Transatlantic dialogue on China: final report

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Transatlantic Dialogue on China
Final Report

Gemeinsames Projekt des Henry L. Stimson Center, Washington und des Forschungsinstituts der Deutschen Gesellschaft für Auswärtige Politik mit Unterstützung des German Marshall Fund of the United States und der Volkswagen Stiftung

THE HENRY L. STIMSON CENTER

Herausgeber: Forschungsinstitut der Deutschen Gesellschaft für Auswärtige Politik, Berlin | Anschrift: Rauchstraße 18, 10787 Berlin | Telefon: +49 (0)30–254 231–0, Fax: +49 (0)30–254 231–16 | E-Mail: info@dgap.org, Internet: www.dgap.org und www.weltpolitik.net |

Forschungsinstitut der DGAP:
Transatlantische Beziehungen und China

Dank einer Zuwendung der Stiftung Volkswagenwerk auf deutscher und des German Marshall Fund of the United States auf amerikanischer Seite traf sich im Oktober 2001 eine Arbeitsgruppe in Berlin, die vom Forschungsinstitut der DGAP und dem Henry L. Stimson Center von Washington gebildet worden war. Anlässlich dieses Treffens erörterten die europäischen und amerikanischen Teilnehmer den Arbeitsplan für die Diskussion von Arbeitsgruppen, die getrennt in den USA und in Berlin tagten. Auf europäischer Seite traf sich die Arbeitsgruppe zwei Mal bei der DGAP in Berlin und erörterte auf der Grundlage von vorbereiteten Arbeitspapieren politische, sicherheitspolitische und ökonomische Aspekte der Einstellung und Politik zu China.

Auf einer Abschlusskonferenz in Washington im Oktober 2002 wurde ein von Frau Dr. Cathleen Fisher ausgearbeiteter Gesamtentwurf für einen Abschlussbericht erörtert, der nach einer Revision im Lichte der Diskussion in der vorliegenden Form veröffentlicht wird.

Das Projekt wurde im Forschungsinstitut der DGAP von Prof. Dr. Karl Kaiser, Otto-Wolff-Direktor des Forschungsinstituts, und Dr. Bernhard May, Stellv. Direktor des Forschungsinstituts, geleitet und von Dr. Frank Umbach, Wissenschaftlicher Mitarbeiter im Forschungsinstitut der DGAP, organisiert.

An den Diskussionen zur Ausarbeitung diesen Berichts haben folgende Personen auf europäischer Seite teilgenommen:

Franco Algieri, Forschungsgruppe Europa, Centrum für angewandte Politikforschung, München
Detlev Brauns, Leiter des Referats Allgemeine Fragen der Handelspolitik, Bundesministerium für Wirtschaft und Technologie, Berlin
Prof. Dr. Jörn Dosch, Department of East Asian Studies, University of Leeds
Henriette Geiger, China Desk, DG Relex, European Commission, Brüssel
Prof. Dr. Francois Godement, Institut Francais des Relations Internationales (IFRI), Paris
Dr. Owen Green, International Relations and Security Studies, Department of Peace Studies, University of Bradford
Prof. Dr. Helga Haftendorn, Freie Universität Berlin, Prof. emer.
Dr. Peter Christian Hauswedell, Leiter des Ostasienreferates, Auswärtiges Amt, Berlin
Prof. Thomas Heberer, Institut für Ostasienwissenschaften, Gerhard-Mercator-Universität Duisburg
Prof. Dr. Dr. h. c. Karl Kaiser, Otto-Wolff-Direktor des Forschungsinstituts der DGAP
Prof. Dr. Joachim Krause, Institut für Politikwissenschaft, Universität Kiel
Heike MacKerron, German Marshall Fund of the United States, Berlin Office, Berlin
Dr. Beate Maeder-Metcalf, Planungsstab, Auswärtiges Amt, Berlin
Dr. Bernhard May, Stellv. Direktor des Forschungsinstituts der DGAP
Dr. Kay Möller, Stiftung Wissenschaft und Politik (SWP), Berlin
Christoph Müller-Hofstede, Ost-West-Kolleg, Köln
Jürgen Oberg, Vice President for Asia/Australia, Siemens AG, München
Dr. Wolfgang Pape, Directorate for Asia, DG RELEX-H1, European Commission, Brüssel
Dr. Werner Pfennig, Fachbereich Politikwissenschaft, Arbeitsstelle China und Ostasien, Freie Universität Berlin
Dr. Martin Posth, Präsident, Asien-Pazifik-Forum, Berlin
Dr. Wolfgang Röhr, Leiter des Ostasienreferates, Auswärtiges Amt, Berlin
Dr. Peter Röll, Europäische Kommission, Brüssel
Prof. Dr. Eberhard Sandschneider, Fachbereich Politikwissenschaft, Arbeitsstelle China und Ostasien, Freie Universität Berlin
Dr. Gunter Schubert, Forschungsstätte der Evangelischen Studiengemeinschaft, Heidelberg
Dr. Margot Schüller, Institut für Asienkunde, Hamburg

Dr. Reinhard Schwarzer, Stellv. Leiter der Abt. Internationale Beziehungen, Presse und Informationsamt der Bundesregierung, Berlin
Dr. Volker Stanzel, Ministerialdirigent, Leiter der Politischen Abteilung 3, Auswärtiges Amt, Berlin
Prof. Markus Taube, Institut für internationale und regionale Wirtschaftsbeziehungen, Gerhard-Mercator-Universität Duisburg
Ralph Thiele, Leiter des Zentrums für Analysen und Studien der Bundeswehr, Waldbröl
Dr. Tim Trampedach, Arbeitsstelle China und Ostasien, Freie Universität Berlin
Dr. Frank Umbach, Forschungsinstitut der DGAP.
Dr. Gudrun Wacker, Leiterin der Forschungsgruppe Asien, SWP, Berlin

Dieser Bericht wurde ebenfalls als Report No. 49 im Februar 2003 durch das Henry L. Stimson Center publiziert.

11 Dupont Circle, NW
Ninth Floor
Washington, DC 20036
Phone 001-202-223-5956
Fax: 001-202-238-9604
www.stimson.org
email: info@stimson.org

Transatlantic Dialogue on China
Final Report

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Table of Contents

Acknowledgements

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About the Institutes

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11 Dupont Circle,
NW Ninth Floor Washington, D.C. 20036
Telephone: 202-223-5956;
Fax: 202-238-9604
Email: info@stimson.org;
Website: www.stimson.org

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Deutsche Gesellschaft für Auswärtige Politik e. V.,
Rauchstraße 18,
10787 Berlin;
Telephone: +49-30-254 231-0;
Fax: +49-30-254 231-16
E-mail: info@dgap.org;
Websites: www.dgap.org, www.weltpolitik.net

About the Report

This report presents the consensus findings and recommendations of the "Transatlantic Dialogue on China," a year-long exchange between U.S. and European experts on China, East Asia, and transatlantic relations organized by the Henry L. Stimson Center in Washington, D.C., and the Research Institute of the German Council on Foreign Relations (Deutsche Gesellschaft für Auswärtige Politik, DGAP) in Berlin, Germany. With the generous support of the German Marshall Fund of the United States and the Volkswagen Foundation, the two partner institutions organized and supported two working groups, one based in Washington, DC and the other in Berlin, to explore the rationale, risks, and benefits of expanding the transatlantic agenda to include consideration of key issues related to China's rise in the international system.

The project began in late summer 2001, a time of escalating tensions in Sino-American as well as in U.S.-European relations. Participants proceeded on the premise that China's ascendance on the world stage would signal a major shift in the global political, economic, and security environment. The project assumed further that the ability of the United States and Europe to deal effectively with the challenges associated with China's rise could have far-reaching consequences both for transatlantic relations and for the effective management of China's global emergence. At the time, the direction of the Bush administration's China policy appeared hotly contested and the future of Sino-American relations highly uncertain.

The discussions and deliberations of the two working groups were informed by diverse and rich sources of expertise and analysis. The members of the two groups brought to this exchange extensive experience and knowledge of a broad range of issues related to China, East Asia, U.S. foreign policy, the EU, and transatlantic relations. Additionally, U.S. and European officials, experts, and scholars were invited to offer their insights and perspectives on the critical economic, political, and security issues associated with China's evolution and international rise, as well as the complex interactions between China, Europe, and the United States.

The project's evolution proceeded in unforeseen ways. Most importantly, the terrorist attacks of September 11, 2001 changed fundamentally the political context of the dialogue, if not its central premises. In the months following the attacks, the attention of senior political leaders in the United States became singularly focused on the campaign to combat global terrorism, beginning with military action in Afghanistan. Over time, U.S.-led efforts to thwart new terrorist attacks around the world offered new opportunities for cooperation between the United States and China. By fall 2002, Sino-American relations had stabilized and even improved significantly. Reflecting the new climate in bilateral relations, President Bush's September 2002 National Security Strategy report welcomed "the emergence of a strong, peaceful and prosperous China" and asserted that the U.S. relationship with China "is an important part of our strategy to promote a stable, peaceful, and prosperous Asia-Pacific region."

Notwithstanding the administration's apparent commitment to an "engagement" strategy toward China, significant new initiatives in Sino-American relations may be unlikely as long as the U.S. administration is focused on combating terrorism and proliferation of weapons of mass destruction in Iraq and other regions. New opportunities for cooperation with China could emerge, either as part of the global anti-terrorism campaign or international efforts to address the uncertain situation on the Korean peninsula. Indeed, growing concern in early 2003 about North Korea's actions and intentions have directed attention to the important role of China in combating proliferation of weapons destruction in East Asia — a shared interest of the United States, Europe, and China. Although development of relations with China seems unlikely to be the highest priority of either the U.S. or European governments for the foreseeable future, events on the Korean peninsula underscore the importance of enhanced U.S.-European dialogue on China and regional security issues before crises erupt.

The members of the U.S. and European working groups engaged in this project nevertheless believe strongly in the value of an intensified, sustained, and focused exchange between the United States, European national governments, and the European Union on the future of China and the consequences of its increasingly important international role. Although political leaders are necessarily focused on urgent issues of the day, the time to begin integrating China into a broadly based transatlantic dialogue is now – before unexpected developments in China present U.S. and European policymakers with difficult policy choices and create new sources of friction in the transatlantic relationship. Indeed, U.S. and European policies are now in closer alignment than many might have predicted two years ago, creating an ideal opportunity for reasoned discussion and dialogue on the critical issues associated with China's evolution and rise.

This report represents the consensus findings of the project's members. Individual members have participated in the project in their private capacities and their support of this report's conclusions therefore does not represent endorsement by any government agency or private entity. Members whose names appear below support the general thrust of the report and its recommendations, though not necessarily each specific phrase or nuance of wording.

Signed:

Pieter Bottelier
Paul H. Nitze School of Advanced International Studies (SAIS), The Johns Hopkins University/The John F. Kennedy School of Government, Harvard University

Frances G. Burwell
The Atlantic Council of the United States

Colonel John F. Corbett, U.S. Army (Retired)
CENTRA Technology, Inc.

Cathleen Fisher
American Institute for Contemporary German Studies

Banning Garrett
The Atlantic Council of the United States

François Godement
Institut Français des Relations Internationales (IFRI)

Owen Greene
University of Bradford

Daniel Hamilton
Center for Transatlantic Relations, Paul H. Nitze School of Advanced International Studies (SAIS)/American Consortium on EU Studies (ACES)

Robert Hathaway
Woodrow Wilson International Center for Scholars

Thomas Heberer
Gerhard Mercator Universität Duisburg

John L. Holden
National Committee on U.S.-China Relations

Karl Kaiser
Research Institute of the German Council on Foreign Relations

Heinrich Kreft,
Head of the Economic and Commercial Division, Embassy of the Federal Republic of Germany, Washington D.C.; in 2001/2002 Visiting Fellow at The Henry L. Stimson Center, Washington, D.C.

Ellen Laipson
The Henry L. Stimson Center

Beate Maeder-Metcalf
Federal Foreign Office, Berlin

Bernhard May
Research Institute of the German Council on Foreign Relations

Bowman Miller

Kay Möller
German Institute for International and Security Affairs (SWP)

Jürgen Oberg
Siemens AG

Alan Romberg
The Henry L. Stimson Center

Eberhard Sandschneider
Freie Universität Berlin

Simon Serfaty
Center for Strategic and International Studies

Volker Stanzel
Federal Foreign Office, Berlin

Karen Sutter
The U.S.-China Business Council

Markus Taube
Gerhard Mercator Universität Duisburg

Frank Umbach
Research Institute of the German Council on Foreign Relations

William Wise
The Sorrento Group

Executive Summary

China's rise will pose fundamental challenges to the United States and Europe, both separately and in their political relations with one another. Although U.S. and European leaders for the foreseeable future will remain focused on more pressing near-term challenges than China, steps to enhance mutual understanding of American and European perspectives on China's future and international role can and should be taken now. This report makes the case for an intensified exchange between U.S. and European China and transatlantic experts both in and outside of government. It is based on a year-long exchange among U.S. and European experts on China and transatlantic relations organized by the Henry L. Stimson Center in Washington, DC and the German Council on Foreign Relations in Berlin, Germany, with the generous support of the German Marshall Fund of the United States and the Volkswagen Foundation.

A Changing China: Implications for Transatlantic Relations

The ability of the United States and Europe to deal effectively with China's ascendance will influence decisively the structure of global politics and economic relations, as well the security environment in East Asia, in this century.

The challenge is all the more daunting because it comes at a time of fundamental change in Europe and the transatlantic relationship. The increasing integration of the member states of the European Union (EU) and prospective expansion of the EU is creating a Europe that is more united yet at the same time more complex and fractured. In addition, the transatlantic agenda is expanding to include transnational and regional problems that extend far beyond Europe's borders. These developments coincide with a period of increasing friction in U.S.-European relations and a growing perception on both sides of the Atlantic that cooperation between the United States and Europe has become less important in a world of fluid coalitions and alignments.

U.S. and European Views of China

Although U.S. and European experts largely agree that China's rise will have an historic impact on the international order, there is far less consensus over China's long-term intentions and ambitions. Differences in perspective and approach are evident not only in the United States, where divisions over China policy run through the executive and legislative branches of government and both major political parties, but also in Europe, where national governments and the EU are involved in shaping various aspects of Europe's relations with the People's Republic of China (PRC) and Taiwan, hampering articulation and pursuit of a coherent and unified China policy.

In general, however, rather than focusing on the potential security threat posed by a rising China, Europeans tend to concentrate on the positive dimensions of China's growing importance and international engagement, including the prospect that China may play a responsible and constructive role in regional and global institutions and development. Additionally, Europeans also underscore the increasing economic, social and political strains and stresses on a modernizing China that could lead to social and political implosion, which they see as a greater danger to the world than rising Chinese power. In the European perspective, although Europe can do little to affect the geo-political or military balance in Asia, export of the "European model" through political dialogue, trade and investment, and assistance programs, over time can help build respect for the rule of law in China, introduce and disseminate democratic principles of accountability, and strengthen adherence to international norms.

The United States shares these goals and pursues them as well. But due to its regional and global security responsibilities, Washington must be more attentive to the PRC's military capabilities and military modernization efforts and assign a higher priority to the security of Taiwan. Washington thus tends to place greater emphasis on affecting China's external behavior through alliances and security commitments in the region and through its own actions and policies.

An Agenda for Dialogue

Despite these disparities in perspective and responsibilities, a sustained and differentiated dialogue on China would serve two important foreign policy goals for the United States and Europe. First, although neither the United States nor Europe can determine the evolution of China, an intensified dialogue on the issues associated with China's rise could help to facilitate more effective co-management of the economic, political, and strategic consequences of China's emergence on the international stage. Second, focused and regular exchanges on China would allow both partners to identify differences and potential conflicts in their respecti-

ve approaches to China, thus avoiding the sudden and unexpected pursuit of countervailing policies – a "strategic surprise" that could undermine transatlantic cooperation in Asia and perhaps more generally – to the detriment of the U.S.-European partnership. As the United States and Europe evolve and change, the political will of the United States and Europe to cooperate will depend increasingly on whether the transatlantic partnership proves efficacious in tackling a growing range of new issues and challenges – including change within China.

To be mutually beneficial, the agenda for dialogue should encompass five broad issue areas:

Proliferation, Technology Transfer and Export Controls – The United States and Europe have a strongly shared interest in encouraging China to abide by international norms and commitments regarding the proliferation of weapons of mass destruction and their delivery systems. Although a truly coordinated approach may be premature, expanded dialogue in this area would help to ensure that neither the United States nor Europe sends conflicting signals that could be misinterpreted in Beijing. Conversely, a lack of transatlantic coordination could lead to the transfer of sensitive, militarily relevant technologies or know-how, either to China or from China to third-parties, with negative repercussions for the security of the United States, Europe, and other friendly and allied nations.

Taiwan and Regional Security –The United States and Europe have a shared vital interest in promoting peaceful resolution of cross-Strait issues and ensuring that neither the PRC nor Taiwan perceives a transatlantic rift regarding cross-Strait relations, which could have serious consequences for peace and stability in the region. While European governments or the EU are unlikely to undertake bold new initiatives regarding Taiwan and cross-Strait relations, further bilateral and U.S.-EU discussions, both on specific, contentious issues – such as Taiwan's participation in various international bodies – and on future possible security contingencies and responses, could help to avert negative outcomes and benefit both the United States and Europe.

WTO Implementation and China's Economy –China's membership in the World Trade Organization (WTO) and successful integration into the global economy on WTO principles is likely to bring sizeable economic benefits to the United States as well as to the EU. A U.S.-EU dialogue on China and WTO would signal a mutual recognition that China's meteoric rise on the global economic scene entails not only certain risks, but also the promise of significant regional and global benefits. Both partners therefore have much to gain from working together to assist China in completing the difficult reforms required by China's internal economic situation and the terms of WTO accession.

China's Internal Evolution: Rule of Law, Human Rights, and Democratization – Although the United States and Europe sometimes adopt disparate approaches to promotion of human rights and democracy in China, they share a common vision for China's internal evolution. A particularly promising area for transatlantic cooperation is promotion of the rule of law. Despite different traditions and systems of law, many legal principles are held in common, and, more importantly, the United States and Europe are committed to seeing that the rule of law becomes more firmly established in China.

The New Transnational Agenda – A final area for potential U.S.-European and even trilateral cooperation comprises the issues associated with what has been referred to as the "dark side of globalization," including terrorism, the spread of HIV/AIDS, drug and human trafficking, and environmental degradation. Intensified exchanges on this new, transnational agenda could provide a "win-win" situation for all concerned.

In expanding the transatlantic agenda to include China, the United States and Europe will face multiple challenges to effective cooperation, including: (i) political divisions within the United States and the EU; (ii) asymmetries of focus and expertise; (iii) bureaucratic barriers to the inclusion of China and Asia expertise in transatlantic exchanges; and (iv) growing tensions and frictions between the United States and Europe over environmental and trade-related issues and disparate approaches to the Middle East and Iraq.

Recommendations for Action

A broad, sustained, and structured transatlantic dialogue on China's evolution would serve U.S. and European interests and foreign policy goals – both with regard to China and to the transatlantic relationship. To achieve their joint goals, however, the United States and Europe first must expand their vision of the transatlantic partnership to include an enhanced role for U.S-EU coordination. Although the European member states remain the primary players in matters of foreign policy, a more coherent and unified European policy on China is desirable and should be encouraged.

An expanded transatlantic dialogue on China and related developments in East Asia should be based on three guiding principles. First, it should focus on concrete issues and real experiences. Second, it should begin with modest expectations. Third, the dialogue should pursue a "dual-track" approach, encompassing U.S. engagement of the EU as well as bilateral U.S. exchanges with selected European governments.

Building on these general principles of engagement, several modest steps can and should be taken immediately to begin expanding the transatlantic agenda to encompass the issues posed by China's rise and emergence on the international stage:

1. Enhance and expand exchanges among U.S. and European nongovernmental experts on China, East Asia, and transatlantic relations by: (i) creating a comprehensive inventory of China expertise, both individual and institutional, in Europe and the United States; (ii) cataloguing specific, concrete issues and urgent problems of common interest to Europe and the United States; and (iii) enhancing existing electronic links between U.S. and European China experts.
2. Expand bilateral and U.S.-EU governmental exchanges to include specialists on China and East Asia. China should be a regular topic of discussion, rather than the subject of periodic focus when pressing issues arise or a crisis threatens. Discussions should utilize the primary channels of transatlantic dialogue, including bilateral U.S. exchanges with the larger European countries and the U.S.-EU dialogue. Initially, steps should be taken to: (i) organize a regular exchange between government analysts of China and transatlantic affairs; and (ii) initiate regular exchanges on China between the research institutes associated with national defense universities in Europe and the United States.
3. Undertake analyses of concrete issues that are on the horizon and likely to prove contentious. Intensified inter-governmental and "track-two" exchanges on China should seek to identify the "over-the-horizon" issues on which U.S. and European approaches and thinking appear likely to diverge. Issues meriting more extensive analysis in the near-term include: the migration of manufacturing and R&D capability to China; WTO implementation; and crisis scenarios involving instability in China.

For the foreseeable future, the transatlantic agenda will be dominated by the war against terrorism, the uncertain situation in Iraq, and conflicts in the Middle East and South Asia. Yet, while China at present offers no comparable flashpoints, as the uncertain situation on the Korean peninsula demonstrates, the potential for conflict in the region and for transatlantic disputes over issues related to China remains. The U.S. and EU would therefore both benefit from efforts to enhance mutual understanding of their respective perspectives on China and to anticipate potential problems and even crises before they arise.

Though modest in scope and ambition, the steps outlined above could help to begin transforming the structure and content of the transatlantic dialogue to meet the most important challenges of the coming decades. In the final analysis, however, the precise form of cooperation is less important than the existence of political will on both sides of the Atlantic to work beyond Europe to manage the complex and myriad challenges of a rapidly changing world.

Introduction

The terrorist attacks of September 11, 2001 ushered in a period of profound change in global politics, revealing new threats and creating fresh opportunities for international cooperation. The priorities and preoccupations of U.S. leaders and the American public, in particular, shifted dramatically in the ensuing months. The Bush administration's attention is now focused primarily on the global campaign against terrorism and efforts to combat the proliferation of weapons of mass destruction in Iraq, North Korea, and elsewhere. Sino-American relations, though of growing importance to the administration, have necessarily been eclipsed by these more pressing issues. While the impact of September 11 has been less dramatic in Europe and Asia, the reorientation of U.S. policy has had worldwide repercussions, prompting a strategic realignment between Russia and the West and concerted cooperation to thwart future terrorist attacks.

China's rise – and the U.S. and European response to the challenges and opportunities it entails – nevertheless remain of central importance to the future political, economic, and security environment of the 21st century. Just as the United States' ascendance at the close of the nineteenth century had global consequences, the effects of China's emergence on the world stage in the coming decades will ripple throughout East Asia and the international system. The ability of the United States and Europe to deal effectively with ascending powers—above all, China—could influence decisively the structure of global politics and economic relations, as well the security environment in East Asia, in this century.

The challenges associated with managing this global transformation are all the more daunting because they come at a time of fundamental change in Europe and the transatlantic relationship. With the increasing economic, political, and security integration of the member states of the European Union (EU) and expansion of the EU's borders as agreed at the 2002 Copenhagen summit, the United States will be faced with a Europe that is more united, yet more complex and fractured. The transatlantic relationship is evolving as well. Reflecting the geopolitical changes of the least decade, the U.S.-European agenda is expanding to include potentially divisive transnational and regional issues beyond Europe's borders. Iraq has proven to be one such issue; China could prove to be another. These developments coincide with a period of increasing friction in U.S.-European relations and a growing perception that cooperation between the United States and Europe has become less important in a world of fluid coalitions and alignments. Whether the transatlantic partnership will prove equal to these challenges depends, in part, on the ability and willingness of both partners to adapt to changes in the world and in their respective positions and to redefine the parameters and expectations of their mutual cooperation.

U.S. and European leaders for the foreseeable future will remain focused on more pressing near-term challenges than China. Steps to enhance mutual understanding of American and European perspectives on China's future and international role nevertheless can and should be taken now. In the coming decades, the China policy of the United States could change in response to developments in the People's Republic of China (PRC) and Taiwan, the progress of the campaign against global terrorism, and domestic political debates over the direction of Sino-American relations. The EU's aspirations to assume a more important role in international affairs and its growing trade and financial links to China also will force European governments and the EU to pay more attention to challenges posed by this emerging great power. Developments in China as well could present difficult policy choices for both European and American policymakers. Sustained and focused exchanges on U.S. and European approaches to China, before political, social or economic instability occurs, could help to reduce the risks of dangerous divisions emerging between the United States and Europe in a time of crisis. On a more positive note, a sustained and focused dialogue on China over time could facilitate joint and cooperative management of the strategic relationship with the most important emerging power in the 21st century.

The time to build the foundation for such a dialogue is now. The dialogue should engage U.S. and European experts on China as well as those knowledgeable about Europe, the United States, and transatlantic relations. On the European side, the dialogue must necessarily engage both national governments in Europe as well as the European Union, with the appropriate mix determined by the issues involved, the evolving balance of influence over foreign and security policy between European governments and EU institutions, and the development of European "policy-shaping" mechanisms.[1] For the foreseeable future, bilateral exchanges between the United States and select European govern-

[1] This report thus uses the term "Europe" to reflect the complex mix of responsibilities and competencies over political, economic, foreign, and security affairs between the European Union and the national governments of the member states. Where one or the other has clear responsibility, a distinction is drawn.

ments will continue to be important on foreign policy and security issues related to Taiwan and the People's Republic of China; at the same time, the United States would benefit from a more coherent and unified European policy on China and should encourage such an evolution through regular, structured exchanges with the European Union, beginning with those issues on which the EU has clear competency.

Exchanges should encompass discussion of broad principles as well as concrete steps. Initially, the dialogue should aim to achieve modest, concrete gains, including a better understanding of U.S. and European experiences with, and analyses of, China; and knowledge of the domestic drivers of U.S. and European policies as well as the role of the EU versus national governments in shaping European approaches to China and East Asia. Over time, such enhanced transatlantic exchanges should ensure that U.S. and European China policies are complementary, at a minimum, and coordinated, if at all possible.

The proposed expansion of the transatlantic agenda to include discussion of China's future may encounter skepticism on both sides of the Atlantic, given the disparity of interest and responsibilities in East Asia and the preponderance of other issues on both U.S and European agendas. Such skepticism, though understandable, is nevertheless shortsighted and overlooks the substantial benefits—as well as risks—that may be incurred depending on the ability of the United States and Europe to integrate new issues and agendas into the transatlantic partnership.

This report makes the case for an intensified exchange between U.S. and European China analysts and transatlantic experts both in and outside of government. It is based on a year-long exchange among U.S. and European experts on China and transatlantic relations organized by the Henry L. Stimson Center in Washington, DC and the German Council on Foreign Relations in Berlin, Germany, with the generous support of the German Marshall Fund of the United States and the Volkswagen Foundation. Over the course of the year, participants in this nongovernmental "Transatlantic Dialogue on China" explored and discussed U.S. and European perspectives on a range of key issues related to China's emergence as a global power, including trade, investment, and financial relations; human rights and democracy; Taiwan and cross-Strait relations; and the proliferation of weapons of mass destruction and their delivery capabilities and other security challenges. The report begins with a brief overview of the changing political context of relations among the United States, Europe, and China and the impact of these changes on American and European perceptions of China. The report then outlines an agenda for a sustained, differentiated transatlantic dialogue on China and proposes modest steps to begin building the foundation for effective U.S-European management of the effects of an emergent China as a global power in the 21st century.

A Changing China: Implications for Transatlantic Relations

China's internal evolution and increasing international engagement over the coming decades will have a profound impact on global and regional politics, economics, and security. For more than a decade, China has experienced an extraordinary rate of economic growth and expansion of its foreign trade and has been the major beneficiary of foreign direct investment among developing countries. Economic ties between China and the United States and between China and EU countries have expanded significantly since China's opening to the world over two decades ago, with dramatic increases achieved in the 1990s alone. In recent years, the United States and the European Union have been among China's top investors and most important trading partners. Anticipating significant business opportunities with the opening of the Chinese market, both the EU and United States signed agreements with China that facilitated its entry into the World Trade Organization (WTO).[2] On the diplomatic front, China's participation in global and regional multilateral institutions over the last twenty years has broadened and deepened, enhancing Beijing's clout in organizations as disparate as the UN Security Council, the Asia Pacific Economic Cooperation organization, and the ASEAN Regional Forum. In the security realm, modernization of China's military capabilities proceeded at a slow but steady pace from 1979 through the mid-1990s, followed by double-digit annual increases in the public defense budget to raise the level of military capabilities from a relatively low and outdated base.

Significant challenges still lie ahead. China is currently engaged in a generational transition in leadership. Additionally, the country is facing intensifying labor unrest and potential social instability as further economic reforms are implemented in response to fundamental internal economic exigencies, which could lead to a significant increase in unemployment and other economic dislocations. The Chinese leadership and government also face—and sometimes foster—a burgeoning nationalism that draws strength from a sense of growing self-confidence about China's power and suspicions about U.S. intentions toward China. Finally, a crisis over the unresolved Taiwan issue could lead to a major conflict with the United States and sharply set back the PRC's modernization efforts.

In the global management of China's ascendance, special responsibilities will fall on the United States and its key partners, including the states of Europe and, increasingly, the European Union. Despite the current mood of disagreements and mutual tensions, the United States and Europe remain partners of choice and necessity when it comes to effective management of proliferation, global terrorism, immigration, and a lengthening laundry list of other transnational issues. Moreover, while the transatlantic gap in military capabilities may be widening, the economic integration of the European and American economies continues apace, creating mutual dependencies for good or ill and lending the United States and Europe a preponderant voice in trade, financial and other global economic issues.

With regard to China, the United States and Europe have a common interest in ensuring that the dangers of incompatible or dissonant approaches are averted and the benefits of complementary or even coordinated action secured. Unless potential differences in the US and European approaches to China are identified and, if possible, resolved, the United States and its European partners may find themselves pursuing competitive or incompatible policies on nonproliferation, trade, technology transfer, and global financial and economic management. The risk that China could exploit these transatlantic differences to its advantage and the mutual detriment of the United States and Europe would also grow. Alternatively, through expanded dialogue and cooperation, both may reap significant benefits, as demonstrated by the U.S. and European negotiations with Beijing on China's accession to the WTO. In this instance, U.S. and European officials engaged in regular consultations and exchanges that resulted in effective "co-management" of the negotiations and China's entry into the organization—an important objective for governments on both sides of the Atlantic and for China as well.

Effective co-management on a broader agenda will be not be easy to achieve, however, for China is not the only rising power. Over the last decade, the 15 member

2 For an overview of the EU-China agreement on WTO see, "Highlights of the EU-China Agreement on WTO," website of the European Commission Delegation in China, http:www.edc.org.cn/WTO/hio.htm; and Frances Williams, "Highlights of China's WTO Entry Terms," Financial Times, 17 September 2001. For the text of the final agreement with China, see http://www.uschina.org/public/wto/#accession. For a comprehensive exposition of the U.S.-China agreement on WTO entry, see "The Bilateral Agreement and the United States," in the special issue of the China Business Review, January-February 2000, available online at http://www.uschina.org/public/wto/uscbc/wtobilat.html. A summary is also available on the website of the U.S. Trade Representative, "China's Accession to the WTO," http://www.ustr.gov/regions/china-hk-mongolia-taiwan/accession.shtml.

states of the European Union have made far-reaching progress in deepening and strengthening their political and economic integration. Although European military capabilities continue to lag behind those of the United States, on global and financial matters, the European Union now commands significant influence. In foreign and security policy, the EU member states retain important prerogatives, but even in this area of "core" national competence, the EU member states are working to develop a Common Foreign and Security Policy (CFSP) that could transform Europe into a more active and perhaps powerful player in international affairs.

The transformation of Europe will necessitate changes in transatlantic relations as well. While bilateral relations between the United States and European states remain paramount, the United States and European Union have taken steps to strengthen the U.S.-EU partnership, both through the "Transatlantic Declaration on EU/US Relations" of 1990 and the New Transatlantic Agenda (NTA) of 1995. For the foreseeable future, the transatlantic relationship will continue to encompass both bilateral exchanges and U.S. cooperation with NATO and the EU, as determined by the issue. As the structure of transatlantic relations and agenda for cooperation evolve, the transatlantic relationship may come to be defined far less by what the United States does for Europe—as during the Cold War—and far more by what the two partners do together in distant parts of the world and on issues that may have very little to do with the traditional agenda of U.S.-European relations.

Though now considered a lower priority, China in many ways is emblematic of the new transatlantic agenda. The nature and limits of U.S.-European cooperation in East Asia or with regard to China are as yet undetermined. A critical U.S. view would hold that Europe in the end may continue to act as a "free rider," content to reap the economic benefits of increased trade with and investment in China, but unwilling to act to check Chinese behavior that falls outside accepted international norms, particularly on proliferation, human rights, and Taiwan. Others suggest that a "division of labor"—whether it is agreed or emerges from practice—between the United States and Europe is inevitable, given the disparity in U.S. and European capabilities, particularly in the military sphere. Alternatively, the United States and Europe may evolve more limited forms of cooperation that result in the pursuit of compatible, or possibly even complementary, approaches and strategies on particular issues. Determination of both the possibilities and limits of U.S.-European cooperation on China must begin with an increased understanding of U.S., European, and EU interests, priorities, goals, and strategies, both more generally and with regard to China and East Asia specifically.

U.S. and European Views of China

A U.S.-European conflict over approaches to China is not inevitable—no more than is a U.S-China conflict foreordained. Although countervailing minority views exist, the United States and Europe generally share a desire to see China evolve into a stable and prosperous country that is integrated into the world economy and a responsible member of the international community. Further, neither the United States nor Europe wants a conflict in the Taiwan Strait, which could cause significant damage to U.S regional interests and disrupt Europe's growing economic ties to the region. In seeking to manage the implications of China's evolution, both U.S. and European officials and analysts are aware of the social, economic, and political challenges facing China, which can create conflicts among Chinese leaders and bureaucracies and lead to contradictory behaviors and actions.

U.S. and European objectives in their respective relations with China reflect shared values and vision as well. The Bush administration has said that the United States and China have common interests "that are best served by a productive—and positive—relationship." At the same time, U.S. officials underscore key differences with Beijing over Taiwan, human rights and religious freedom, arms sales around the world, and the proliferation of weapons of mass destruction and their delivery systems.[3] Reflecting the consensus perspective of European states, the EU Commission's 1995 Communication on a "comprehensive partnership with China" outlines a strategy to achieve China's rapid and full integration into the international community and its "transition to an open society based upon the rule of law." European goals are to be achieved through engagement of China in the international community, support for the transition to an open society based on the rule of law and respect for human rights, and further integration of China into the world economy and trading system as well as continuing economic and social reform.[4]

While possessing similar visions for China's future, Europe and the United States sometimes adopt different strategies or assign varying priorities in pursuit of their common aim. The fissures over China policy fall not only between but within Europe and the United States.

Despite the avowed EU aim of "partnership with China," a "European" China policy is not generally perceived to exist. There is little debate about China and China policy among opinion leaders, "policy-shapers," or the broader public. And while some of the larger European states have historical ties to Asia, many smaller European countries have little experience in dealing with China beyond trade and development issues. European governments, not surprisingly, do not always agree on the best approach to China on specific issues. Implementation of China policy is also dispersed, with the EU assuming significant responsibility for management of external trade relations with the PRC and Taiwan, and individual member states retaining power on other issues of foreign policy. Although the European Union aspires to play a greater role in shaping foreign and security policy, China has not been at the focus of this process to date. In a crisis situation, for example, political instability in the PRC or a conflict over Taiwan, many observers predict that the balance of influence would shift decisively to national governments, particularly in the absence of an EU-wide consensus on the role of the EU in security and military affairs. As a consequence of these asymmetries of interest, knowledge, and power, European states have had difficulty developing and implementing a coherent policy in support of their consensual vision for China.

Improved coordination of European approaches to China nevertheless should be possible. Since China

3 For comments on U.S. China policy, see the address of Ambassador Richard N. Haas, Director of Policy Planning, U.S. Department of State, "China and the Future of U.S.-China Relations, to the National Committee on U.S.-China Relations' Annual Meeting, 5 December 2002, New York, http://www.ncuscr.org/haass%20speech.htm. See also the testimony of Assistant Secretary of State for East Asian and Pacific Affairs James A. Kelly on " The Future of U.S.-China Relations" before the Senate Foreign Relations Committee, Subcommittee on East Asian and Pacific Affairs, Washington, DC, 1 May 2001, http://www.state.gov/p/eap/rls/rm/2001/2697pf.htm; and James A. Kelly, Assistant Secretary of State for East Asian and Pacific Affairs, "President Bush's Trip to Asia: Outlook and Policy Prospects," remarks at the Woodrow Wilson International Center for Scholars, Washington, DC 18 March 2002, http://www.state.gov/p/eap/rls/rm/2002/8820pf.htm.

4 "Building a Comprehensive Partnership with China," website of the External Relations Directorate General of the European Commission, http://europa.eu.int/comm/external_relations/china/com_98/index.htm. The Commission Communication outlining a strategy toward China was adopted in 1995 and reviewed in 1998 and reviewed in 2001. For an evaluation of the strategy's implementation, see the Communication from the Commission to the Council and the European Parliament, "EU Strategy towards China: Implementation of the 1998 Communication and Future Steps for a more Effective EU Policy," Brussels, 15 May 2001.

does not appear to be a high priority on the foreign policy agenda of European governments, it may be easier for EU governments to agree on routine matters of policy, particularly when supported by the EU's "policy-shaping" processes and mechanisms, which facilitate regular exchange of information among European foreign ministries. Moreover, effective cooperation among European governments has already been achieved on a number of practical issues related to China, including organized crime and illegal immigration.

European perceptions of China, moreover, are based on several shared assumptions. In general, rather than focusing on the potential security threat posed by a rising China, Europeans tend to concentrate on the positive dimensions of China's growing importance and international engagement, including the prospect that China may play a responsible and constructive role in regional and global institutions and development. Additionally, Europeans also underscore the increasing economic, social and political strains and stresses on a modernizing China that could lead to social and political implosion, which they see as a greater danger to the world than rising Chinese power. Europe's comparative advantage, in this view, lies in the projection of Europe's significant "soft power" and export of the "European model" through political dialogue, trade and investment, and assistance programs, which over time can help build respect for the rule of law in China, introduce and disseminate democratic principles of accountability, and strengthen adherence to international norms. In a very real sense, Europeans regard the difficult process of strengthening and expanding the EU as Europe's most important contribution, not only to the peace and security of Europe, but to that of other regions and countries that might benefit from EU engagement or assistance. In the European perspective, although European governments and the EU can do little to affect the geo-political or military balance in Asia and prefer to rely on diplomacy, dialogue and cooperative programs, the EU's approach to China is nonetheless "strategic" in nature, because it seeks to effect long-term change in China and Chinese behavior.

While the United States shares these goals and pursues them as well, given its regional and global strategic responsibilities, the United States must be more attentive to China's military capabilities and modernization efforts and assign a higher priority to the security of Taiwan. Washington thus tends to place greater emphasis on altering China's external behavior through alliances and security commitments in the region and through its own actions and policies. Many U.S. experts perceive the European emphasis on economic relations with China as a response to domestic commercial and other economic pressures, while others are less sanguine about the prospects for effecting change in China's external behavior through programs targeted at achieving internal reform. U.S. experts urge their European counterparts to be more attentive both to the limits of "soft power" in guaranteeing stability and security in the region and to the strategic implications of China's growing economic importance and military capabilities, which the United States, by virtue of its global and regional responsibilities, cannot ignore. Concern about the strategic ramifications of China's rise in the international system is broadly shared among U.S. experts, although no consensus exists over the most effective and appropriate policy response. While a minority perspective favors "containment" of the PRC, others argue for continued engagement, coupled with a strong U.S. military presence and alliance structure in the Western Pacific as a "hedge" against the possibility that China will emerge as a strong and hostile nation.

U.S.-European disparities in perspective also reflect the impact of differing historical experience and domestic politics. The United States has a long history of relations with China, and China policy today continues to be the source of intense political debate and divisions—within and between the executive and legislative branches of government and the major political parties. The democratization of Taiwan has intensified already strong concerns for safeguarding Taiwan's security and the well-being of its people, particularly in the U.S. Congress—support that is often independent of one's respective view on whether China must be "contained" or "engaged." In contrast, with the exception of a handful of countries, the Europeans have no comparable historical experience with China.

Europe's experience also puts it at odds with an influential minority view in the United States that portrays

China as a rising threat to U.S. interests and long-term presence in East Asia—beginning with Taiwan. Some representatives of this perspective would rather "contain" than engage the PRC through the imposition of stringent controls on trade and technology transfer, the maintenance of a large U.S. military presence in the region, and enhanced military ties with Taiwan. Adherents to this view are increasingly focused on Taiwan as the central concern of U.S. China policy. This perspective appears to be largely absent in Europe. Europeans may acknowledge that Europe has a strong interest in Taiwan's security and in maintaining stability in East Asia, but see the United States as principally responsible for safeguarding this "common good." As a consequence, there are no European advocates of a European military force in the region, although some analysts might argue for greater support of U.S. policy on Taiwan.

An Agenda for Dialogue

Despite the disparities in perspective and responsibilities, a sustained and differentiated dialogue on China would serve two important foreign policy goals for the United States and Europe. First, although neither the United States nor Europe can determine the evolution of China, an intensified dialogue on the issues associated with China's rise could help to facilitate more effective co-management of the economic, political, and strategic consequences of China's emergence on the international stage. Second, focused and regular exchanges on China would allow both partners to identify differences and potential conflicts in their respective approaches to China, thus avoiding the sudden and unexpected pursuit of countervailing policies—a "strategic surprise" that could undermine transatlantic cooperation in Asia and perhaps more generally—to the detriment of the U.S.-European partnership. As the United States and Europe evolve and change, the political will of the United States and Europe to cooperate will depend increasingly on whether the transatlantic partnership proves efficacious in tackling a growing range of new issues and challenges—including change within China.

To be mutually beneficial, the agenda for an enhanced transatlantic dialogue should focus on a range of concrete issues related to China's evolution and reflect U.S. and European priorities, interests, and responsibilities in the region. In some instances, bilateral exchanges will be most appropriate and effective; for other issues, an intensified U.S.-EU dialogue should be pursued. In each case, the issue should determine the institutional framework for dialogue. Given the asymmetries noted above, a comprehensive agenda is advisable to avoid foundering on any particular issue and to ensure that both parties' interests are addressed. In general, U.S. policymakers and experts can be expected to assign a higher priority to discussions that relate to core security problems in East Asia and globally, including the proliferation of weapons of mass destruction and their delivery capabilities and the security and status of Taiwan, as well as to trade issues and the human rights situation in the PRC. European priorities would include China's economic and internal political evolution, as well as important transnational challenges on which the U.S., Europe, and China could cooperate to mutual benefit. Within this broad agenda, outlined below, the prospects for cooperation are likely to vary according to the issue's salience, impact on national interest, and coincidence of objectives.

Proliferation, Technology Transfer, and Export Controls

Although they have tended to approach the problem differently, the United States and Europe have strong shared interests in encouraging China to abide by international norms and commitments regarding the proliferation of weapons of mass destruction and their delivery systems, particularly to regions of conflict such as the Middle East and South Asia. In general, European states are inclined to focus on enhancing China's participation in global nonproliferation treaties and regimes. Although the United States has expended considerable effort in persuading China to join international nonproliferation regimes, it has tended to advocate and be capable of undertaking more rigorous monitoring of China's compliance with its nonproliferation obligations. Despite this disparity of focus, however, both U.S. and European officials over the last decade have noted a marked change in Chinese attitudes regarding nonproliferation and arms control that provides a foundation for future cooperation.

While the Chinese initially tended to view nonproliferation regimes as arrangements to restrict trade by Chinese exporters, Chinese officials have come to see participation in global nonproliferation regimes and processes as beneficial to Chinese interests and objectives. China's performance on nonproliferation and the control of sensitive technologies is generally believed to have improved over the last decade and Beijing continues to take steps to address U.S and Western concerns. For example, following repeated delays, Beijing in August 2002 issued new regulations governing the export of missile technology as well as new regulations on the export of chemical weapons precursors and biological agent related items. Additionally, the Regulations on Control of Military Products' Export have also been amended.[5] These measures should bring Chinese regulations and export control lists into alignment with multilateral export control regimes. The new regulations were welcomed by U.S. officials, although concerns remain about possible loopholes.[6] A key question for both Europeans and the U.S. government is whether such activities occur with or without the knowledge and support of the central government and, in any event, what the government is doing to clamp down on such behavior.

Despite signs of a growing and genuine commitment to nonproliferation, a reversal or at least a hiatus in China's adherence to international norms and bilateral commitments cannot be excluded. Internal turmoil, persistent interagency differences, changes in U.S. policy, or developments in China's relations with other nuclear powers could undermine Chinese willingness to participate constructively in international nonproliferation and export control arrangements and the willingness of the government to enforce its non-proliferation commitments internally.

Given the dangers associated with the proliferation of destructive technologies to hostile states or terrorist groups, an intensified transatlantic dialogue on China and proliferation should be a high priority. Bilateral exchanges will continue to be important to discuss the implications of military exports to the region, because regulation of defense-related trade remains under the purview of European governments. In addition, a U.S. dialogue with EU officials will be necessary to address the transfer of sensitive dual-use technologies, since the EU is endeavoring to harmonize national regulations governing some such items of international commerce.[7]

The aim of this enhanced engagement should be to ensure that U.S. and European approaches to China remain parallel or complementary and are not adversely affected by differences in principle between the Bush administration and many European governments over the value of nonproliferation and arms control treaties and regimes. Agreement between the United States and Europe on a unified response to China's proliferation behavior, such as the imposition of sanctions, appears unlikely; the United States and European governments nevertheless might find alternative modes of cooperation to discourage China's proliferation activities. For example, European governments, particularly those with a long history of bilateral discussions with the United States on nonproliferation, could be helpful in encouraging China to abide by Beijing's bilateral agreements with the United States. Although a truly coordinated approach may be premature, expanded dialogue in this area would help to ensure that neither the United States nor Europe sends conflicting signals that could be misinterpreted in Beijing. The potential for cooperation in this area could increase over time, as the European states achieve further advances in developing a

5 See Elisabeth Rosenthal, "China Issue Rules on Export of Missile Gear," New York Times, 26 August 2002; and "Chinese Export Controls and Jiang Zemin's Visit to the United States," Center for Nonproliferation Studies, Monterey Institute of International Studies, http://cns.miis.edu/research/china/chiexp/index.htm.

6 See the testimony by Assistant Secretary of State John S. Wolf before the Senate Governmental Affairs Committee Subcommittee on International Security, Proliferation and Federal Services, 6 June 2002, http://www.state.gov/t/np/rls/rm/10929.htm.

7 U.S. engagement of the EU is necessary, since export controls on some such items fall under the competence of the European Community.

more unified or even common approach to nonproliferation. Conversely, a lack of transatlantic coordination could lead to the transfer of sensitive, military-related technologies or know-how, either to China or from China to third parties, with negative repercussions for the security of the United States, Europe, and other friendly and allied nations.

Taiwan and Regional Security

Differences in strategic perspective, commitment, and national interests often lead the United States and Europe to adopt different strategies on Taiwan and cross-Strait relations. Meaningful cooperation on Taiwan therefore could be difficult to achieve. Both the United States and Europe nevertheless have a shared interest in promoting peaceful resolution of cross-Strait issues and ensuring that neither the PRC nor Taiwan perceives a transatlantic rift on this critical issue, with serious consequences for peace and stability in the region. Beyond cross-Strait relations, the United States and Europe could also benefit from enhanced discussion of those regional security issues in which China could play a role, such as the evolution of the Korean peninsula.

Although the United States and Europe are committed in one form or another to "one China" and a peaceful resolution of the cross-Strait conflict, only the United States has undertaken specific security obligations to Taiwan under the Taiwan Relations Act. While European governments are broadly committed to a common approach on Taiwan's future, the PRC remains the principal focus of European engagement in East Asia. European governments, pointing to their own history, are encouraged by growing economic integration between the Mainland and Taiwan and argue that, in the long term, economic interdependence will facilitate a peaceful political resolution of the current conflict. Most American specialists agree, and U.S. policy remains supportive of cross-Strait economic ties. Some U.S. observers nevertheless are notably skeptical that cross-Strait economic integration will either dampen rising nationalism on the Mainland—and Taiwan—or necessarily make the PRC a more enticing or attractive place in the eyes of many Taiwanese. Many U.S. experts are also critical of what they perceive as weak European support for Taiwan and an unwillingness to bolster a rhetorical commitment to peaceful resolution of the PRC-Taiwan conflict with meaningful actions, either regarding Taiwan-specific issues or in Europeans' dialogue with Beijing. This perspective is echoed by a minority of European experts, who argue for inclusion of core military and security issues on the European agenda for a common policy toward Asia.

Though such a contingency at present may appear remote to some observers, the risks and potentially catastrophic consequences of a conflict in the Taiwan Strait argue strongly for an intensified exchange on these differences. Although their stakes are different, if the United States were to engage in a military conflict with the PRC over Taiwan or, even short of war, to apply sanctions against the Mainland in response to a PRC attack on or threat to Taiwan, European states would come under severe pressure to follow suit. While European governments or the EU are unlikely to undertake bold new initiatives regarding Taiwan and cross-Strait relations, an enhanced transatlantic dialogue on specific, contentious issues – such as Taiwan's participation in various international bodies – and on future possible security contingencies and responses, could help to avert such negative outcomes and thus benefit both the United States and Europe. Given the political sensitivities involved, bilateral channels may be more helpful in enhancing understanding of U.S. and European approaches to Taiwan, perhaps supplemented by intensified exchanges with the European Union regarding economic issues.

The increasingly uncertain future of the Korean peninsula and China's role in mitigating a potential crisis over North Korea's resumed nuclear weapons program should also be the subject of intensified dialogue between the United States and European national governments. The European Union, which in May 2001 sent a delegation to Pyongyang and Seoul to discuss, among other issues, relations between the two Korean states and North Korea's missile program and nonproliferation, may also have a role to play in such a dialogue.[8]

WTO Implementation and China's Economy

Despite the solid track record of U.S.-European cooperation on China's accession to the World Trade Organization, multiplying transatlantic trade frictions and U.S.-European economic competition both globally and in the China market could hinder continued cooperation between the United States and Europe in ensuring the effective implementation of China's WTO commitments. The continuing integration of China

8 The European Union is also a member of the Korean Peninsula Energy Development Organization (KEDO). On the EU overture to North Korea, see Stockholm European Council: Presidency Conclusions, Press Release, Stockholm, 24 March 2001 (100/1/01), http://ue.eu.int/newsroom/main.cfm?LANG=1.

into the world economy nevertheless remains an important shared objective for the United States and Europe. China's membership in the WTO and successful integration into the global economy on WTO principles is likely to bring sizeable economic benefits to the United States as well as to the EU. A U.S.-EU dialogue on China and WTO would signal a mutual recognition that China's meteoric rise on the global economic scene entails not only certain risks, but also the promise of significant regional and global benefits. Both partners therefore have much to gain from working together to assist China in completing the difficult reforms required by China's internal economic situation and under the terms of WTO accession.

The successful negotiation of China's entry into the WTO was only the start of a protracted and difficult process. Although China's present leadership appears fully committed to participation in the WTO, U.S. and European trade officials also caution that it will take time for China to make the necessary adjustments to implement the WTO agreements. In the meantime, China appears willing and, indeed, eager to receive additional technical assistance in WTO implementation, which both the EU and U.S. have an interest in extending and indeed have already begun to provide. At the same time, problems with implementation will inevitably arise, in turn generating domestic political pressures within Europe and the United States to apply safeguards and anti-dumping provisions. Although European and U.S. officials appear to share a common understanding that the WTO dispute mechanisms should not be applied to every dispute, the commitment to finding a constructive solution under these circumstances could be difficult to sustain. Transatlantic disputes could also arise because of underlying philosophical differences over the application of free trade principles in China.

Continued U.S.-European cooperation on China and WTO implementation, perhaps beginning with enhanced exchanges on technical assistance, could provide a foundation for broader exchanges on China's growing integration into the international economy. Given increasing concern about proliferation, the issue of technology transfer to China is bound to feature more prominently on the U.S. agenda. U.S.-European disputes over standards, agriculture, and biotechnology could be potentially divisive as well, as shown by recent strenuous U.S efforts to prevent China from adopting limits on imports of GMO foods and feed, as advocated by the EU. Additionally, the rapid migration of manufacturing capability and research and development capacity to China will pose additional challenges that could divide the United States and Europe. Finally, the inevitably difficult U.S.-EU negotiations in the Doha Round could affect the development of cooperation toward China, as each attempts to lobby this new member.

As with other issues, an intensified transatlantic exchange on China's evolving economy and the PRC's integration into the WTO should involve multiple U.S.-European channels. The EU will continue to play a pivotal role in ensuring that China fulfills its international commitments related to WTO accession. On the other hand, European governments do not always pursue common aims on trade and economic issues, and bilateral talks thus will continue to be helpful.

China's internal evolution: rule of law, human rights, and democratization

Despite their generally common vision of China's desired future internal evolution, views differ within the United States and among European governments over the best means of promoting human rights and democracy in China. Although Europeans believe strongly in universal human rights principles, many dispute the efficacy of the more public U.S. approach. In general, European governments have tended to support the official EU position, which supports an intensive EU-China human rights dialogue "without preconditions" and advocates specific cooperation projects as "at present the most appropriate means of contributing to human rights in China."[9] In this perspective, dialogue and further progress toward economic development are expected to improve China's compliance with internationally accepted standards of human rights and to help build a long-term constructive relationship with China. The United States, in contrast, is apt to couple bilateral exchanges on human rights with more frequent public statements condemning Chinese abuses of broadly accepted standards of human rights and religious freedom. This is due in part to strong domestic political pressures, particularly within the U.S. Congress, but also reflects a unique history and diplomatic approach. These differences in tactics, though perhaps unbridgeable, nevertheless warrant continued discussion. U.S.-European exchanges on the

9 The EU's objectives related to human rights are outlined in the Commission communication on "Building a Strategic Partnership with China." discussed above. See "Supporting China's transition to an open society based on the rule of law and the respect for human rights," http://europa.eu.int/comm/external_relations/china/com_98/com98_b.htm.

practical impact and long-term import of varying approaches on human rights could help to enhance understanding of U.S. and European perspectives—and constraints—in these areas, perhaps narrowing differences over time.

A more promising area for transatlantic cooperation is promotion of the rule of law—an area in which the EU has been particularly active. Although disparate traditions and systems of law could pose obstacles to cooperation, in fact, many legal principles are held in common, and the United States and Europe are committed to seeing that the rule of law becomes more firmly established in China. Exchanges on the relative success or failure of alternative approaches and programs could enhance the effectiveness of U.S. and European initiatives or even lead to the development of joint initiatives. For example, the United States and Europe could work together to ensure that EU and U.S. companies adhere to certain labor standards with regard to Chinese subcontractors or assist jointly in the training of judges.

An additional topic for intensified exchange is the potential for, and consequences of, widespread social, economic, or political instability in China as it continues with the wrenching process of transformation. Mindful of the problems created by the unanticipated dissolution of the Soviet Union in the early 1990, many U.S. and European China experts have argued that the international community and national governments must be prepared to address the development of severe instability in China and its broader consequences. Among other issues, transatlantic discussions might focus on how the United States, European governments or the European Union might react to a major destabilizing event in China and what means might be available to ameliorate any emergent crisis.

The new transnational agenda

A final area for potential U.S.-European and even trilateral cooperation comprises the issues associated with what has been referred to as the "dark side of globalization," including terrorism, the spread of HIV/AIDS and other global issues, such as transnational crime, drug and human trafficking, and environmental degradation. These problems affect the United States, Europe, and China; their mutual cooperation and that of many other nations will be required to find effective solutions.[10] The response of both China and Europe to President Bush's call for cooperation to combat terrorism is an encouraging beginning and could provide the foundation for expanded dialogue. Initiatives to enhance HIV/AIDS prevention and research offer significant potential for cooperation as well and could also be used to facilitate discussions on a broader set of social issues of importance to both the United States and Europe, including public accountability and social conditions in China.[11] Global warming and energy could offer additional topics for discussion, notwithstanding the evident differences between the U.S administration and European governments over the Kyoto Protocol. Intensified exchanges on this new, transnational agenda could provide a "win-win" situation for all concerned and help to ameliorate Chinese concerns that the United States and Europe are "colluding" to China's detriment. As with other issues, the framework for transatlantic dialogue should be determined by the specific problem and the capacities of various bilateral and multilateral fora and mechanisms.

10 On the need for international cooperation on a new transnational agenda, see the comments by Ambassador Richard N. Haass, Director of the Policy Planning Staff, U.S. Department of State, to the Center for European Reform, "Charting a New Course in the Transnational Relationship," 10 June 2002, London, http://www.state.gov/s/p/rem/10968pf.htm.

11 A recent U.S. initiative will include training programs, the exchange of scientists and experts, the development of new intervention strategies to prevent HIV transmission, and assistance to local governments. See U.S. Department of Health and Human Services, "Secretary Thompson Announces Expanded Cooperation of HIV/AID Programs in China," 28 June 2003, available on line at http://www.hhs.gov/news/press/2002pres/20020628b.html. For a discussion of HIV/AIDS in China, see Bates Gill, Jennifer Chang, and Sarah Palmer, "China's HIV Crisis," Foreign Affairs, March/April 2002.

Obstacles to Cooperation

The United States and Europe will face multiple challenges in expanding the transatlantic agenda to include China and key issues related to its ascendance to a position of greater prominence in regional and global affairs. The obstacles to effective cooperation include political divisions in the United States and the EU; asymmetries of focus and expertise; bureaucratic barriers; and growing tensions and frictions between the United States and Europe on non-China related issues.

Divisions and Disunity

The U.S. polity and both major political parties are deeply divided over the direction of China policy. Motivated by strongly-felt ideological, religious, or ethical concerns, a small, but vocal minority is sharply critical of U.S. engagement of China. The much larger, unresolved debate concerns the implications of China's rising power for U.S. interests and engagement in Asia. Most U.S. China experts believe that the United States has no choice but to continue with a policy of engagement in some form while pressing for change in critical areas; others see the possibility of a fundamental shift in U.S. policy toward a strategy of confrontation and containment, a development that that would significantly complicate cooperation with Europe with regard to China. However minimal or great the danger of such a shift, public divisions within the U.S. polity intensify European concerns about the perceived volatility of U.S. policy and make it difficult for European governments to discern between pronouncements and actions by the U.S. administration that may be directed toward winning favor with particular factions in the broader China policy debate and those that are directed toward Beijing. The task is all the more challenging because of the cross-cutting divisions in the U.S. polity, which exist not only between but within the legislative and executive branches of government. In the U.S. Congress, the splits over China policy run through the major political parties as well as across the aisle. Executive branch departments and agencies involved with China policy are similarly divided.

Disunity within Europe can be equally confounding for the United States. Although the EU member states have agreed on a joint approach to China, the European Union's "Common Foreign and Security Policy" is still very much a work in progress. The member states remain a strong driving force on matters of foreign and security policy, and the balance of influence between the EU and member states is still much contested. Although the consensus in support of a coordinated approach to China appears relatively solid—perhaps with the exception of human rights—compared with EU strategies on other issues and regions, "Europe" continues to speak with many voices. Even when the EU member states can agree on a common policy or approach, cooperation with third states can be difficult. The need to preserve unity among the fifteen member states makes it difficult for the EU to adjust to new circumstances in bilateral or multilateral discussions. The United States thus faces the challenge of dealing with a Europe that is both too united and not united enough.

U.S.-European Asymmetry

U.S.-European cooperation on China will also be difficult because of an imbalance in focus, interest, and expertise. Since the September 11, 2001 terrorist attacks on the United States, the Bush administration and U.S. policymakers have directed considerable energy, attention and resources toward combating global terrorism, as well as ameliorating continuing crises in the Middle East and South Asia. While some European governments have provided significant political, economic, and military support for the U.S.-led war on terrorism, a year after the attacks, many European governments appear to be refocusing their attention on completion of the ambitious European agenda, which they view as critical to the future stability and prosperity of Europe and a prerequisite to a constructive and influential role in global affairs. Differing U.S. and European priorities, coupled with Europe's relatively limited involvement in Asia, could make it difficult to expand the transatlantic agenda to include regular discussion of China's future evolution and role in East Asia and global affairs or to move beyond discussion to meaningful cooperation. These asymmetries of focus in turn help to create and sustain a commonly shared perception on both sides of the Atlantic that Europe—aside from questions of trade and finance—has relatively little to contribute in shaping the future of China and Asia. Finally, even if European governments can be persuaded to focus their attention and interest on "over-the-horizon" issues, governmental and non-governmental expertise on China and Asia is relatively thin in contrast to the United States.

Bureaucratic Barriers

The structure of governmental bureaucracies and policymaking bodies creates additional obstacles to an intensified U.S.-European exchange on China. For the most part, official transatlantic exchanges remain the responsibility of U.S. European specialists and their European counterparts responsible for relations with the United States, both of whom may have limited knowledge of Asia and China. U.S. or European governmental experts who specialize in East Asian affairs have fewer opportunities for regular and meaningful exchanges with their counterparts across the Atlantic. U.S. experts' knowledge of European policies or programs related to China, or of the dual roles of the EU and its member states in shaping European approaches to China, may also be limited. Bi-annual U.S.-EU bilateral consultations on Asia are viewed by some observers as too sporadic and scripted to build a deeper understanding of either side's perspective or thinking.[12]

U.S.-European Frictions

The most significant obstacle to enhanced U.S.-European cooperation on China could be escalating tensions in transatlantic relations and a growing perception in the United States and Europe that the transatlantic partnership has become less necessary and more troubled in a changed and changing world. The negative rhetoric on both sides of the Atlantic is intensifying, with some commentators questioning the future of the transatlantic partnership. Europeans complain about American unilateralism and what they see as an arrogant and self-serving notion of national interest that leaves little room for accommodation of allied interests and concerns. Many are distrustful of American policies and approaches and increasingly concerned that tactical differences are becoming differences of philosophy and principle. Some are also worried about being dragged into conflicts over in the Middle East or other regions for the wrong reasons or due to misguided U.S. policies. U.S. officials, for their part, criticize the Europeans for insufficient investment in defense capabilities that renders Europe incapable of being a true partner in military operations outside of Europe, while other commentators discern a lack of strategic vision and level charges of European fecklessness and self-absorption.[13]

Although U.S. specialists in European affairs differ over the degree and severity of the current tensions in transatlantic relations, many express concern about growing mutual disaffection and the diffusion of mutually negative perceptions on both sides of the Atlantic. While the current spate of tensions may prove a passing phase, the possibility of a serious rift in U.S.-European relations should not be excluded. At the very least, U.S. and European relations could well remain fractious for the foreseeable future. Although the United States and Europe could continue to cooperate closely in the global war against terrorism, developments in Iraq, Iran, or in the Middle East could cause a severe rupture in U.S.-European relations, undermining their ability to manage differences on other vital issues in the future. Even short of a fundamental rift in the U.S.-European relationship, it could be very difficult to agree on compatible or even complementary policies on China in the face of festering disputes on other fronts.

12 For further discussion of bureaucratic impediments, see David Shambaugh, "European and American Approaches to China: Different Beds, Same Dreams?" Sigur Center Asia Papers Number 15 (Washington, DC: Sigur Center for Asian Studies, 2002), 6.

13 For a sampling of the escalating rhetoric and diversity of views on the future of U.S.-European relations, see Ivo Daalder and Philip Gordon, "Euro-Trashing," Washington Post, 29 May 2002; Robert Kagan, "The U.S.-Europe Divide," Washington Post, 26 May 2002; Jeffrey Gedmin, "The Alliance is Doomer," Washington Post, 20 May 2002; Todd S. Purdum, "Powell Encounters Parallel Universe of Europe," New York Times, 16 May 2002; Roy Denham, "Europeans Should Stop Whining and Pull Their Weight," International Herald Tribune, 23 May 2002; and Wolfgang Ischinger, "What Continental Drift," The Washington Times, 23 May 2002. Relations continue to sour in fall 2002 and early 2003, as differences over Iraq policy intensified.

Recommendations for Action

Both U.S. and European interests are ill served by a continuation of the current climate of mutual recriminations and accusations. If the rhetoric on both sides of the Atlantic continues to escalate, valuable opportunities to manage and resolve shared problems, domestic and foreign, will be lost. In confronting growing transnational challenges and dangers, little can be accomplished unless the United States and Europe work together, not only in coordinating their bilateral relations with China, but in the multilateral fora that will be involved in managing China's increasing integration and involvement in regional and global affairs. These include not only the World Trade Organization, but the United Nations, the G-8, and the World Bank and International Monetary Fund as well.

A broad, sustained, and structured transatlantic dialogue on China's evolution would serve U.S. and European interests and foreign policy goals—both with regard to China and to the transatlantic relationship. First, transatlantic cooperation is important to effective management of the consequences of China's emergence as a great power. Much of China's internal development lies far beyond the ability of the United States or Europe to shape, either alone or in concert. But the prospect that a rising China will be integrated into the international community in a peaceful and stabilizing manner will be much improved if the United States and Europe pursue mutually reinforcing, rather than combative and incompatible, approaches. Second, effective co-management of this momentous shift in global politics is also important to the future of the U.S.-European partnership. As the United States and Europe evolve and change, the political will of the United States and Europe to cooperate will depend increasingly on whether the partnership proves efficacious in tackling a growing range of new issues and challenges—including change in China.

To accomplish their joint goals, the United States and Europe first must expand their vision of the transatlantic partnership. U.S. officials and experts who are unaccustomed to considering the role of Europe in their respective areas of geographic or functional expertise will have to acknowledge the risks of an overly myopic view as well as the potential benefits of exchange and dialogue with Europe. This expanded vision of the transatlantic partnership must include an enhanced role for U.S.-EU coordination. Although the European member states remain the decisive players in matters of foreign policy, a more coherent and unified European policy on China is desirable and should be encouraged. European and EU officials in turn will need to look outward, beyond the agenda of European integration, if the EU is to fulfill its aspirations to play a more important role in international affairs. Both partners must acknowledge that the transatlantic partnership remains essential and take further steps to expand the agenda of cooperation to tackle the most important challenges of the "post-post-Cold War world"—most of which will lie far beyond Europe's borders.

Principles of Engagement

An expanded transatlantic dialogue on China and related developments in East Asia should be guided by the following principles:

1. Focus on concrete issues and real experiences. Agreement on a unified "strategic perspective" regarding China—whether within the United States, in Europe, or between the U.S. and Europe—is likely to be difficult, if not impossible, to achieve and could quickly diminish enthusiasm for U.S.-European cooperation on China. As noted above, the U.S. polity is divided in its strategic view of Asia and China. Europeans are also far from achieving a coherent China policy. Both factors could complicate bilateral discussions of "strategic perspectives" on China. The lack of a shared "strategic perspective" on China, however, need not preclude exchange and cooperation on concrete experiences and issues, which over time could help to narrow differences of strategic perspective.

2. Begin with modest expectations. Expansion of the transatlantic dialogue to include China and East Asia will be met with much skepticism and even resistance—particularly at a time of "agenda overload" on both sides of the Atlantic. Barriers to cooperation can be formidable and differences over specific policies deeply rooted, impeding ambitious forms of cooperation. Initially, the dialogue therefore should pursue modest aims, including enhanced sharing of information and analyses among non-governmental and governmental experts, a better understanding of the factors and processes shaping policy on both sides of the Atlantic, and the creation of stronger, denser network of China and transatlantic experts in the United States and Europe. If sustained over time, this focused and differentiated transatlantic dialogue on China could help to achieve greater

complementarity of action or even, on some issues, coordinated policies.

3. Pursue a dual-track approach. The institutional framework of the transatlantic relationship must continue to evolve. Bilateral exchanges will continue to play a central role in transatlantic exchanges on China, particularly on the difficult political and military issues for which national governments remain responsible. Where the EU is assuming more responsibility, existing U.S.-EU mechanisms for cooperation should be enhanced and expanded. Steps have been taken in recent years to ensure that U.S.-EU exchanges are focused and oriented toward producing concrete results. In particular, since 1995 the NTA structure has evolved to include exchanges on defined priority issues at the U.S.-EU summits and meetings of the NTA's Senior Level Coordinating Group, which is responsible for preparing the summits and overseeing implementation of agreed measures and actions. This trend must be continued if the U.S.-EU partnership is truly to be upgraded "from one of consultation to joint co-operation."

An Agenda for Action

Building on these general principles of engagement, several modest steps should be taken immediately to begin expanding the transatlantic agenda to encompass the issues posed by China's rise and emergence on the international stage. Nongovernmental organizations and specialists can play an important role in initiating this process, which over time could help to ensure that the key issues related to China become a routine matter of discussion in bilateral and U.S.-EU exchanges. The agenda for action encompasses three elements:

1. Enhance and expand exchanges among U.S. and European nongovernmental experts on China, East Asia, and transatlantic relations.

   Progress toward the articulation of an expanded transatlantic agenda or, alternatively, consideration of the transatlantic dimension on China policy in internal deliberations in the United States or Europe, will require difficult attitudinal and structural changes. Nongovernmental organizations and specialists can provide impetus for this transformation process by raising awareness of the need for change on both sides of the Atlantic as well as the existence of common goals or potential problems with regard to the PRC and Taiwan. Transatlantic exchanges such as the Stimson/DGAP effort, or parallel initiatives undertaken by the George Washington University, the Center for Strategic and International Studies, and other organizations in the United States and Europe should be continued and expanded.[14] Other prominent nongovernmental organizations in the China field, such as the National Committee on U.S.-China Relations, could be valuable partners in an expanding and deepening a "track two" transatlantic dialogue on China as well. To enhance the values of these exchanges, several modest steps should be taken:

   – Create a comprehensive inventory of China expertise, both individual and institutional, in Europe and the United States. This is particularly important for many U.S. China experts, who may be less familiar with their European counterparts than vice versa. Such an inventory could also help to strengthen and expand existing networks and exchanges across the Atlantic, so that dialogue becomes sustained and focused, rather than episodic and general.

   – Create a catalogue of specific, concrete issues and urgent problems of common interest to Europe and the United States. Experts should be asked to identify key issues for discussion by U.S. and European analysts. This report has identified five broad policy areas related to China's evolution and reflecting U.S. and European priorities and interests. The next step is to single out specific issues for focused exchange. Problems that might lend themselves to initial discussion include: HIV/AIDS, global environmental issues, energy security, migration, the transfer of manufacturing and R&D capability to China, and alternative crisis scenarios in China.

   – Enhance existing electronic links between U.S. and European China experts. Several email list-serves and Internet exchanges already link U.S. and European experts and institutions. These are generally less active, however, than many comparable Inter-

[14] These efforts include collaboration between the China Policy Program of the Elliott School of International Affairs at The George Washington University with various institutions in France, Germany, and the UK, as well as a conference organized by the Europe Program of the Center for Strategic and International Studies in Washington, DC. See Shambaugh, "European and American Approaches to China: Different Beds, Same Dreams?"; and Simon Serfaty, ed., U.S.-German Bilateral Dialogue on China: Conference Report, Europe Program, Center for Strategic and International Studies, Washington, DC, January 2002. This list is not meant to be exhaustive, but rather illustrative, of some of the initiatives undertaken in recent years to facilitate transatlantic exchanges on Asia and China.

net dialogues in the United States that link functional or geographic experts. To build a real community of expertise, the "virtual" infrastructure must be strengthened to facilitate the regular exchange of information, papers, and analyses. Partner institutions in the United States and Europe should assume responsibility for managing, moderating, and pulsing discussions and exchanges.

2. Expand bilateral and U.S.-EU governmental exchanges to include specialists in China and East Asia.
The agenda for bilateral meetings as well as U.S.-EU exchanges should include China as a regular topic of discussion, rather than a periodic focus when pressing issues arise or a crisis threatens. To achieve this aim, bureaucratic and procedural impediments to the inclusion of other functional or geographic experts in transatlantic exchanges must be eliminated on both sides of the Atlantic. In practice, bilateral exchanges will be most meaningful with the larger European countries that, by virtue of their size, economic interests, political weight in Europe, and major multilateral roles, e.g., in the G-8 or UN Security Council, play a larger role in shaping broader policy toward China and possess greater expertise on China and Asia. The European Commission's External Relations Directorate General or the office of the EU's High Representative for the EU's Common Foreign and Security Policy should be engaged, as appropriate, as well as other bodies of the European Union, depending on the issues involved. To start this process, several steps should be taken immediately:

– Include government analysts of China and transatlantic affairs in a regular exchange on their respective assessments of trends and developments related to China and their implications for transatlantic relations. Given the great uncertainties regarding China's evolution, such meetings could help to elucidate the assumptions that may inform policy or condition policy responses.

– Initiate regular exchanges on China between the research institutes associated with national defense universities in Europe and the United States. Such exchanges could be particularly valuable in exploring alternative assessments of critical political and security issues related to China and in East Asia.

3. Undertake analyses of concrete issues that are on the horizon and likely to prove contentious.
Intensified inter-governmental, U.S.-EU, and "track two" exchanges on China should seek to identify the "over-the-horizon" issues on which U.S. and European approaches and thinking appear likely to diverge. Such issues could entail significant risk of a "strategic surprise" in transatlantic relations and/or the emergence of a split in U.S. and European policies that could be exploited—to the mutual disadvantage of both transatlantic partners. Three issues merit more extensive analysis in the near-term:

– Manufacturing/R&D in China. The migration of manufacturing capacity to China will place subsidiaries of U.S. and European firms in competition with each other within China and under Chinese rules and regulations. This development could raise a panoply of economic, political and security problems to which the Untied States and Europe may respond differently.

– WTO Implementation. WTO implementation and improved market access for U.S. and European firms, especially in the areas of services, are likely to be of strong interest to both the United States and Europe.

– Crisis scenarios. Unforeseen and widespread instability in China could have serious regional and global repercussions. Discussion of U.S. and European responses before a major destabilizing event should be a high priority for analysis and discussion across the Atlantic.

For the foreseeable future, the transatlantic agenda will be dominated by the war against terrorism, the uncertain situation in Iraq, and conflicts in the Middle East and South Asia. Yet, while China at present offers no comparable flashpoints, the potential for conflict in the region and for transatlantic disputes over issues related to China remains. The U.S. and EU would therefore both benefit from efforts to enhance mutual understanding of their respective perspectives on China and to anticipate potential problems and even crises before they arise.

Though modest in scope and ambition, the steps outlined above could help to begin transforming the structure and content of the transatlantic dialogue to meet the most important challenges of the coming decades. In the final analysis, however, the precise form of cooperation is less important than the existence of political will on both sides of the Atlantic to manage the complex and myriad challenges of a rapidly changing world.

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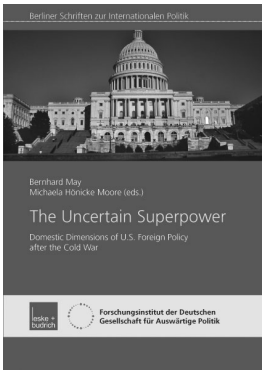

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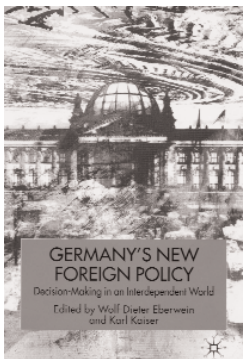

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