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The Debate over Lifting the EU Arms Embargo on China and its Transatlantic Implications

Frank Umbach

The European Union and its main member states, France, Great Britain and Germany, recognize the strategic importance of the Asia-Pacific. They see the region as a rising economic powerhouse with political and strategic implications for regional and global stability. Though not well known among the broader public, the EU has become involved as a full member in the prime regional security organizations, the ASEAN Regional Forum (ARF) and the Council for Security Cooperation in the Asia-Pacific (CSCAP). Recommendations for extending as well as deepening the interregional security cooperation are frequently heard.

The European Union, with its increasingly global outlook, will have a growing interest in stability and security in the Asia-Pacific region. The union's traditional self-perception as a "distant" and a "soft power" with limited strategic interests in Asia is clearly contradicted by the EU's newly proclaimed global security concept, *A Secure Europe in a Better World*, along with its *European Strategy Against the Proliferation of WMD*, both adopted in December 2003. With the EU's expanding interests in Asia, China looms large as the Asia-Pacific's interregional economic and security nexus.

Despite these Asian interests, the EU has found it difficult to arrive at consensus among its diverse membership. Different historical, economic and political ties to Asia and China compound the problem. With the EU's expansion to 25 member states, implementing a EU Common Security and Foreign Policy (CSFP) and European Security and Defense Policy (ESDP) toward Asia may become yet more difficult. Even among Europe's largest traders with China, it has not been easy to reconcile their various economic, political, and strategic interests, or to arrive at common EU policies toward Beijing.

Europeans acknowledge the overall strategic significance of the region. Any armed conflict in the Taiwan Strait, on the Korean Peninsula, or in the South China Sea could have not only regional but even global (i.e., European) economic and security repercussions. Unless carefully managed, the hot spots in these three theaters have the potential to escalate into a global conflict involving not only the United States but also its European allies, particularly those in NATO and the EU. Discussion of these direct implications, however, has been limited to small expert circles, not the wider political elite, much less the general public.

Pushed by increasing "globalization" of security policies and the difficulty translating EU policies into real European influence in the Asia-Pacific region (particularly in times of crisis), Europe and the EU will seek new strategies to play a more substantial role in the region. Globalization compels Europe, together with the United States and Japan, to shoulder a greater diplomatic and political burden in the Asia-Pacific. This should include the launching of a strategic dialogue with China and Taiwan, as well as across the Atlantic about new measures to build confidence and security, and the establishment of

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mechanisms to prevent miscalculation. The prospect of conflict in the Taiwan Strait clearly remains an EU concern.

Now there is a French and German proposal, supported by the EU Commission, to lift the arms embargo on Beijing imposed by the European Community in 1989. This has ignited debate within today's enlarged 25-member European Union. Not surprisingly, it has provoked harsh criticism from the United States. Washington is worried that China may speed up its impressive military modernization, going on for over a decade, by importing European advanced technology. This could undermine regional stability throughout the Asia-Pacific, particularly in the Taiwan Strait. Washington also disagrees with the EU in regard to human rights violations in China.

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While domestic opposition in France and Germany has grown (even in the government coalition and Chancellor Schroeder's Social Democratic Party), it is also symptomatic of the European debate that the critical public discussion about lifting the EU's arms embargo is based almost exclusively on human rights objectives, not on broader regional security concerns. At the same time, in November 2004, Beijing officially denied any readiness to make concessions on human rights as a *quid pro quo*.

At present only 16 of 25 EU member states appear to favor lifting the embargo. A more effective Code of Conduct for the EU's arms exports, such that sensitive dual-use technologies are also covered, seems to be an important prerequisite for any final EU decision on lifting the ban.

U.S. Concern

The United States is not making it easy for the EU to lift the embargo. The U.S.-China Commission has recommended that the U.S. Congress "restrict foreign defense contractors who sell sensitive military technology or weapons systems to China from participating in U.S. defense-related cooperative research, development, and production programs...." The United States and the EU hold similar visions for dealing with the rise of China, but both sides pursue different strategies and priorities in pursuit of their policy goals. That the EU has no security and military obligations or strategic interests in the Asia-Pacific region comparable to those of the United States explains this in part. Other factors include the absence of the Taiwan issue in Europe (no powerful domestic lobby, no military commitment to Taiwan) and Europe's lack of comparable expertise in regional "hard" security issues in think tanks, universities and even in almost all EU defense ministries (including the German one). Given these structural differences between EU and U.S. China policies, it will not be easy to forge a unified approach any time soon.

In the long run, however, security interdependencies among the EU, the Asia-Pacific and the United States will likely increase. The globalization of economics, technology, and security drives this. But if both sides continue to overlook their different China strategies and strategic interests, a new transatlantic crisis could well be in the making.

Beijing Objectives

In its "EU Policy Paper" of October 2003, Beijing declared its desire to see the European Union lift its ban on arms exports to China "at early date" so as to "remove barriers to greater cooperation on defense industry and technologies." This comes in an era of global uncertainty where Europe and China have increasingly come to see each other as strategic partners.

China is not just one of the world's fastest growing major economies; it has the world's third-largest defense budget. Official defense spending has increased this year by 11.6 percent to $25 billion. The real Chinese defense budget, according to the Pentagon, the International Institute for Strategic Studies and many international military experts, is between $50 and $70 billion. Chinese defense spending has often increased faster than its GDP and its annual state budget. In the last two years, the official increase of China's defense budget went down from more than 17 to 11.6 percent. At the same time, the transparency of its defense expenditures has deteriorated, probably as the result of unwanted Western and Asian attention. At any rate, between 1997 and 2003, Chinese defense expenditures increased by more than 140 percent.

Since 2000, China has been the world's largest arms importer and is particularly dependent on Russian high-tech weaponry. Since 1995, Beijing has imported more than $9 billion worth of sophisticated weaponry from Russia, including the modern SU-27 and SU-30 fighters, Kilo-class submarines, and Sovremenny-class destroyers. Since 1999, China has signed new arms agreements worth more than $11 billion. China is clearly seeking to define itself as a rising regional military power with legitimate regional and global maritime security interests.

Russia, however, has put new constraints on exports and technology transfers to China. Thus Beijing's increased interest in lifting the EU arms embargo. Moscow has not been willing to develop new high-tech generations of weaponry with Beijing (or to lease nuclear bombers or provide supersonic missiles with a range of more than 300 to 500 km to China).[1] Nor is China happy about Russia's growing military cooperation with India. China is therefore looking for alternative ways to advance its military modernization and to diversify its arms imports and technology transfers.

France, Germany and China

Within the EU, France has clearly taken the lead in pushing to lift the "outdated" 15-year-old embargo. This reflects Paris and Beijing's hope for a "multipolar world" as well as Paris's desire to strengthen the French and European arms industry by selling both weapons and dual-use technologies to China. French president Jacques Chirac has also condemned Taiwan's recent referendum as "irresponsible" and as a threat to Asia. This was enshrined in a joint declaration signed by Chirac and visiting Chinese president Hu Jintao. France even went so far as to hold joint naval exercises with China for the first time. Beijing spoke of "the most comprehensive military exercise ever held between China and a foreign country." The operation took place on March 16, 2004, just four days before Taiwan's presidential elections.

French and German arms industries have begun to shift business strategies toward Asian and Chinese markets.

Both French president Jacques Chirac and German chancellor Schroeder have argued that China has made sufficient progress reforming its government and economy since 1989 so that lifting the arms embargo is now in order. Moreover, French and German arms industries (such as the European Aeronautic Defense and Space Company/EADS) have begun to shift business strategies toward Asian and Chinese markets. This new focus also reflects disappointment with joint transatlantic defense industrial cooperation, particularly regarding limited access to the U.S. market and crucial technologies. Furthermore, the EU arms industry is much more dependent on exports than the U.S., as the result of much lower EU defense budgets and parallel procurement programs duplicating R&D budgets.

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[1] See Frank Umbach, "Bring China into the Game!" *Transatlantic Internationale Politik* (April 2003): 77–81; and Frank Umbach, "The Wounded Bear and the Rising Dragon—The Sino-Russian Relationship at the Beginning of the 21st Century: A View from Europe," *Asia-Europe Journal* (February 2004), pp. 43–62.

Although many in the French and German arms industries overestimate China's willingness or ability to buy large numbers of high-tech weapons, China is indeed very interested in acquiring specific niche technologies. China seeks minor systems such as radar, air-to-air missiles, sonar equipment, and torpedoes, as well as various types of upgrades for both old and new weapons systems. At the same time, in Germany, the Green Party, a junior member of the government coalition, wants to maintain the embargo because of the continuing human rights violations in China.

The EU Code of Conduct

Germany and other EU members have denied that the lifting of the arms embargo would lead to a significant increase in high-tech weapons sales to China because such sales would still be barred by a separate 1998 EU Code of Conduct aimed at preventing sales to repressive states or unstable regions. Germany's national regulations on arms exports are stricter, moreover, than those of France and the United Kingdom. Not that these regulations hindered Germany from exporting naval ships and other military equipment to Indonesia in the 1990s during the brutal occupation of East Timor. Other EU members have also adopted their own interpretation of the Code of Conduct in general and the China arms embargo in particular.

Unlike the embargo, the code is not legally binding and its political restraints have become insufficient—as the present debate on the EU's arms embargo shows. More importantly, the EU member states (including France and Germany) have not really addressed the question of whether the Code of Conduct prevents the export of increasingly important dual-use technologies. Dual-use technologies (which often do not meet the criteria of being "lethal" that would prevent export) would nonetheless contribute to China's military modernization and power projection. Considering that no major high-tech weapon system depends exclusively on purely military technologies, the present EU Code of Conduct is rather liberal.

This arms embargo debate also has a Euro-Atlantic precedent. At the EU's invitation, China has participated in the Galileo global positioning system (GPS) observation satellite project, which has both a civilian and a military purpose. Beijing has pledged $230 million to help develop the EU's $3.25-billion project (a similar accord exists between the EU and India). Beijing also has pressured the EU to provide access to Galileo's sensitive military data and technologies. The EU has denied such access—a fact not entirely unrelated to a spirited transatlantic debate about the Chinese request.

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The existence of a global "buyer's market" for arms nevertheless gives China substantial leverage. Declining defense expenditures and large overcapacities have afforded importing countries new flexibility to shop around for the best arms deals (often including significant transfers of sensitive technologies and know-how). This market has put Russian, U.S., and European arms industries under enormous pressure to sell even the most modern high-tech weaponry as well as to transfer sensitive technologies; and this is the environment that shapes the interpretation of and compliance with the EU Code of Conduct such that it could well become less effective with time.

U.S. Opposition

Since the beginning of 2004, the United States has launched a diplomatic campaign to prevent the EU from lifting the embargo. Four basic reasons, which have found support across the U.S. political spectrum, motivate this strong opposition:

1. If the EU lifted the embargo, the U.S. government would have a more difficult time maintaining its own sanctions, also imposed in 1989.
2. Although respect for human rights has undeniably improved since 1989, China's human rights record is still very questionable in the U.S. view.
3. EU sales would increase China's military capabilities, thereby destabilizing the military balance.
4. Weapons exports, particularly technology transfers, could increase proliferation risks due to China's inefficient export-control system.

With the ongoing increase in transatlantic defense technology cooperation, the United States is in a good position to block any European nation from selling arms to China, or even arguing to lift the embargo. Washington would simply deny access to critical U.S. military technology.

The EU Remains Reluctant

U.S. opposition also explains why Beijing intensified pressure on the EU to lift the arms embargo before EU enlargement took place. China feared that the new East European members, being politically closer to the United States, would prevent the EU from lifting the embargo after enlargement. However, the EU did not make any final decision before its enlargement to 25 members on May 1, 2004. Indeed, since then, the EU has demanded that China take more concrete steps to improve human rights, such as ratifying the *International Covenant on Civil and Political Rights*, which China signed in 1998. The EU's *China Policy Paper* of September 2003 had already pointed to "a significant gap…between the current human rights situation in China and internationally accepted standards, in particular with respect to civil and political rights." The European Parliament (EP) passed a resolution on December 18, 2003, appealing to the European Council and the EU member states not to lift the EU embargo on arms sales to China (by an overwhelming majority of 373 to 32, with 29 abstentions). The EP argued that China had not made enough progress on human rights. The EP also reiterated that China's military threats against Taiwan and China's unwillingness to dismantle more than 500 missiles targeting Taiwan made it the wrong time to lift the arms embargo. Moreover, on June 3, 2004, the WEU Assembly, and the Interparliamentary European Security and Defense Assembly warned that to lift the EU embargo before Beijing makes significant improvements on arms export controls and human rights would be wrong. This statement maintained that the human rights situation in China is worsening and that the Chinese space program lacks transparency. The EP also called on China to ratify the *UN Covenant on Civil and Political Rights* and to join the *Missile Technology Control Regime (MTCR)*.

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Conclusion

With Great Britain's seeming support for France and Germany on lifting the embargo, a new EU Code of Conduct on arms sales can be expected at least in the mid-term perspective. This shall stop any weapons exports that would be used by China for, "…external aggression or internal repression." In addition, the EU also expects more concessions in regard to human rights from China, albeit not all EU member states (including Germany) view such concessions

as a real pre-condition for lifting the embargo. It remains questionable whether the EU embargo will be lifted within the next six months, as UK foreign secretary Jack Straw stated on January 12, 2005. After more than a year of internal and public discussions, it remains characteristic of the European debates that the critical argumentation is still based almost exclusively on human rights objectives. These debates do not really address things like broader regional security concerns, the eroding military balance in the Taiwan Strait, Beijing's explicit threats to Taiwan (stated again in its new defense white paper), and the planned introduction of an "anti-secession law" that would mandate forceful reunification of Taiwan, should it declare independence.

In sum, the unilateral French-German initiative, coming without advance consultation in their respective foreign ministries or with major EU partners, has clearly demonstrated the lack of a *stabilizing* EU arms export policy towards Asia. The EU and its main member states may have a free-riding attitude towards the Taiwan Strait conflict; they may be reluctant to cause trouble with Beijing because of rising trade with China; nevertheless, the EU and its member states may well be forced to adopt a clearer position on the Taiwan conflict. The European Union—and the United States—must recognize how easy it is to overestimate one's own power and how easy it is to underestimate so many strategic challenges.

The EU is being pulled into this tenacious Asian conflict for a range of reasons:

- the globalization of the EU's CSFP, and the ensuing commitment to new responsibilities as laid out in the global European security strategy;
- the commitments of transatlantic relations;
- the growing role of the European Parliament;
- the rising power of non-governmental organizations, particularly in shaping the public's view of Beijing.

Whatever the EU decides, it has been shortsighted for Europe not to consult and coordinate with Washington on future sanctions policy toward China, particularly since both the U.S. and the European embargoes are complementary and were imposed for the same reasons.

In conclusion, the present Chinese embargo debate underlines the EU's need to establish clear rules and criteria for all future sales of military equipment and, more importantly, for the transfer of dual-use technologies. The debate also illustrates the need to cooperate and to develop common transatlantic strategies to cope with the numerous new and global security challenges. A serious and forward-looking dialogue across the Atlantic on China and Asia is long overdue.

See also F.Umbach, EU's Links with China Pose New Threat to Transatlantic Relations, *European Affairs* (Washington D.C., USA), Spring, Vol. 5, 2/2004, pp. 38-47 (http://www.europeanaffairs.org/current_issue/2004_spring/2004_spring_38.php4) and idem, Will the EU Arms Embargo towards China be Lifted? Perspectives and Implications, *Taiwan Perspective e-Paper* (published by INPR, Taipeh), Issue No. 29, 23 June 2004 (via Internet – http://www.tp.org.tw/eletter/print.htm?id=20002484).