

## EUROPEAN UNION-CHINA RELATIONS AND THE UNITED STATES

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*Spurred by a growing trade relationship as well as China's desire to build a more multipolar world and the EU's aspiration to play a more active and independent role in international affairs, the two sides have established a close economic and political partnership. However, the EU is a political body that is both complex and rather weak. The majority of EU member states continue to see the United States more as a close strategic partner than as a superpower that the EU should counterbalance. Moreover, the EU's relationship with China has become more difficult to handle due to a deepening trade deficit and lack of progress by China on human rights. Thus, the EU's China policy will remain based on the lowest common denominator of its member states' China policies, whereas its close military relations with the United States will probably continue to affect the strategic dimension of EU-China relations and negate the possibility of a genuine strategic triangle emerging.*

**Key words:** Sino-European relations, EU foreign and security policy, NATO, EU-China trade, human rights

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Since the end of the cold war, international relations have become more fluid, flexible, and open-ended. This is also the case for the relations that the European Union (EU) and China have developed in the last fifteen years or so. The emergence of EU-China relations has often been perceived as a new “strategic partnership.” On occasion the relationship has even been characterized as an “axis” or a new “alliance” that is affecting the whole international order and in particular creating a “new strategic triangle” between the United States, the EU, and China, to the point of weakening U.S. influence in the world.<sup>1</sup> China and some European nations, such as France, may indeed have shared this objective.<sup>2</sup> But this article aims to demonstrate that the reality is different. It is, on the one hand, more complex, both because of the diversity of political, economic, and social interests within the EU (a body that was enlarged to twenty-five member-states in 2004), and because of the coexistence of different levels (national and union) of foreign policy making and implementation in the EU. On the other hand, the reality remains determined by the close strategic and political relationship that the EU has maintained with the United States since, and in spite of, the collapse of the Soviet bloc. This is not to say that the EU-China relationship has not become more important in the last decade or so, and the United States would be well advised to acknowledge it. Nevertheless, as it has developed, the relationship has become more difficult to handle, in particular in the economic and trade realm, but also because of some powerful political (human rights) and strategic (arms embargo) issues.

1. David Shambaugh, “China and Europe: The Emerging Axis,” *Current History*, September 2004, pp. 243-48; Stanley Crossick, “Toward a China-Europe Alliance,” *Far Eastern Economic Review*, May 2005, pp. 46-49; David Shambaugh, “The New Strategic Triangle: U.S., and the European Reactions to China’s Rise,” *The Washington Quarterly*, vol. 26, No. 3 (Summer, 2005), pp. 7-25; Stanley Crossick, Fraser Cameron, and Axel Berkofky, *EU-China Relations—Towards a Strategic Partnership*, ECP Working Paper, July 2005.

2. See Lanxin Xiang, “China’s Eurasian Experiment,” *Survival*, vol. 46, No. 2 (Summer, 2004), pp. 109-22.

### The Emergence of EU-China Relations: Toward a “Strategic Partnership”?

The emergence of EU-China relations since the end of the cold war is based on a much older mutual recognition of the importance and interest of this relationship. However, in the last decade, there has been a process of acceleration that has allowed both sides to pursue the ambition of establishing a “strategic partnership.”

#### *The EU’s China Policy*

On Asia and China, the EU’s mainstream view states that China is important and should be a priority in its common foreign and security policy. Though they are acknowledged, differences between the EU and China should not, therefore, hinder the development of EU-China relations, because engaging China is perceived as the best strategy for integrating it into the world community and helping it succeed in its economic reform and development and thus in its legal and political modernization.

As early as 1975, before the end of what is today called the period of the Chinese Cultural Revolution and just a few years after most European countries had normalized ties with Beijing, the European Economic Community, as the EU was then called, set up diplomatic relations with China. It was already an important signal of Europe’s ambition to establish closer political and economic relations with China at a time when both sides shared a common military threat (the Soviet Union) and were working on developing a more substantial trade relationship.

For a long time, however, this relationship remained more symbolic than substantial. After 1979, it continued to develop but was, in the first decade of China’s opening and reform era, offset by the U.S.-China normalization and the growing economic cooperation between Beijing and Tokyo. In fact, it was Deng Xiaoping’s journey to the south (*nanxun*) in 1992 and the re-launching of economic reforms that convinced the EU to turn its China policy into a priority. China’s ambition to accede to the World Trade Organization (WTO) also directly stimulated the drafting of a more active China policy on the part of the EU.

A solid indication of this new priority has been the publication

by the EU of a large number of major policy documents regarding China: Five were issued between 1995 and 2003. Another was the EU Commission's decision, in 1998, to build a "comprehensive partnership" with China. In so doing, Brussels was acceding to Beijing's desire since the mid-1990s to establish "partnerships" (*huoban guanxi*), or privileged, economically cooperative and politically nonconfrontational relations, with key nations such as Russia in 1996, France in 1997, and the United States in 1998.

The EU's partnership with China includes a multifaceted program of economic, scientific and technological, educational, and legal cooperation. The program aims in particular at strengthening bilateral political contacts and trade relations with China as well as better controlling pollution, alleviating poverty, and favoring the establishment of a modern government system under the rule of law. It also includes the organization of annual China-EU summits held alternatively in China and in Europe (the most recent took place in The Hague in December 2004, in Beijing in September 2005, and in Helsinki in September 2006).

The EU-China negotiations leading to China's accession to the WTO also contributed to a greater maturity in the relationship between Brussels and Beijing. Distinct from but linked to the U.S.-China negotiations that paved the way for the December 1999 bilateral agreement, these negotiations proved more difficult than originally expected, underscoring both the EU's integrated economic power and its specific interests. While the main EU negotiator, Frenchman Pascal Lamy, may not have reaped as many concessions as the United States, he managed to get a better deal than the United States in some key sectors, such as banking and insurance, in the agreement that was signed in May 2000.<sup>3</sup>

China's accession to the WTO in December 2001 had a direct impact on the EU's China policy. In September 2003, the EU Commission published a Policy Document that stated: "The EU and China have an ever-greater interest to work together as *strategic partners* to safeguard and promote sustainable development, peace and stability."<sup>4</sup> What is the meaning behind this objective? Does it

3. Pascal Lamy was appointed Director General of the WTO in May 2005.

4. "A Maturing Partnership—Shared Interests and Challenges in EU-China Relations" (Updating the European Commission's Communications on EU-China relations of 1998 and 2001), at <http://europa.eu.int/comm/>

herald a genuine political rapprochement between the EU and China?

To be sure, there is no official definition in the EU of the term "strategic partnership."<sup>5</sup> This new European discourse actually needs to be put into context. The EU has identified three "strategic partners" in Asia; they are simply the three major nation-states and economies of the continent: Japan, China, and India. In other words, while China has become the EU's second-largest economic partner (after the United States)—and the first in Asia—it does not receive better or more special treatment than the other two countries. Another aspect is that the adjective "strategic" seems to include a stronger military dimension in Chinese (there is the idea of *zhan*, war, as in *zhanlue*, strategy) than in Western languages, where it is often simply used to mean "important."<sup>6</sup>

In the EU, everyone agrees on this final qualification: Relations with China are important, and becoming more and more so, every year. However, at the same time, these relations have become more complex and prone to disagreements and disputes, both in the economic and political realms. Taking into account the criticism formulated since the early 2000s by a growing number of European economic and political actors as well as experts, the new agenda for EU-China relations—the communication titled "EU-China: Closer Partners, Growing Responsibilities," released by the EU Commission on October 24, 2006—underscores these growing frictions.<sup>7</sup> Although the EU approach remains one of engagement, in Brussels' view, a closer strategic partnership with China means an increase of mutual responsibilities. In other words, the EU is expecting China to take on more responsibilities on global issues—such as climate change, economic growth in the regions where it is more and more present (such as in Africa),

[external\\_relations/intro/index.htm](http://europa.eu.int/comm/external_relations/intro/index.htm).

5. Crossick et al., *EU-China Relations*, p. 32.

6. It is true that strategy comes from *stratos* (army) and *stratēgos* (army chief, general) in Greek but this meaning is not as obvious to the modern reader as in Chinese.

7. Commission of the European Communities, Communication from the Commission to the Council and the European Parliament, "EU-China: Closer Partners, Growing Responsibilities," October 24, 2006, at [www.ec.europa.eu/comm/external\\_relations/china/docs/06-10-24\\_final\\_com.pdf](http://www.ec.europa.eu/comm/external_relations/china/docs/06-10-24_final_com.pdf).

migration, and international security (in East Asia, but also in the world, e.g. on nuclear nonproliferation)—and link them to its domestic priorities.

Defining the achievement of an EU-China “partnership” as a “challenge” rather than a reality, the Commissioner for External Relations and Neighborhood Policy, Benita Ferrero-Waldner, presented this communication as “an important backdrop to negotiations for a new EU-China Framework Agreement,” which was to be launched in China in early 2007.<sup>8</sup> Agreed upon at the Helsinki Summit in September 2006, this negotiation aimed to encompass the full scope of the EU-China relationship, including enhanced cooperation in political matters. The October 24th communication clearly sought to prepare for this negotiation and strengthen the EU’s bargaining power before it started. On the same day, a separate policy paper—a Commission working document—was also released. Titled “EU-China Trade and Investment: Competition and Partnership,” the paper asked China, among other things, to meet its WTO obligations, open its market more widely (in particular in the strategic sectors of its industry), and better protect intellectual property rights.<sup>9</sup> The Chinese government was surprised by the tone of these two documents, in particular the political one, on which it has concentrated its criticism, confirming that the honeymoon period between the EU and China was over.

In any case, before this new development, China, as early as 2003, was aware of the ambiguities of its relationship with the EU. Beijing had already demanded that the EU fulfill a number of political conditions before it actually agreed to establish a “strategic partnership” with it. As we will see, these political conditions will not be easy to meet in the foreseeable future.

### *China’s European Policy*

The irony here is that the EU’s more ambitious objective enshrined in its September 2003 Policy Document may have led Beijing to push the envelope. Just one month later, the Chinese government made public an unprecedented document, “China’s

8. See [www.europa-eu-un.org/articles/en/article\\_6406\\_en.htm](http://www.europa-eu-un.org/articles/en/article_6406_en.htm).

9. See [www.trade.ec.europa.eu/doclib/docs/2006/october/tradoc\\_130791.pdf](http://www.trade.ec.europa.eu/doclib/docs/2006/october/tradoc_130791.pdf).

EU Policy,” regarding its relations with the EU. It asked the Europeans to fulfill a long list of conditions before they could be considered deserving of a “strategic partnership” with China.<sup>10</sup> “China’s EU Policy” is an amazing and paradoxical text. On the one hand, it glorifies the EU’s power and influence in the world as if the EU were a real political and military pole, a prerequisite that is far from being met. In other words, China’s EU policy, at least according to this document, is based more on a myth, or at least an ideal goal that China wishes to favor, than on the enduring reality. The document goes on to stress the converging views between China and the EU, the lack of conflicts of interest, and a supposedly shared willingness to fight for a more democratic and multipolar world—a democratization, however, that must stop at China’s borders. Here again, China seems to believe that the whole EU espouses the French approach—and to be more accurate, within France, the neo-Gaullist view promoted by Jacques Chirac—to international relations and the United States.

On the other hand, this document lists a series of odd-looking demands on Taiwan, Tibet, human rights, and the lifting of the arms embargo. For instance, it states that “it is important” that the EU not let Taiwanese political personalities participate in any EU activities whatsoever, have any official contacts with Taiwan, or sell weapons and dual technologies to the island-state. On Tibet, the tone is even harsher. The document states: “China demands that the European part does not have any contact with the so-called ‘Tibetan government in exile’ nor facilitates the separatist activities of the Dalai Lama clique.” And without any word of conclusion, the document closes with the following sentence: “the EU must lift as soon as possible its arms embargo against China in order to eliminate the obstacles preventing EU-China cooperation in the military industry and technologies sectors.”

This last demand may have been one of the major objectives of China’s policy document. As a matter of fact, in October 2003, China launched an offensive against the EU arms embargo after having secured the support of the French government on the issue and its promise to persuade its EU partners to lift this embargo that was imposed in 1989. France did then manage to change Germany’s view and to erode the United Kingdom’s

10. See [www.fmprc.gov.cn/eng/wjw/zjg/xos/dqzzywt/t27708.htm](http://www.fmprc.gov.cn/eng/wjw/zjg/xos/dqzzywt/t27708.htm).

opposition to this decision before American pressures had time to materialize.

Despite the deep divisions among the Europeans on the Iraq war and more generally on the EU's relationship with the United States, both Beijing and Paris were optimistic about the success of this initiative. This optimism probably contributed to convincing China to transform the demands formulated in its EU policy document, in particular the last one, into preconditions for the establishment of a "strategic partnership" with the EU. This new obstacle, on the Chinese side, to reaching this objective was confirmed at the EU-China summit held in The Hague in December 2004.

The failure of the "pro-lifting camp" in Europe, following the promulgation by Beijing of the Anti-Secession Law concerning Taiwan in March 2005, has led China to reassess its European policy. Officially, China remains "committed to a long-term, stable and full partnership with the EU."<sup>11</sup> China continues to cultivate its diplomatic and trade relations with the EU, in particular to attract both investment and sophisticated technologies at the best cost-interest ratio. And in order to demonstrate its support for the EU construction, it has bought a fair amount of euros, although it still invests heavily in U.S. Treasury bonds. But since the spring of 2005, Beijing has also shown its disenchantment with the EU. Some Chinese analysts have argued that the EU is too weak, divided, and dependent upon the United States to become an active great power in international relations.<sup>12</sup> Others, more likely realistic, have concluded that the EU still basically shares the same political values and strategic objectives as the United States so far as China is concerned: peaceful evolution toward democracy and no use of force against Taiwan.<sup>13</sup> However, both groups agree that, in any case, the strategic relationship that the EU and China are building can do little but remain subordinate to EU-U.S. strategic commitments and common objectives.

11. China's October 2003 EU Policy Paper.

12. Hou Yousheng, "Oumeng yu Meiguo dui Hua zhanlue bijiao" (Comparison of the Strategies of the EU and the U.S. toward China), *Xiandai guoji guanxi* (Contemporary International Relations), No. 8 (August, 2006), pp. 1-6.

13. Huo Zhengde, "Guanyu Zhong-Ou zhanlue guanxi jige xiangfa" (Some Thoughts on Sino-European Strategic Relations), *Guoji wenti yanjiu* (International Relations), No. 2 (April, 2005).

Actually, some Europe specialists in China, such as Song Xinning of People's University, had warned the government about the possible negative impact of the adoption of the Anti-Secession Law on the lifting of the arms embargo. These scholars had more generally aired doubts about the likelihood of establishing a genuine "strategic partnership" between China and the EU, proposing instead, as a more realistic objective, to develop a "good working relationship" between the two.<sup>14</sup>

Perceiving the powerful impediments to the emergence of a strategic triangle between the United States, the EU and China, Beijing has toned down its multipolar credo, substituting for it the more ecumenical concept of multilateralism. This evolution ironically helped convince France to adopt a similar diplomatic language at a time when it too wanted to grasp the occasion of George W. Bush's reelection to gradually mend its relations with Washington.

It is clear that the ambition of a number of Europeans, and not only the French neo-Gaullists, to turn the EU into an independent pole in international relations to counterbalance the U.S. "hyperpower" (to use the epithet coined by former French foreign minister Hubert Vedrine) has contributed to creating the perception in China that the EU has been favoring the emergence of a multipolar world in which China and the EU would both play a bigger role. And Brussels' growing diplomatic ambitions as well as negotiating power (in particular in the economic and trade realms) with regard to China have also played a part in building this perception. Nevertheless, Beijing's published EU policy may not concur with China's actual strategy toward and expectations of Europe. China is also fully aware of the EU's internal divisions and the limits of French and multipolar influences in the drafting and the conduct of the EU's Common Security and Foreign Policy.<sup>15</sup> In 2003, therefore, China was probably pursuing another objective: trying to utilize the EU's willingness to establish a "strategic relationship" with China as leverage to

14. Interview, May 2005.

15. On this point, see Feng Chongping, "Ruhe tuidong Zhong-Ou guanxi shenru fazhan" (How Should We Promote the Deepening of Sino-European relations?), *Waijiao pinglun* (Foreign Affairs Review), No. 91 (October, 2006), pp. 16-21.

stiffen its conditions and get the arms embargo lifted, in particular before the EU's enlargement to the East in May 2004. It tried and nearly succeeded, but then it failed, for reasons that are developed below but that the reader, at the end of this section, may have already guessed.

### **EU-China: A Not So Easy "Working Relationship"**

The EU has clearly become an independent political actor and economic powerhouse whose interests do not necessarily coincide with those of the United States. China therefore has good reasons to try to woo this large entity as close to it as possible, and as far away from the United States as possible on as many issues as possible, in order to increase its room for maneuvering vis-à-vis the latter.

But this strategy faces two major obstacles. First, the EU is an atypical and complex international actor, which has become even more complex since its enlargement in 2004. This complexity can only convince member-states to retain as much foreign policy initiative as possible at the national level. Second, the alliance that most EU member-states, through NATO (North Atlantic Treaty Organization), have maintained with the United States can only constrain EU foreign and security policy, and not only toward China. This in turn had to affect the European debate on the arms embargo.

Besides these two major obstacles, the EU-China "working relationship" has to confront difficulties that are, to a large extent, similar to the ones faced by the United States with the PRC: Taiwan, infringements of human rights, political authoritarianism, trade deficits, and lack of intellectual property protection. The long list of well-known shared problems with China tends to narrow the actual differences that may place the EU and the United States in opposition to each other on this country.

#### *The EU: An Atypical and Complex International Actor*

The first obstacle to the development of the EU into a balancing power or pole in a supposedly multipolar world is that every EU member-state wants to keep some degree of autonomy in the

realm of foreign policy, not only because foreign policy priorities are closely associated with sovereignty rights, but because they are deeply rooted in each nation's history and geography. For instance, China does not hold the same degree of importance for, say, Poland, Malta, or Greece as it does for France, Britain, and Germany. Moreover, these differences in interests or priorities have created deep divisions within the EU; clear examples in the last few years include the dismantlement of Yugoslavia, involving in particular Kosovo, and the Iraq war.

The second obstacle is that the majority of EU member states continue to see the United States more as a close strategic partner, sharing the same political values, than as a superpower that the EU should seek to counterbalance. More specifically, the inclusion of eight nations from Central and Eastern Europe, all new NATO members and clearly pro-American (the three Baltic states, the Czech Republic, Hungary, Poland, Slovakia, and Slovenia), has made any attempt to transform the EU into a counterweight to U.S. power an even more unattainable objective than before—an objective, moreover, already denounced by the United Kingdom and other more "Atlantist" old EU members, such as Denmark.

Moreover, the EU's inability to enact a constitution, ironically because of negative votes in France (and the Netherlands), will prevent it from forging and carrying out a more powerful Common Foreign and Security Policy (CFSP) in general and China policy in particular. In other words, the EU's China policy will remain based on the lowest common denominator of its member states' China policies.

#### *China Policy as the Lowest Common Denominator*

This common denominator is a not negligible factor, as China is a strong but distant economic and political partner. Differences among EU members are not as deep or antagonistic on the China issue as they are on other, and closer, issues, such as policy on Iraq, Turkey, NATO, the United States, the former Yugoslavia, or Russia. The EU has in fact developed a common policy on China in many areas, such as trade, economic cooperation, and culture. It has negotiated, as a single market entity, China's accession to the WTO. Reflecting its own situation, the

EU is more favorable to and protective of cultural diversity; it tends to consider cultural goods as specific and give them a special legal status different from other commercial products. At the political level, all EU members have felt the necessity to set up a direct and institutionalized dialogue channel with Asia (the ASEAN-Europe Meeting) and China (the annual EU-China summits). In other words, a true triangular relationship has taken shape between the United States, the EU and China, in particular at the economic, cultural, and diplomatic levels.

Yet how many of these developments can be translated into strategic and military realities? The EU is a complex supranational entity consisting of countries with very different configurations, a small minority of which have kept sizable military forces that can be projected abroad. Its close military relations with the United States, primarily through NATO, will probably continue to affect the strategic dimension of EU-China relations and prevent the EU-U.S.-China economic, and to some extent, cultural and political triangle from becoming a genuine strategic triangle.

*The EU: A Young Strategic Student Highly Dependent upon NATO*

The EU is indeed trying hard to become a credible regional military power. For example, following the humiliation it suffered in the Srebrenica massacre in Bosnia,<sup>16</sup> the EU decided in 2000 to put together a 60,000-member European Rapid Reaction Force (ERRF), and managed in 2003 to deploy 7,000 soldiers in Bosnia as a European force (EUFOR, undertaking Operation Althea) to replace the NATO Stabilization Force (SFOR). But this burgeoning EU force is primarily intended to fulfill missions such as peacekeeping operations and humanitarian interventions in the vicinity of the EU.

This means that the EU will remain highly dependent upon NATO for external military operations. For one thing, the ERRF's relations with NATO will in any case remain close. Moreover, in 2002, NATO also set up a NATO Response Force (NRF) in order

16. Serb forces massacred 7,000 Muslims almost under the eyes of powerless Dutch UN peacekeepers in the city of Srebrenica in 1995.

to provide its European members with the regional capability to engage in the full spectrum of NATO missions. France, Germany, the UK and others have taken part in the war against the Taliban and the stabilization of Afghanistan since 2001, a task that has been developed under the NATO banner since 2003.

Within the United Nations, the EU's influence and role are also complex. The two EU nations—France and the UK—that are permanent members of the UN Security Council and tasked with the responsibility of representing and defending EU interests in this forum do not or cannot always fulfill this task, in particular when the EU is divided (as on Iraq). A third nation (Germany), which is very active in the UN (e.g., on Iran), has ambitions to join this exclusive five-member club, but some EU members are opposed to this initiative (Italy among others).

In such circumstances, how can the EU develop a strategic and military relationship with China that does not take into account corresponding U.S. interests? In this respect, the question of the lifting of the EU arms embargo on China became in 2004 and 2005 a true litmus test for the solidity of the transatlantic relationship.

*The Lifting of the Arms Embargo: A Litmus Test?*

It was inevitable that the European debate on lifting the arms embargo, imposed on China after Tiananmen and originally centered on China's human rights record, would gradually become a more strategic one. In 2003, diplomats from France and other countries made a strong legalistic point when they indicated that the embargo was decided and based upon human rights considerations and should therefore be lifted on the same grounds. In the eyes of Paris, the human rights situation in China had largely improved since 1989 and this country was too important and integrated in the world community to be ostracized with an embargo that put it on par with pariah countries such as Burma and Zimbabwe.

In that respect, under pressure from the Netherlands and the Scandinavian states, the EU commission has since 2004 at least been willing to link this decision to a strong gesture on the part of China, for instance the ratification by the National People's Congress (NPC) of the UN Covenant on Civil and Political

Rights that was signed by Beijing in 1998.

Nevertheless, the strategic debate is a crucial one, the outcome of which cannot be totally attributed to U.S. pressure: Should the EU help China modernize its military? Can the EU ignore the regional consequences in Asia of such a decision? The answer to the second question is clearly negative. The response to the first one is more ambiguous for two reasons. The first reason is the narrow scope of the EU embargo: It is restricted to banning exports of “lethal weapons” to China. The current EU Code of Conduct on arms sales adopted in 1998 only requires member-states to inform the Union about the weapons they have refused to sell to China. Since the beginning of this decade, France, the UK, and Italy have actually resumed selling a small amount of military equipment to China. The actual amount of weapons exported to China is much lower than indicated in some reports since it does not correspond to the value of the licenses granted by the respective EU governments. For instance, the EU’s own annual report on arms exports shows the value of EU licenses for selling arms to China totaled €416 million (\$544 million) in 2003, compared with €210 million in 2002 and €69 million in 2001. France approved €171 million worth of licenses for arms sales to China in 2003, Italy €127 million worth, and the United Kingdom €112 million worth. In 2004, the value of EU licenses was €340 million, France having granted €169 million worth and Italy €127 million worth.<sup>17</sup> However, according to SIPRI data, between 1989 and 2004 China imported only \$273 million worth of weapons (mainly helicopters, radars and missiles) from these three countries: \$202 million worth from France, \$64 million worth from Italy and \$10 million worth from the United Kingdom.<sup>18</sup>

The second reason is that indirectly, the EU, like the United States and other major trading partners of China, are transferring dual technologies to China that Beijing can use, and actually has used, to leap up the technological ladder and speed up its mod-

17. *Financial Times*, January 18, 2005; *Mainichi Shimbun*, January 11, 2006; *Asia Times Online*, February 17, 2006, at [www.atimes.com](http://www.atimes.com).

18. In constant dollars (1990), SIPRI (Stockholm International Peace Research Institute) Arms Transfers database, March 10, 2005. During the same period, China imported \$236 million worth of weapons from Israel and \$32 million worth from the United States.

ernization of the People’s Liberation Army every year. In spite of the Bush administration’s fresh efforts to address the issue, American specialists admit that controlling dual technology transfers is quasi-impossible (“a leaking basket,” as some of them argue).<sup>19</sup>

For these two reasons, the debate has focused on strengthening the 1998 EU Code of Conduct in order to force EU arms exporters to report the sales of weapons to China that have actually taken place. France, which originally did not wish any changes to be made to the code of conduct, now agrees that it must be strengthened, but still resists reporting on actual arms sales, fearing that competitors may take advantage of the information released. More broadly, this debate has forced EU member-states to address strategic issues from which they were initially inclined to shy away. The public position of other Asian countries, in particular Japan, on the lifting of the EU embargo has had a direct impact on the debate. This still unfolding debate has revealed some disagreements, even in countries favoring a lifting of the embargo, such as France and Germany, both within the government (typically between the foreign and defense ministries) and within the pro-government political parties.<sup>20</sup>

Ultimately, China’s adoption of an anti-secession law in March 2005 and its refusal to ratify the above-mentioned UN covenant, combined with Angela Merkel’s election as Germany’s chancellor in September 2005, have postponed *sine die* any such decision. The new leader’s opposition to any lifting of the embargo is well known and crucial to any EU evolution on the matter. Yet, in early 2006, China launched a fresh offensive on the arms embargo, using this obstacle probably more with the aim of obtaining European concessions on other issues (trade in particular) than with the expectation of gaining a quick lifting of the ban, which

19. A good example is offered by transfers from Taiwan: Michael S. Chase, Kevin L. Pollpeter, and James C. Mulvenon, *Shanghaied? The Political and Economic Implications of the Flow of Information Technology Across the Taiwan Strait* (Santa Monica, Calif.: Rand Corp., July 2004).

20. For instance, under pressure from militants in his own Green Party, Joschka Fischer, the German foreign minister, mentioned the possible impact of any lifting of the embargo on the cross-Strait situation and thus underscored the lack of consensus within the German government on this issue.

has now been in place for seventeen years.<sup>21</sup> At the Helsinki Summit in September 2006, the EU “recognized the importance of this issue and confirmed its willingness to carry forward work toward lifting the embargo.” But, as many observers admit, it may keep moving in that direction for a long time to come.<sup>22</sup>

All in all, the arms embargo story has underscored both the close strategic links that the EU and the United States have maintained and the limits of France’s influence within the Union. It has also forced both sides of the Atlantic not to restrict the debate to a very limited and symbolic EU arms ban but to include in it the delicate question of dual and sensitive technology transfers to China. And whoever is elected president of France in May 2007, Chirac’s successor will probably adopt a very cautious attitude on this issue and will be keen to stay in tune with the rest of the EU and in particular Berlin and London.

### *The Taiwan Issue*

Taiwan presents another obstacle between China and the EU. The EU’s policy on Taiwan is very similar to that of the United States. True, the EU does not bear any strategic or security responsibility for the Taiwanese population. But inevitably the EU, being a new political entity based on democratic principles, negotiated shared sovereignty, and the peaceful resolution of international conflicts, must be concerned by Beijing’s unification policy and military build-up vis-à-vis Taiwan.

On Taiwan, the EU’s official stance has been fairly consistent: While maintaining “a one-China policy,” it still advocates a “peaceful resolution” to the differences between Beijing and Taipei and does not support Beijing’s peaceful unification policy as such. In other words, like the United States, the EU would not welcome a solution that would not be acceptable to the Taiwanese. Some governments, or to be more accurate, some leaders in Europe have been tempted to close the gap between the EU and China’s stance on Taiwan. Both genuine geopolitical considerations, as is

21. *Asia Times Online*, February 17, 2006, [www.atimes.com](http://www.atimes.com).

22. Joint Statement of the 9th EU-China Summit, September 9, 2006, at [www.eu2006/fin/news\\_and\\_documents/other\\_documents/vko36/en\\_GB/1157828673423](http://www.eu2006/fin/news_and_documents/other_documents/vko36/en_GB/1157828673423).

the case with Jacques Chirac in France, and more prosaic commercial interests, as was the case with Gerhard Schroeder in Germany, have motivated the opinions that they have sometimes expressed.

The French president and his government have made a number of statements that have moved France closer to China than any other Western nation. For instance, when hosting Hu Jintao in Paris in January 2004, Chirac put all the blame for the tension in the Taiwan Strait on Taiwan president Chen Shui-bian’s referendum initiative announced in November 2003.<sup>23</sup> And when visiting China in April 2005, Prime Minister Jean-Pierre Raffarin declared that the Anti-secession Law adopted a month earlier by the Chinese parliament was “compatible with France’s ‘one China’ policy.” He recognized that Deng Xiaoping’s “one country, two systems” formula was the most appropriate for solving the Taiwan issue, making public a view shared by most French diplomats posted in Beijing.

The German authorities have also sometimes given credit to the idea that Taiwan’s only option in the future would be to accept a unification solution very similar to the “one country, two systems” formula. For instance, when visiting China in December 2003, Chancellor Schroeder not only reasserted that his country would continue not to sell any “sensitive materials” (weapons) to Taiwan, but also compared China’s division to that of Germany before 1990, as if Taiwan had much in common with the now-defunct German Democratic Republic.

It is also clear that major EU states such as France, Germany, and even to some extent the United Kingdom have been proactive in preventing Taiwanese leaders from visiting the EU, while Washington has repeatedly let President Chen transit through the United States since his election in 2000. However, the EU cannot ignore the growing arms race and military tension in the Taiwan Strait. Annually, Beijing has added seventy to 100 new missiles targeted against Taiwan (784 in 2006) and modernized its military power at a rapid pace in a show of

23. Chirac described as “irresponsible,” “aggressive,” and “dangerous for everybody” Chen’s revised (under U.S. pressure following the criticism expressed by President Bush on December 9, 2003) referendum initiative on how to address China’s missile threat and open peace negotiations with Beijing.

strength projected across the Strait.<sup>24</sup> Its threat to use force against Taiwan has not diminished, as the recently passed anti-secession law has underlined. China also remains opposed to initiating any contact or talks without preconditions (Taipei's acceptance of the so-called "1992 consensus") with the Chen Shui-bian government. The EU acknowledges that this attitude is not helpful and that negotiations should be initiated in one way or another in order to alleviate tension and possibly establish confidence-building measures across the Strait. The EU also favors the rapid opening of direct air and sea links between the two sides.

In this context, it is not surprising in retrospect that the adoption by China of the anti-secession law had, as indicated above, a determining effect on the fate of the EU debate on the lifting of the arms embargo. The failure of the "pro-lifting camp" demonstrates the importance of the Taiwan issue for the EU and for its relations with China, especially at a time when the PRC is trying to promote its "peaceful development," if not its "peaceful rise." Moreover, while the EU Commission and the Council of Ministers have always distanced themselves from the resolutions adopted by the European Parliament denouncing China's military intimidation of Taiwan and supporting the consolidation of the island's burgeoning democracy, these bodies cannot totally ignore them. As a result of these pressures and the advice given by a growing number of European experts, the October 24, 2006 EU Commission communication includes an unprecedented paragraph on Taiwan, indicating very clearly Europe's "strong opposition to the use of force."<sup>25</sup> In other words, despite the tendency of some European governments, diplomats, and business people to minimize this issue, the tension in the Taiwan Strait casts a lingering shadow not only on the lifting of the arms embargo but also on EU-China relations as a whole.

24. According to Taiwan's Defense Ministry, China has now deployed 784 missiles that could paralyze Taiwan's communications, transportation, and command centers in a ten-hour bombardment; *Agence France-Presse*, March 8, 2006.

25. "EU-China: Closer Partners, Growing Responsibilities," p. 11.

### *Human Rights*

On human rights, similar differences among EU member states are perceptible, although one can argue that the main gap is to be found between EU policy makers and European public opinion.

As the debate on the arms embargo has underscored, some EU governments are more keen than others to push for genuine changes in the human rights situation in China. The Nordic countries and the Netherlands have traditionally been the most vocal critics of the lack of progress on this front, in particular Beijing's reluctance to ratify the UN Covenant on Civil and Political Rights. At the same time, however, the EU has embarked, at least since 1997, under French pressure in the beginning but subsequently with the approval of most EU governments, on a human rights policy toward China that is nonconfrontational, cooperative, and based on official dialogue. This choice of policy contrasts blatantly with the one adopted toward Burma. More specifically, the EU has stopped trying to force a discussion of the China situation at the UN Commission for Human Rights in Geneva. EU and China government officials and experts on human rights meet on a regular basis to discuss these issues, but without producing any concrete results, both because of the lack of preparation and interest among EU officials and the inflexibility of the Chinese participants. In the meantime, the two sides have privileged cooperation programs on good governance, judicial reform, and the training of Chinese civil servants, lawyers, and judges in Europe.

Yet this new EU approach has been questioned by large segments of public opinion as well as a number of political leaders. In their view, this policy has not borne enough fruit to stop human rights abuses and should be complemented, when need be, by political pressure and public condemnation of the Chinese government. More importantly, this policy has not facilitated in any way the democratization of the Chinese regime. While modernizing the legal and administrative institutions, the objective of Hu Jintao and the Chinese government is clearly to maintain the current one-party system. In such circumstances, European critics claim that the EU should keep its distance from the PRC, be more critical, and refrain from giving the public the feeling that it caves

in to every demand formulated by the Beijing authorities.

Taking into account some of these critics, the EU Commission has decided to review its approach to human rights. In its October 24, 2006 communication it clearly stated, in a section titled "Supporting China's transition towards a more open and plural society," that "democracy, human rights and the promotion of common values remain fundamental tenets of EU policy and of central importance to bilateral relations." In practical terms, the human rights dialogue will be more focused and results-oriented.<sup>26</sup> Nevertheless, problems will remain and the postponing of the Chinese agreement, expected in September 2006, of the opening of a European Law House in Beijing tends to demonstrate the sensitivity of the matter on the Chinese side.

#### *Trade Issues*

On trade issues, there are also obvious convergences between EU and U.S. interests, with both suffering a widening deficit with China. Nevertheless, at the same time, the EU and the United States are competitors in the Chinese market. Within Europe, commercial competition or conflicting interests among member-states and companies remain a powerful reality in some areas. Having said that, because the WTO commitments were approved by the EU as a political and economic entity, most trade difficulties, such as on textiles and shoes, are negotiated at the union level between Brussels and Beijing.

In 2004, China was the EU's second-largest trading partner (behind the United States) with overall trade worth €175 billion (\$227.1 billion), while the EU became China's number-one trade partner, ahead of the United States and Japan, according to Beijing's statistics. In that year, EU imports from China represented more than 12.3 percent of the EU's global imports (€126.7 billion or \$164.7 billion compared with \$114 billion in 2003), and EU exports to China accounted for 5 percent of its global exports (€48 billion or \$62.4 billion compared with \$48 billion in 2003).<sup>27</sup>

26. "EU-China: Closer Partners, Growing Responsibilities," pp. 4-5.

27. EU statistics. In 2004, the statistics included twenty-five member-states while in 2003 it included only fifteen states. In the last five years, the EU has invested on average \$4.2 billion a year. The total stock of EU foreign

The EU's trade deficit with China (€78.7 billion or \$102.3 billion against \$66 billion in 2003) is much bigger than is indicated by the Chinese statistics, which excluded re-exports through Hong Kong. In 2004, the EU's trade deficit with China was 20 percent higher than the EU's trade deficit with the whole world and represented 4 percent of the EU's overall foreign trade.

China's accession to the WTO in December 2001 as well as the particular agreement it reached with the EU earlier have therefore benefited the former more than the latter. The EU's trade deficit with China (€106.4 billion or \$127 billion in 2005) is today comparable to the U.S. deficit with China (\$162 billion in 2004, 5.5 percent of overall U.S. foreign trade in goods and services, and \$202 billion in 2005).<sup>28</sup> The deficit has fed an increasing number of EU complaints about China's lack of compliance with WTO commitments, its cheap currency, and its totally inadequate protection of intellectual property rights. The sudden rise in Chinese textile exports to the EU after January 2005 (500 percent in a few months for some garments) has forced both sides to negotiate a deal that limits these sales until the end of 2007, and this in spite of obvious differences of interest within the EU itself between its textile manufacturing countries and the others.<sup>29</sup> Shoe imports from China and Vietnam provoked a very similar problem and subsequent negotiations in the first months of 2006. In other words, the EU's trade deficit and China's commercial

direct investments was \$35 billion at the end of 2004 (in 2004, €1=\$1.3).

28. According to Chinese statistics, in 2005 EU-China trade amounted to \$217 billion, and the EU deficit reached \$70 billion (\$77 billion if Hong Kong is included), an 87 percent increase over 2004. According to the same data, the U.S. deficit amounted to \$114 billion (\$147 billion Hong Kong included), a 43 percent increase over 2004.

29. On June 10, 2005, in Shanghai, EU Trade Commissioner Peter Mandelson managed to conclude with Chinese Commerce Minister Bo Xilai a deal limiting the rise in Chinese exports of ten types of textiles and clothing to the EU until the end of 2007 in a range from 7.5 percent (for T-shirts and flax yarn) to 12.5 percent, before trade is fully liberalized in 2008. Due to bad management on the European side, this deal had to be renegotiated later. On September 5, 2005, Mandelson reached a new compromise with Bo, letting in the 88 million items (valued at around €500 million or \$600 million) blocked at EU borders and including half of these stocks in China's quotas for 2006 or from unfilled quotas of other textile products in 2005.

aggressiveness have promoted protectionist tendencies within Europe and have the potential of turning economic disputes into a major impediment to a stable EU-China partnership.

While in the eyes of many European manufacturers the attitude of the EU Commission has remained too indulgent, Beijing has rapidly learned how to utilize the WTO mechanisms to its advantage and has launched an even more rapidly growing number of anti-protectionist procedures against the Commission. It has also increased the pressure on the EU Commission to grant it market economy status. However, echoing the concern of many EU industries and despite fresh British pressure, the European Commission continues to resist giving China this status. It argues in particular that it cannot accept China's estimates of costs and prices at face value because the Chinese government exerts too much influence on business through export restrictions and price controls and that corporate governance, property rights, and the banking industry in China do not meet free market standards.<sup>30</sup>

To be sure, when Beijing joined the WTO, it agreed to be considered a non-market economy for fifteen years, but it has more recently sought to have this overturned through a special procedure in order to decrease duties imposed by the EU on its products and to circumvent more frequent EU anti-dumping procedures against it. As Pascal Lamy, former EU trade commissioner, indicated in 2004, these anti-dumping procedures concerned only 0.5 percent of all China's exports to the EU. Nevertheless, Beijing is eager to attain a status that it has already been granted by Singapore, Malaysia, New Zealand, ASEAN, and Australia, hoping that this will put additional pressure on the United States eventually to follow suit.

Having said that, the deepening trade deficit between the EU and China, as well as the provisional agreement signed by both sides in June 2005 to limit the growth of textile exports, and

30. China's status as a non-market economy means that the European Union does not have to rely on cost figures given by Chinese exporters when determining if goods are being sold below cost in the EU. The Union can instead consider cost and price data from other countries when it decides whether to apply duties to Chinese exports in defense of domestic producers or to launch anti-dumping procedures.

the decision made by Brussels in February 2006 to impose tariffs on Chinese (and Vietnamese) shoe imports, are not conducive to any rapid change in Brussels' position on the status of the Chinese economy. France and other southern European economies (Italy and Spain) will have to accelerate the restructuring of their textile and shoe industries if they want to be ready when the restrictions imposed on China are lifted.

More globally, the question at stake is China's respect for its WTO commitment, and in particular the opening of its economy and market to more imports and investments in sectors that it still considers strategic. The joint procedure launched in 2006 by the EU and the United States before the WTO on the illegal taxation of auto spare parts imports underlines the scope of the disagreements. But there are multiple trade issues, among them forced technology transfers, piracy and counterfeiting, and WTO-prohibited subsidies to strategic sectors. Clearly exposed in October 2006, these pending issues will probably dominate the EU-China relationship in the coming years.<sup>31</sup>

#### *The Impact of China's Rise on World Affairs*

There are other, newer problems between the EU and China, all of which have to do with China's rising influence in world affairs as a result of its sheer economic development and its growing need for energy and agricultural products from outside markets.

In the last decade or so, China has put a priority on securing access to major oil and gas-producing countries such as Iran, Sudan, Burma, and Venezuela. This new security policy priority has prevented China from joining the rest of the international community when it wants to exert pressure on these countries to protest major infringements of human rights, as in the case of Sudan or Zimbabwe, or to prevent a country, Iran, from acquiring the capability to manufacture nuclear weapons. This latter issue, on which France, Germany, and the United Kingdom have taken an active role, has soured EU-China relations, even to the point where it has influenced the policy of those EU nations, such as

31. "EU-China Trade and Investment: Competition and Partnership," pp. 11-12.

France, that are best disposed toward China. China's increasing arms exports to unstable or tyrannical African regimes have also become an issue for the EU, in particular for France and the United Kingdom, because of the close relationship they have maintained with many of their former colonies.

As an indication of these growing European concerns, the joint EU-China statement issued in September 2006 devotes its point 15 (and three paragraphs) to Africa. This document underscores that, beyond their shared commitment to sustainable global development as well as peace and stability, both sides openly disagree on the best strategy to solve the political problems of this continent. While the EU side "reaffirmed its attachment to the principles of good governance and human rights," "the Chinese side emphasized the upholding of the five principles of peaceful coexistence, in particular the principle of non-interference into each other's internal affairs."<sup>32</sup> Advocating a separation between politics and economics and a comfortable "neutrality" on Africa's political problems, China is suspected by many EU leaders of actually taking sides with the most destabilizing or repressing African governments.

This list of problems is far from comprehensive, but it helps put into perspective the maturing "strategic partnership" that both the EU and China have wished to build in the last decade or so.

### **The Complex EU-China Partnership: Implications for U.S. Interests**

This brief analysis tells us as much about the EU itself as it does about EU-China relations or China's foreign policy. And on the whole, it tells us that this relationship can only cause marginal harm to U.S. interests, mainly in the economic realm. The EU is bound to remain a complex body to which its member-states agree to delegate some, but not all, of their responsibilities. In other words, although it has developed some federal-like institutions (such as the euro), the EU will continue to be a

32. "Joint Statement of the 9th EU-China Summit," *Helsinki*, September 9, 2006. See the article on China and Africa by Michal Meidan in this issue.

confederation of nations or a supranational body implementing decisions approved by all or, in a limited number of cases and when the EU constitution is approved, a qualified majority of members. This means that the EU's China policy, as such, will remain only part of the picture.

To get the full picture of Europe's China policies, the various policies implemented by each of the twenty-five member-states have to be considered. In spite of its influence, both as a large European nation and a founding member of the EU, France's China policy will remain somewhat distinct and different from that of the EU.

Beyond its official discourse, which tends to equate the EU with the United States, China is quite aware of this reality. The Sino-French relationship is a perfect illustration of Beijing's capacity to adapt to every EU country's special circumstances and draw maximum benefits from this adaptation. China has also been very skillful at playing EU members off against one another and, taking advantage of the two-layer (Union and national) decision-making process, at extracting the best treatment possible from the EU and its key states.

Nevertheless, these are only tactical gains. The development of the EU after World War II has been possible because the European nations that have agreed to take part in this adventure share the same political values, in particular democracy and peace. As long as China remains an authoritarian regime, flirts with pariah regimes such as Iran and Sudan, and does not completely abandon non-peaceful means to settle disputes, including the Taiwan issue, a true global and strategic partnership between the EU and China will have difficulty taking shape and acquiring substance, while the EU-U.S. partnership will of course remain vibrant.

This short presentation therefore has also tried to demonstrate that, despite genuine differences on a number of international issues (such as environmental protection, the International Criminal Court, the Guantanamo detention center, Iraq, and U.S. unilateralism), the EU and the United States share not only the same fundamental political and ideological values, but are also pursuing identical objectives regarding China. Ways and means may differ, mainly because the EU, unlike the United States, is not a "hard power"; it can only rely on its "soft power," its institutional toolbox and role models in particular, to influ-

ence other nations. But the objectives regarding China approved and shared by the EU have much in common with those of the United States: to integrate China in the world community and convince it to become a “responsible shareholder” in terms of nonproliferation, human rights, and the building of peace. This means that from a strategic viewpoint, there is no triangle between the EU, the United States, and China, and there is little chance of seeing one take shape.

Having said that, the post-cold war world is characterized by more fluid international relations, in which military and strategic dimensions are somewhat offset, if not weakened, by the growing economic globalization at play. China’s integration into the world economy makes the relationships that the EU and the United States have with this country very different from the ones developed with the now-defunct Soviet Union. Economic and trade competition between the EU and the United States, and among EU and U.S. companies, in the Chinese market is part of everyday reality. And because economic interests are more and more often taken care of by governments, both in the EU and in the United States, this competition cannot avoid having diplomatic consequences. China, as a very rational international actor, utilizes these conflicting interests to try to secure political gains. Sometimes it succeeds, sometimes it fails. But on the whole, because the difficulties that Europe and America have with China are very similar, these gains have remained limited. Nor have these conflicting interests given birth to a simple EU-U.S.-China politico-economic triangle. Instead, we find multiple forms of triangular competition at various levels: EU, national, and corporate.

Moreover, in spite of China’s growing military assertiveness, it does not have an ambition to reach some kind of military parity with the United States. In other words, while vigilance has been strengthened, in Europe as well as in the United States, concerning China’s military buildup and its impact on its regional environment, containment is a non-starter for all of China’s major partners.

In this context, the debate on the lifting of the arms embargo has served as a kind of wake-up call for both the EU and the United States. Brussels, as well as major European capitals, and Washington have been forced to open a long overdue strategic

dialogue on China. This dialogue will not put an end to the trade (or diplomatic) competition between Europe and America for China’s markets. Nevertheless, it has already allowed both sides to comprehend better the parameters of their conflicting interests as well as their common objectives: a China that moves smoothly toward greater freedom and greater transparency while reassuring its neighbors of its intentions and capabilities. To turn China into a “responsible stakeholder” was originally an American idea, but as the October 24, 2006 communication demonstrates, the EU has had no difficulty in also espousing this goal too. It remains now to be seen what kind of new “Partnership and Cooperation Agreement” both the EU and China, in the present circumstances, will be able to negotiate and conclude.

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