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## Europe-China Relations and the New Significance of Central and Eastern European Countries

*Summary: The article surveys the development of Europe-China relations over the last 30 years. It focuses on the main themes that have characterized the relationship. It gives due attention to the role played by the Central and Eastern European Countries (CEECs) in Europe-China relations, both during the Cold War period and after accession to the EU in 2004. It is argued here that the role of the CEECs has evolved from a situation of marginal significance during the Cold War to a new strategic role after accession. This is mainly due to their more Atlanticist' foreign policy attitude paralleled by the emergence of the US factor in EU-China relations.*

### Europe-China Relations During the Cold War

Formal relations between the European Community (EC) and the People's Republic of China were established in 1975, following the diplomatic recognition of Beijing by the United States in 1972. During the Cold War, however, Sino-European relations were mainly a derivative of Cold War imperatives and broader relations with the two superpowers.<sup>1</sup> Chinese leaders

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<sup>1</sup> K. Moller, "Diplomatic Relations and Mutual Strategic Perceptions: China and the European Union", *The China Quarterly* No. 169, pp. 10 – 32, (March 2002) p. 21; D. Shambaugh *China and Europe: 1949 – 1995* (London: School of Oriental and African Studies, Contemporary China Institute, Research Notes and Studies No. 11/1996); M.A. Kuo, *Contending with Contradictions: China's Policy toward Soviet Eastern Europe and the Origins of the Sino-Soviet Split, 1953 – 1960*. (Lanham: Lexington Books, 2001).

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would perceive Western Europe in terms of Beijing's national security. In this vein, China became a vociferous advocate of the North Atlantic Treaty Organization (NATO) in order to ease Soviet pressure from the tense Sino-Soviet border. In Mao's three-world view, Europe belonged to the 'second world' and as such could be mobilized into a worldwide anti-Soviet front. From the mid-1970s, Chinese officials would encourage Western European policy makers to spend more on defense in an open anti-Soviet move.

Chinese leaders would oppose any Western moves toward détente with Moscow and support NATO so strongly that by the late 1970s China had been labeled by many as the '16<sup>th</sup> member of NATO'.<sup>2</sup> Such status also afforded China increased access to European defense suppliers. From 1975 to 1980, China dispatched dozens of inspection and shopping missions to NATO member states. Furthermore, *People's Liberation Army* officers were allowed to access important NATO bases and introduced to defense industrialists. The Chinese were primarily interested in NATO's frontier defense planning against a Soviet land invasion, the use of battlefield tactical nuclear weapons and antitank technology. At that time, Beijing purchased anti-air and anti-tank missiles from Italy and West Germany, radars from France, and jetfighter engines and technologies from Great Britain.<sup>3</sup> This was possible since following the re-establishment of US-China diplomatic relations, Washington had accepted that its European partners sold certain weapons to the PRC which the US itself, due to domestic constraints, was still unable to sell. These moves led the *Assembly of the Western European Union* (WEU) to table a draft resolution in May 1978 recommending a careful examination of "the role that China can play regarding European security", as well as favorable consideration of the "rising Chinese demands for industrial technology".<sup>4</sup>

From the mid-1980s onwards, it was also Western Europe's potential role as a new pole in a future multi-polar world, and not only as a bulwark against Soviet hegemony, that attracted Beijing's attention.<sup>5</sup> Some Chinese scholars had argued for a multi-polar perspective in international relations and had interpreted the role of a united Europe as a compromise between the traditional dependence on the US and greater autonomy in the future. This was not only due to China's own strategic about turn, but also to the growing realization

<sup>2</sup> Shambaugh (1996), p. 12.

<sup>3</sup> D. Shambaugh, "China's Quest for Military Modernization", *Asian Affairs* May-June 1979, pp. 295 – 309, p. 301.

<sup>4</sup> F. Bennett *La Chine et la sécurité européenne*. (Paris: West European Union, 1978).

<sup>5</sup> D. Hong, Zhang Baoxiang *Opportunity, Policy and Role: On Western Europe's Role in Present Day World* (Beijing: China Institute of Contemporary International Relations, 1987).

that the European integration process would have a major role to play in the gradual political emancipation of Eastern Europe from Moscow.<sup>6</sup> The theme of a united Europe appears in official Chinese statements from the second half of the 1980s. In April 1985, Deng Xiaoping stressed the importance of a "strong and united Western Europe", while CCP Secretary – General Hu Yaobang in 1986 declared his wish for "Eastern and Western Europe uniting and jointly conducting a policy of independence and self-reliance in opposition to war".<sup>7</sup> Moreover, in May 1987 speaking during an official visit to the Netherlands, Prime Minister Zhao Ziyang declared that: "The unification of Europe, its growth and strength, the strengthening of the cooperation between China and Western Europe, and the rapprochement between Eastern and Western Europe will play an important role for the maintenance of global peace".<sup>8</sup> Later, Deng Xiaoping called for the establishment of a "united, strong and developing Europe".<sup>9</sup>

The gradual thaw in Sino-Soviet relations further contributed to this perception. Based on this assumption of a changing international system, China proclaimed its 'independent foreign policy' in 1982.<sup>10</sup> In this new multi-polar world order, Chinese scholars saw Europe as constituting one of the poles. Accordingly, Western Europe could act as a counterweight not just against Moscow but against the United States as well. Such an analysis reflected China's desire for the suppression of a bipolar world order and the creation of an international system in which regional powers such as China played defining roles. According to David Shambaugh, in the case of Western Europe such perceptions seriously underestimated two factors. First of all, Chinese leaders overestimated the political unity of Western Europe while rarely taking into consideration the divergences among member states. Secondly, China held the view that Western Europe was independent from the US within NATO. There was an underlying assumption prevalent among many of China's Europe specialists that NATO was an organization forced upon Europeans by Americans.<sup>11</sup> This assumption led Chinese leaders to cultivate anti-American sentiment within Europe in an attempt to drive a wedge between Washington and its allies. According to Huan Xiang, "the positions

<sup>6</sup> G. Fengmin, "Xiou guojia waijiao zhengcede jiben sixiang", *Guoji wenti yanjiu* No. 2/1981, pp. 25 – 34.

<sup>7</sup> Xinhua News Agency in English, April 17, 1985 as quoted in *Ostinformationen*, Bonn, Federal Press and Information Office, April 28, 1985, p. 24.

<sup>8</sup> *Radio Beijing* in Chinese, May 11, 1987, as quoted in *Ostinformationen*, Bonn, Federal Press and Information Office, May 12, 1987, pp. 29 – 30.

<sup>9</sup> *China Daily*, May 13, 1987, p. 1.

<sup>10</sup> M. Yahuda, *The International Politics of the Asia-Pacific*. (London: Routledge, 2005).

and interests of the allies on the two shores of the Atlantic do not actually have much in common".<sup>12</sup> This reading was based on a biased perception of the forces at work within Europe. It is not surprising that Huan Xiang was giving these remarks in France, a country that historically sought to distance itself – and tried to convince the rest of Europe as well – from too strong of an American embrace. It is therefore possible that these misperceptions emerged as a consequence of personal and intellectual ties that many Chinese leaders had developed over time with the French political and cultural elite, which is well-known for its anti-Americanism. Thus, whereas China sought

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to cultivate anti-Soviet elements in Europe during the 1970s, in the 1980s increased efforts were made to woo anti-American and anti-militarist elements. A new strategy of cultivating the European Left was put forward by Beijing during the 1980s. Proponents of European nationalism and anti-militarism were viewed by Beijing as natural allies in its new strategy to accelerate the world's trend towards multi-polarity.

From an economic perspective, during the 1980s in an attempt to diversify its growing dependence on Japan and the US for imported technology, China began

to increase its commercial ties with West Europeans. On April 3, 1978, a trade agreement was signed with the EC, which in 1984 was extended to a broader *Trade and Co-operation Agreement* (TCA). The EC offered *Most Favored Nation* (MFN) access and included China in the Community's *Generalized System of Preferences* (GSP) provisions from 1980, in stark contrast with Beijing's exclusion from the GSP of the United States. By 1987, two-way trade totaled \$13 billion. Of this amount, Chinese imports from Western Europe had grown by 169% over the same period. Nonetheless, this amounted to a mere 15% of China's total foreign trade, and a scant 1% of total European Community trade. Among West European states, Germany gained the upper hand, accounting for nearly 40%. As of 1987, France, Italy, the United

<sup>11</sup> D. Shambaugh (1996), p. 14.

<sup>12</sup> Interview with Huan Xiang, "Pekin et les trois mondes", *Politique Internationale*, Spring 1986, p. 191, as quoted in Jean-Pierre Cabestan, "Sino-European Relations", in G. Segal (ed) *Chinese Politics and Foreign Policy Reform*. (London: Kegan Paul International, 1990), p. 219.

Kingdom and then West Germany accounted for only 1.7% of total foreign direct investment in China (\$39 million).<sup>13</sup> While the 1980s saw a gradual and persistent growth of economic relations between China and Western European countries, Sino-European political relations continued to be dependent on Cold War imperatives.

The crackdown on students' demonstrations of June 4, 1989 in Tiananmen Square had a considerable impact on China-West Europe relations. In the aftermath of the massacre, the EC responded by imposing a range of sanctions that paralleled those of the US. However, in the months following the massacre China made a number of minor changes to its human rights legislation and these were received by the EC as justification for restoring normal relations. As a result, most West European imposed sanctions were lifted during the Summer of 1990, with the exception of the arms embargo. Domestic developments in China after Tiananmen, the end of the Cold War and the gathering pace of the globalization process created new possibilities for the development of EU-China relations. With the exception of arms sales, cooperation and trade relations had been fully restored by 1991. Negotiations for China's *General Agreement on Tariffs and Trade* (GATT) accession, which had been broken off in 1989, were restarted in 1991. The value of Chinese imports accorded GSP preferences increased from 2.9 billion Ecu in 1989 to 14.1 billion Ecu in 1994. Also the EU's aid to China increased significantly in the first half of the 1990s. The only explicit form of political pressure that survived the immediate reaction to the Tiananmen Square events was the EU's practice of tabling a resolution criticizing China's human rights record in the annual meeting of the *United Nations Commission on Human Rights* (UNCHR).

By the mid-1990s Chinese leaders had come to perceive the post-Cold War environment as a transition process from a bipolar to a multi-polar system of international relations. EU policy makers and elites, on the other hand, became intent on deepening the integration process and on equipping the EU with a common foreign and security policy.<sup>14</sup> The German government

<sup>13</sup> D. Shambaugh, "China and Europe: the Development from a Secondary to an Independent Relationship", in Song Xinning and Zhang Xiaojin (eds) *China and Europe Towards the Twenty-First Century*. (Zouxiang Ershiyi Shiji de Zhongguo yu Ouzhou) (Hong Kong: The Social Sciences Press, 1997), pp. 33 – 63; see also M. Yahuda, "China and Europe: The Significance of a Secondary Relationship", T. Robinson, D. Shambaugh (eds) *Chinese Foreign Policy: Theory and Practice*. (Oxford: Oxford University Press, 1994), pp. 266 – 282.

<sup>14</sup> For more details on the question of how far European governments and elites responded to the transformation of their strategic environment at the end of the Cold War by re-thinking their strategic foreign policies see: R. Niblett and W. Wallace (eds) *Rethinking European Order: West European Responses 1989-1997*. (Basingstoke: Palgrave, 2001).

took the lead in the elaboration of a firm engagement policy with China with the aim to promote Bonn's commercial interests. According to Christoph Nesshöver, Germany's approach to Beijing – spearheaded by the Kohl government – was founded on three principles: (i) silent diplomacy – i.e., no confrontation with Beijing on human rights or other sensitive issues; (ii) change through trade – i.e., encouraging political liberalization in China via economic development; and (iii) a strict 'one China' policy – i.e., without conceding to the pro-Taiwanese lobby.<sup>15</sup> The success of Germany's China policy made an impact on the rest of Europe's policy making elite. Thus, by the mid-1990s, due to the new weight acquired by Germany after the reunification, its lead in formulating a pragmatic approach to Beijing, and the awesome commercial results that ensued from it, Germany's China policy had succeeded in influencing the behavior of the other EU member states (especially the large ones). With the publication of its first policy paper on China in 1995, the European Commission officially laid down this new policy of engagement towards Beijing. This policy came to be characterized as 'constructive engagement'.

### The Policy of Constructive Engagement

The policy of engagement with China in the post-Cold War period was part of the development of a new EU-Asia strategy. The German government was again the first EU member state to put forward, in 1993, a strategy towards Asia. In the *Asien Konzept der Bundesregierung*, Germany outlined the new significance of the Asian markets for Europe. This had become evident since 1992, when the EU trade with Asia overtook EU-US trade for the first time. The German concept paper stated that Germany – and Europe as a whole – had to face the challenge of an economically thriving Asia and strengthen economic relations with the largest growth region in the world. The view was held in Bonn that Germany's economic interests would increasingly depend on the ability of German companies to enter into Asian markets. Because of the sheer magnitude of Asia, it was felt that the Federal Republic had to necessarily work through the EU in order to increase its political and economic leverage *vis-à-vis* the region. While the United Kingdom (UK) and France had been traditionally known for their leaning towards Asia resulting from their past involvement in the region, this new German interest was something of a novelty. Following up on Germany, other EU members started

<sup>15</sup> C. Nesshöver, "Bonn et Paris face à Pékin (1989-1997) : vers une stratégie commune?", *Politique Étrangère* No. 1/1999, pp. 91 – 106.

to give Asia a higher priority and in 1994 the European Commission released its Communication EU's *New Asia Strategy* (NAS).<sup>16</sup>

In the context of the NAS, in July 1995 the European Commission released its Communication *A Long-Term Policy for China-Europe Relations* with the objective to redefine the EU's relationship with China. In the document, it is declared that "relations with China are bound to be a cornerstone in Europe's external relations, both with Asia and globally".<sup>17</sup> While the analysis concentrates on China's economic upsurge and the potentialities of its market for European business, the paper lays down a strategy of constructive engagement for integrating China in international society. The EU borrowed the notion of 'constructive engagement' from Asia. The term was indeed used by the *Association of South-East Asian Nations* (ASEAN) for describing its rather uneasy relationship with the Burmese junta. Ever since the 1995 Commission's paper the EU has firmly adopted an engagement policy aimed at helping China support its transformation process and become a good citizen of international society, with the underlying belief that this approach would lead, over time, to greater political liberalization and promotion of human rights.

The policy of 'constructive engagement' puts a lot of emphasis on economic matters, following the emergence of a new discourse on economic security in both the EU and China since the beginning of the 1990s. The advocates of this discourse have propounded the idea that, on the one hand, Europe's protection of its socio-economic welfare position is increasingly linked to China's development and the capacity for European companies to acquire growing shares of the Chinese market. On the other hand, Chinese policy makers have expressed the idea that China's economic security and modernization process would increasingly depend on fostering relations with European countries, in particular for obtaining advance technology that would be more difficult to acquire from the US or Japan.<sup>18</sup> China's access to modern technology is crucial for sustaining the country's economic growth, which is one of the three main historical tasks established by Deng Xiaoping as the litmus test for the legitimacy of the post-Mao CCP leadership. As a result of this two-way linkage, EU-China commercial ties have grown impressively in the last years.

<sup>16</sup> European Commission *Towards a New Asia Strategy*. (Brussels: COM 314 final, 1994).

<sup>17</sup> European Commission *A Long-Term Policy for China-Europe Relations*. (Brussels: COM 279 final, 5 July 1995).

<sup>18</sup> N. Casarini *The Evolution of the EU-China Relationship: From Constructive Engagement to Strategic Partnership*. (Paris: European Union Institute for Security Studies, Occasional Paper No. 64, October 2006).



Between 2000 and 2004, EU-China trade almost doubled, with exports rising from €25.8 billion to €48 billion and imports growing from €74.4 billion to €127.4 billion. Since 2004 (after EU's enlargement), China has become the Union's second biggest trading partner (after the US) and, according to China customs, the EU-25 has become China's biggest trading partner – ahead of the US as well as Japan. In 2006, EU-China trade totaled €254.8 billion. Imports from China rose by 21% to €191.5 billion and EU exports to China rose by 23% to reach €63.3 billion.<sup>19</sup> As a result of these increases, China has displaced the US as the largest source of EU imports. If current trends

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continue, Beijing is poised to become the Union's most important commercial partner. Since 1978, when China started to open up its economy, EU-China trade has increased more than 40-fold. China trade imbalances are increasingly creating problems with the EU (not to mention the US where the trade deficit with China has become part of the domestic political debate). The Union's trade deficit with China increased from €48.6 billion in 2000 to €128.2 billion in 2006. This is the EU's largest bilateral trade deficit and it almost doubled over the last four years.

The Union and China are, so far, quite complementary in the global division of labor. China exports to the EU mainly labor-intensive goods, or mechanical and electrical products with low technology

content, while the EU exports to China largely capital-intensive goods, such as steel and chemical products or technology-intensive goods. In the last years, China's active industrial policy has turned the country into a low-cost competitor in high-skill industries. Consequently, China has started to seriously challenge EU industries that are considered sensitive, in particular the chemical, engineering and the textile sectors. The latter, in particular, has become a contentious issue across Europe reinforcing the perceived need of protectionist measures against China.

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<sup>19</sup> Data from Eurostat, March 2007; see also R. Atkins, "China Exports More to the EU Than the US for the First Time", *Financial Times*, March 23, 2007, p. 4.

The challenge posed by China's pro-active industrial policy is of particular importance for the new members of Central and Eastern Europe. *The Eurozone* is the most important market for exports of the Czech Republic, Slovakia, Poland and Hungary and they face competition from China in this market. China is not only a supplier of industrial goods manufactured with inexpensive and poorly skilled labor but also of so called technology-based high-tech products. Therefore, China's competitive position in global market relates not only to its labor abundance but also to the modernization of its industrial structures. As a result, China's challenge has become increasingly more complex in recent years and its exports could adversely affect a broad range of industries in the EU, in particular in the new member states of Central and Eastern Europe. For instance, in the production of information technology goods (telecommunication equipment and computers) foreign invested enterprises account for 60 – 70% of output. These two industries are among the top three exporters into the EU and have increased their exports at annual rates of some 20 – 30%. The overall share of high-skill industries in China's manufacturing exports to the *Eurozone* has already risen above 20%, which is twice as high as the share of high-skill industries in the exports of the ten new EU member states to the *Eurozone*.<sup>20</sup> The rapid growth of skill-intensive imports from China represents a major economic challenge for the EU and it is partly responsible for EU member states' growing trade deficits with China.

EU member states compete against each other for China's market shares. This European scramble for the Chinese market has been skillfully exploited by the Chinese leadership in order to obtain political concessions, usually in the form of silence over sensitive issues pertaining to China's domestic affairs (human rights violations, political liberalization, Tibet, Xinjiang, etc) or national pride (Taiwan). By giving priority to commercial considerations and by tending to shy away from openly criticizing Beijing, the large EU members have been greatly responsible for the Union's overall diminution of critical pressure. The shift towards a more uncritical attitude was manifest most visibly in the decision of the EU – supported by France, Germany, Italy, Spain and Greece – to cease supporting a motion against China in the *United Nations Commission on Human Rights* (UNCHR) in 1997. In return for this conciliatory approach, China agreed to re-engage in a dialogue on human rights, a *quid pro quo* imposed most strongly by the more principled Nordic countries.

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<sup>20</sup> European Commission *European Competitiveness Report 2004*. (Brussels: Enterprise and Industry publications, November 2004). See in particular Chapter 5, pp. 299 – 354.

Since 1998 the EU-China human rights dialogue has been held twice a year. It constitutes the only platform to engage China on sensitive issues and for the channeling of EU concerns directly to the Chinese authorities. Moreover, the Commission supports a number of human rights related co-operation programs (on village governance, legal co-operation, promotion of women's rights, network on *Human Rights Covenants* etc.) aimed at Chinese civil society. This European approach is based on the belief that by engaging Beijing in a constructive way at all levels and in all dimensions and by concentrating on supporting China's transformation process, over time the Union would be able to acquire more leverage over political developments in China. It is this belief that sustains, and qualifies, the policy of constructive engagement. This policy has recently been widened and deepened to include a significant security-strategic dimension.

### Strategic Partnership

Since 2003, the EU and China have upgraded their relations to strategic partnership. Central to this strategic partnership is the idea that relations between the EU and the PRC have gained momentum and acquired a new strategic significance. More significantly, the declaration of strategic partnership in October 2003 was accompanied by two substantial moves: the signature of the agreement allowing China to participate in the *Galileo global navigation satellite system*<sup>21</sup> and the promise by EU policy makers to their Chinese counterparts to initiate discussions on the lifting of the EU arms embargo imposed on China in the aftermath of the Tiananmen Square crackdown on students.

The development of a security-strategic linkage between the EU and China has increasingly attracted the attention, and concern, of the United States. The Bush administration has criticized the EU's move to cooperate with China in space and satellite navigation on the grounds that this initiative has the potential to help China in upgrading its space program, precisely at a time when the Pentagon has dubbed China a 'space competitor'.<sup>22</sup> The EU-China cooperation in space and satellite navigation also highlights the

<sup>21</sup> European Community, *Cooperation Agreement on a Civil Global Navigation Satellite System (GNSS) – Galileo – between the European Community and its Member States and the People's Republic of China*, Beijing, October 30, 2003.

<sup>22</sup> United States Department of Defence, *Report of the Commission to Assess United States National Security Space Management and Organization* – Chairman: Donald H. Rumsfeld, (Washington: United States Department of Defence, January 11, 2001).

divergent approaches between the EU and the US towards China's rise and the emerging global space order. Sino-European space cooperation must be seen as the logical extension in the security-strategic dimension of the policy of constructive engagement that has characterized EU foreign policy towards China since the mid-1990s. While both Europe and the US engage economically with Beijing in order to exploit the opportunities offered by its seemingly limitless market, contrary to Washington the EU does not perceive Beijing as a military threat or as a potential peer competitor that needs to be contained. Moreover, cooperation in *Galileo* reflects the different conception between the EU and the US regarding the use of space and the emerging global space order. In essence, Washington places an emphasis on space power and control, while Europe stresses that the space should be used peacefully. Thus, while the US concentrates on leveraging the space to provide America and its allies an asymmetric military advantage, the Union is more concerned in creating useful – i.e. commercial – space applications for European peoples and industries. For the EU, Sino-European cooperation on space-based technologies is meant to build trust with Beijing and boost commercial activities while the US looks at space from a different angle, i.e. the protection of its global interests and primacy in world affairs.

The *Galileo* project – like other pan-European aerospace programs such as *Airbus* and the *Ariane* launcher – is part of the development of a strong and independent European aerospace sector in the post-Cold War era. France is the EU member state which has promoted more strongly European autonomy. In this sense, *Galileo* is part of France's efforts at challenging the existing configuration of power in the international system. France has strongly supported the establishment of a security-strategic linkage with Beijing over the use of space, for both commercial and political reasons. The French government – along with the Schröder governments (1997 – 2005) – has also been the strongest advocate of the lifting of the EU arms embargo on China.

Following the agreement on EU-China cooperation in the *Galileo* satellite system in October 2003, France and Germany officially proposed to lift the

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arms embargo on China in December 2003.<sup>23</sup> At the time, all EU member states agreed, in principle, to initiate discussions on the proposal to lift. At the European Council in Brussels in June 2005, however, the decision was taken to postpone the issue. This was mainly due to a series of factors that had occurred in the meantime: (i) strong opposition from the US; (ii) increasing uneasiness in many national parliaments and within the European Parliament; (iii) China's failure to provide clear and specific evidence on the improvement of its human rights record; (iv) the passing of China's anti-secession law (clearly directed at Taiwan); (v) the new German government of Angela Merkel (that reversed the previous policy of Gerhard Schröder); and (vi) the accession of 10 new, and more *Atlanticist*, members to the EU. The two last points merit further consideration.

### The US Factor in EU-China Relations and the Role of the CEECs

The question of the lifting of the embargo reflects the distinctive approach of the EU to a rising China. For the large EU members of Western Europe – in particular France, Germany, Italy and Spain – the development of an EU-China security-strategic linkage would not only mean an upgrading of relations, but also building trust and long-term cooperative ties with Beijing. For the Bush administration, instead, these European initiatives would send the wrong message to the Chinese leadership and they could be instrumental in helping China's military modernization. This would tilt East Asia's strategic balance in Beijing's favor in a situation where there could be future tensions in US-China relations. The United States Department of Defense has declared on various occasions that China is focusing on procuring and developing weapons that would counter US naval and air power, especially in the Taiwan Strait.<sup>24</sup> Any tension in Cross-Strait relations could presage tensions between Washington and Beijing. This explains American strong opposition against the lifting of the arms embargo, as well as the request to obtain reassurances from European partners that China will not be allowed to access the encrypted features of the *Galileo satellite system*. US policy makers have therefore criticized the EU's China policy of the last years and have accused EU policy makers of disregarding the United States' strategic interests in East Asia and its responsibility for regional security.<sup>25</sup>

<sup>23</sup> European Council, *Presidency Conclusions*, Brussels, December 12, 2003.

<sup>24</sup> See: K. Archick, R.F. Grimmett and S. Kan *European Union's Arms Embargo on China: Implications and Options for U.S. Policy*. (Washington: CRS Report for Congress, January 26, 2006).

US criticism has evidenced fissures within Europe as well. The strong opposition of the United States to the proposal to lift the EU arms embargo on China found receptive ears in Europe among the new members of Central and Eastern Europe. At the time of the first wave of accession in 2004, the CEECs – Poland, Hungary, the Czech Republic, Slovakia, Slovenia and the Baltic states – declared their uneasiness towards an initiative – the proposal to lift – that would have strained relations with Washington. The new EU members of Central and Eastern Europe – which are also new members of NATO – are rightly regarded as more *Atlanticist*. They have in fact security issues vis-à-vis Russia high on their agenda. A close alliance with the United States represents, for them, the best guarantee of their freedom and independence. Consequently, for the CEECs the economic and political alliance with the United States is of too great importance for having it strained on a political – though very powerful – message to China.

In this sense, the famous remark by Donald Rumsfeld, former US Secretary of State of Defense, about 'old' and 'new' Europe made in January 2003 at the time of the upcoming war against Iraq would still find purchasing power in the case of the proposal to lift the EU arms embargo on China. A divide, in fact, appeared between 'old Europe' on one side – in particular France and Germany during the Schroeder governments (1997 – 2005) – and the new members of Central and Eastern Europe on the other side. The United Kingdom adopted an initial position pro-lifting which was eventually reversed after US opposition and threat of retaliation in defense cooperation with the European allies. In the end, it would be the new German government by Angela Merkel (clearly more pro-American than her predecessor) and the already mentioned accession of the more *Atlanticist* CEECs that significantly contributed to the decision of shelving the issue. This also showed that the US factor and the different attitudes towards the United States among EU members would increasingly influence the development of EU-China relations, in particular in the security and strategic spheres.

It follows that EU policy makers in Brussels and in the other Western European capitals would have to increasingly take into consideration the CEECs' more *Atlanticist* view with regard to those aspects of the EU-China relationship that may have a bearing on the United States' strategic interests in East Asia. Eventually, EU policy makers would need to find ways to reconcile the legitimate interests of the large EU members of Western Europe

<sup>25</sup> See the U.S.-China Economic and Security Review Commission, *Symposia on Transatlantic Perspectives on Economic and Security Relations with China*. (Washington, 108 Congress, Second Session, Brussels, November 30, 2004 and Prague December 2, 2004).

– in particular France, Germany, Italy and Spain – in furthering relations with China in the security and strategic spheres, with the legitimate concerns of the United States – which find receptive ears among the EU members of Central and Eastern Europe – regarding China's modernization and growing military capabilities. The question of the lifting of the embargo epitomizes this challenge as it continues to remain on the agenda of the EU-27 but no solution seems to be in sight.<sup>26</sup>

The EU-27 is not faced with a simple decision. On the one hand, there are commercial considerations in favor of lifting the embargo. Doing so would mean rehabilitating China politically and putting the human rights question under the carpet. The Chinese leadership would reward EU companies for it. EU defense and aerospace companies (mainly from Western Europe) would be allowed to sell Beijing the most advanced early-warning systems and recognition satellites, as well as weapons systems that use satellite positioning and targeting, but it is the EU's large commercial enterprises that would stand the best chance of benefiting from the lifting.<sup>27</sup> On the other hand, there are human rights issues and the East Asian strategic balance to be taken into consideration. Some EU policymakers are still suspicious of the pace at which change is taking place in the People's Republic. In its last Communication on China, the European Commission set out new conditionality for the lifting of the embargo, including evident progress on human rights, cross-strait relations and the transparency of China's military spending.<sup>28</sup> It is hoped that the EU-27 would succeed in finding a viable solution that takes into consideration the concerns of the United States and its Asian allies. At the same time, it is hoped that EU policy makers would come up with a 'European' solution and would as such resist pressures from the US to exercise their influence – mainly through the UK and the more Atlanticist CEECs – in order to split Europe on such an important question as the development of EU-China relations in the security and strategic spheres.

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<sup>26</sup> General Affairs and External Relations Council, *Presidency Conclusions*, Brussels, December 11-12, 2006, p. 6.

<sup>27</sup> N. Casarini, "The International Politics of the Chinese Arms Embargo Issue", *The International Spectator* Vol. 42, No. 3, pp. 371 – 389.

<sup>28</sup> European Commission *EU-China: Closer Partners, Growing Responsibilities*. (Brussels: COM 2006, 632 final, October 24, 2006) p. 11.

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