major foreign economic partners. However, the public’s perception is that there are a lot of losers, especially due to the recent lifting of textile quotas. This issue is gaining ground, especially in France, Italy and Spain and is leading to China bashing. The EU has gone so far as to ask China to exercise some self-restraint on textile exports. With regard to the environment, China is “stumbling around in the dark” and has enormous problems that require engagement at the global level in order to be solved. China is reluctant to address its environmental problems, citing the US refusal to even participate in the Kyoto Protocol as a defense.

China’s rise can be “smoothed out” by implementing a conscious policy to “help” China maintain the current, stable trajectory as an increasingly responsible member of the international community. The region needs a vision similar to the US-supported vision implemented following World War II which ultimately led to the formation of the European Coal and Steel Community and now, the EU. We need senior leadership to endorse such a vision and see it through.

Open questions include: Does the nature of the regime make a difference in whether China is a threat? Even if China were to become a democratic government, would that solve the rise of China problem given the remaining natural resource and other geopolitical concerns?

## **Conclusion**

*Summary of Discussions*

**Transatlantic Working Group**  
**"China's Rise: Diverging U.S. – EU Approaches and Perceptions"**

SWP

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There are some clear common goals which the EU and US share with regard to China, they include:

- A China that is at peace with its neighbors and not a potential military threat
- A China that adheres to human rights standards and international conventions
- A China that adheres to WTO rules
- A China that does not become a failing state
- A China that ultimately becomes a more open and democratic society
- A China that makes a greater and greater contribution to solving problems of global governance