

Institutions and States:
Exploring the Challenges to the European Union's Foreign
Policy towards China (1995-2009)

by

Tzuli Max Lin

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利而誘之，亂而取之

Hold out baits to entice the enemy. Feign disorder, and crush him.

實而備之，強而避之

If he is secure at all points, be prepared for firm, if he is in superior strength, evade him.

孫子兵法

Sun Tzu's Art of War

Abstract

The key objectives in the EU's China policy include socialising China, building a strategic partnership, and bolstering economic ties. Drawing upon extensive interviews with policy makers and academics in Beijing and Brussels, this dissertation argues that EU policy toward China has been unable to achieve its stated objectives. There are three reasons for this outcome. First, internal divisions within the EU have hampered its China policy. Second, US intervention in EU-China relations has impeded EU China policy. Third, skilful Chinese foreign policy has often circumvented the EU's China policy. This dissertation seeks primarily to contribute to the study of the international relations of the European Union. It also makes a contribution to the literature on Chinese foreign policy during its current period of ascendancy, by demonstrating how a rising China has been very strategic in conducting its policy toward key European States, specifically the UK, France and Germany.

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List of Abbreviations

ASEAN	Association of Southeast Asian Nations
ASL	Anti-Secession Law
CASA	Construcciones Aeronáuticas S.A.
CCP	Chinese Communist Party
CFSP	Common foreign and security policy
COARM	Conventional Arms Export
CoC	Code of Conduct
CSCE	Conference on Security and Cooperation in Europe
CSIS	Centre for Strategic and International Studies
CSP	Country Strategy Paper
CRS	Congressional Research Service
DG RELEX	Directorate-General for the External Relations
DPP	Democratic Progressive Party
EC	European Community
EEAS	European Union External Action Service
EP	European Parliament
ESDP	European Security and Defence Policy
ESS	European Security Strategy
FAO	Foreign Affairs Office
F-35 JFS	Joint Fighter Striker

GAERC	General Affairs and External Relations Council
GDP	Gross Domestic Product
IPR	Intellectual Property Rights
MES	Market Economy Status
MoUs	Memoranda of understanding
NATO	North Atlantic Treaty Organisation
NPC	National People's Congress
ODA	Official Development Assistance
PCA	Partnership and Cooperation Agreement
PLA	People's Liberation Army
QMV	Qualified Majority Voting
RMB	Renminbi
SED	Strategic Economic Dialogue
SPS	Sanitary and Phytosanitary Measures
STRACOM	US Strategic Command
T/C	Textiles and Clothing
TCA	Trade and Cooperation Agreement
TBT	Technical Barriers to Trade
UNCHR	UN Commission on Human Rights
WEU	Western European Union
WTO	World Trade Organisation

Chapter 1

Explaining the Dynamics of EU-China Relations

Introduction

In the aftermath of the remarkable end to the Cold War, European Union (EU) policy towards China changed. As Snyder pointed out, the establishment of diplomatic contacts between European countries and China was strongly influenced by the evolution of the Cold War, and the relationship between Europe and China has been marked by a strong focus on European trade policy.¹ The end of the Cold War inspired Europe to try the possibility of inducing in China a transformation from an authoritarian to a democratic country through constructive engagement. The Europeans began an attempt to influence China in improving its human rights record, basic freedoms, trade regulations and rule of law.² This process began with the first EU-China policy documents, which were produced in 1995 following the Maastricht Treaty.³

One cannot dismiss the fact that the motives behind this policy were drawn from a sense of humanitarian concern, however, the EU has interrelated closely with China for other reasons. In 2003 a commission policy paper confirmed that China had grown to become one of the EU's major strategic partners. In economic terms, China is the EU's second biggest trading partner behind the United States. In turn, the EU has grown to become China's biggest trading partner since 2006.⁴ Despite these developments the EU has not achieved its stated objectives. A number of reasons explain this: firstly, internal divisions between EU institutions and Member States have undermined the coherence of the 'China policy'. Secondly, as a major rising state, China has been able to utilise a number of strategies to dilute EU policy. Finally, when the EU has been able to overcome internal divisions and negotiate well with the Chinese, United States foreign policy has often interfered.⁵

¹ Snyder, F. (2009). *European Union and China, 1949-2008, The: Basic Documents and Commentary*, Hart Publishing, pp. 3-16.

² European Commission (1995). *A long-term policy for China-Europe relations*. Communication from the Commission. COM (1995) 279.

³ Ibid.

⁴ Gambini, G. (2009). EU-27 trade with China and Russia in 2007. *Eurostat*, published by the European Commission.

⁵ Cabestan, J.-P. (2006) European Union-China relations and the United States. *Asian Perspective*, 30(4), 11-38; Narramore, T. (2008). China and Europe: engagement, multipolarity and strategy. *The Pacific Review*, 21(1), 87-108.

Choosing the year 1995 as the crucial point for this thesis is a logical one. Prior to this, Sino-Europe relations were largely derivative of the Cold War and Sino-Soviet rivalry.⁶ Western observers were shocked and appalled by the events of the Tiananmen Square massacre in 1989.⁷ However, the relationship between China and the EU had strengthened enough by 1995 for the Europeans to lift the economic sanctions imposed after the massacre.⁸ The paper 'A long-term policy for China-Europe Relations' in 1995 was the first European Commission paper to state the European Unions future 'China Policy'. Therefore, the year 1995 marks a watershed in thinking towards China.⁹

To begin with, this thesis claims that the European Union has not fulfilled its trade policy goals towards China, albeit the issue of bilateral trade is the most significant aspect of EU-China relations. The EU is pushing hard to bring down barriers against investment and trade, whilst China, it is claimed, has yet to complete full implementation of the obligations set out by the World Trade Organisation (WTO).¹⁰ This they say is preventing a genuinely reciprocal trading relationship.¹¹ Peter Mandelson, the former EU trade commissioner, was strongly critical that the restrictions placed on foreign companies in China

⁶ In the 1970s and 1980s, China started to establish diplomatic relationships with most countries in western Europe following US President Richard Nixon's visit to China in 1972. Western Europe was regarded as a potential ally in the united front against Soviet socialist-imperialism.

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⁸ Shambaugh, D., Sandschneider, E. & Zhou, H. (2008). From honeymoon to marriage. In: Shambaugh, D., Sandschneider, E. & Zhou, H (eds.) *China-Europe Relations: Perceptions, Policies and Prospects*. London, Routledge, p. 304.

⁹ Many scholars have this perspective, such as, Ash, R. (2008). Europe's Commercial Relations with China. In: Shambaugh, D., Sandschneider, E. & Zhou, H. (eds.) *China-Europe Relations*. London, Routledge.

¹⁰ Zimmermann, Hubert (2007). Realist Power Europe? The EU in the Negotiations about China's and Russia's WTO Accession. *Journal of Common Market Studies*, 45(4), 813-832.

¹¹ The European Commission (2006a). EU-China: Closer partners, growing responsibilities, Communication from the Commission to the Council and the European Parliament. COM(2006) 632 final, p. 7.

and Chinese economic nationalism was on the rise.¹² However, the former Chinese Vice-Premier Wu Yi announced that she was 'extremely unhappy' with Mandelson's comments, while other Beijing officials accused the EU trade boss of 'inventing false problems'.¹³ They argued that China is still a developing country, which needs to protect its immature industries. It is unlikely that China will lower its trade barriers to the EU in the near future.

Secondly, this thesis contends that despite attempts by the EU to the contrary, China has not embraced EU style multilateralism. Political rhetoric from Beijing supports multilateralism, and the United Nation's (UN) core role in handling regional and international crises and proposes to fight international terrorism with other nations. In practice however, there are clear differences between EU and Chinese attempts at multilateralism. The European Commission paper has stated: 'the goal should be a situation where China and the EU can bring their respective strengths to bear to offer joint solutions to global problems.'¹⁴ However, Chinese policy towards Darfur, Zimbabwe, Myanmar, and North Korea shows that this EU goal has not been met. Berkofsky argues this point, by stating that the EU: 'as an institution itself is a product of a multilateral approach towards international relations embracing the political will to share and indeed give up sovereignty, there are no indications that Beijing has made multilateralism a priority on its foreign and security policy agenda.'¹⁵

Thirdly, it will be argued that the EU has not achieved its human rights policy goals towards China. For example, China still has one of the worst human rights records of any major country in the world.¹⁶ Beijing sentenced Liu

¹² Thornhill, J. (2 October 2008) Trading strains. *Financial Times*; 赵晨, Zhao, Chen (2008). 中欧关系为什么会“降温” (Why has China-EU relations been "cool down"). *领导文萃 (Lingdaowencui)*, 8.

¹³ Eyal, J. (28 Nov 2007) The end of a Sino-EU love affair. *The Straits Times*.

¹⁴ The European Commission (2006a). p 2.

¹⁵ Berkofsky, A. (2006a). EU-China Relations – Really Towards a Strategic Partnership? *Themenschwerpunkt*, 4.

¹⁶ FIDH (21 September 2004). EU/China human rights dialogue: more than a toothless exercise? International Federation for Human rights.

Xiaobo to 11 years' imprisonment for helping to organise a pro-democracy petition and for writing six articles that criticised the Communist Party.¹⁷ This is a clear example of how Europe's efforts have been largely ineffective by using bilateral dialogue as an instrument for dealing with China on human rights.¹⁸

It has been argued that the relationship between the EU and China has grown since 1995. However, as my three points demonstrated above, there have been some clear failings. It raises the primary concern of this dissertation, to answer the following research question, why has EU policy towards China been unable to achieve its stated objectives?¹⁹ The insufficiency of academic literature in examining EU's China policy highlights this field of EU-China study, which is new and therefore, as Dai argued "*neglected compared to the amount of attention paid to other aspects of bilateral relations such as Sino-American, Sino-Japanese or EU-US relations.*"²⁰ The relatively immature EU-China relations have formed bilateral ties in dynamic cooperation and conflicts. Hence, Shambaugh has adjusted his perspective and claims that the relationship has changed from 'honeymoon' to 'complex marriage'.²¹

This dissertation is divided into six chapters, which will outline my answer to the research question. Chapter two explores the extent to which the EU has not achieved its stated objectives towards China. It will look at the concept of *normative power Europe* as it is a fundamental principle of EU foreign policy.²² It will then examine EU official policy documents relating to China and bilateral issues such as trade, strategic partnership and human rights. After discussing

¹⁷ Dyer, G. (4 Jan 2010). Beijing's push for soft power runs up against hard absolutes. *Financial Times*.

¹⁸ Baker, P. (2002). p. 63.

¹⁹ I recognise that this is broad research question, and discussion to theoretical aspect will be coped in future chapters. The basis of theory is realist perspective.

²⁰ Dai, Xiudian (2006). *Understanding EU-China Relations: An Uncertain Partnership in the Making* Centre for European Union Studies. The University of Hull.

²¹ Shambaugh, D. (26 November 2007). The 'China honeymoon' is over. *The International Herald Tribune*.

²² Manners, I. (2002). Normative Power Europe: A Contradiction in Terms? *Journal of Common Market Studies*, 40, 235.

how the EU has not achieved its objectives towards China, chapters three to five aim to examine the three crucial reasons why European policy towards China is incoherent. Chapter three examines how internal divisions within the EU have hampered progress with China. Chapter four will focus on the role of the United States in disrupting the agenda of the EU, which has impeded EU China policy. Finally, chapter five assesses the skill of Chinese foreign policy that has often circumvented the EU's China policy.

With respect to the subject of EU-China relations, what makes this dissertation distinctive from others? Firstly, current EU-China literature provides inadequate explanation, since it largely discusses the trajectory of relations rather than analysing the reasons behind bilateral issues. Therefore, this thesis attempts to fill that research gap. Secondly, it is important because it shows how EU policy has been, and remains, highly incoherent in dealing with China. As an international institution, the EU exposes its weakness when it seeks to act as a state when conducting foreign policy. This dissertation also proves that these relations are limited by the US factor rather than foreign policy itself. This study systematically examines how the EU acts as a normative power on the surface, yet remains a realist power in practice. Although the EU and China are major actors in world politics, their relationship, at least in the short term, is unlikely to improve to the extent that they are capable of acting like genuine strategic-partners.

1. Literature Review

Although the literature surrounding EU-China and European international relations is continually developing, there has been little systematic examination of the effects (either success or failure) of EU policy towards China. In particular, there are very few articles exploring EU-China relations in the international journals of European Studies.²³ On the other hand, a lot of

²³ Comino, A. (2007). A Dragon in Cheap Clothing: What Lessons can be Learned from the EU-China Textile Dispute? *European Law Journal*, 13, 818-838; Glen, C. M. & Murgo, R. C. (2007). EU-China relations: balancing political challenges with economic opportunities. *Asia Europe*

English language literature on the subject has been published by European or American think tanks.²⁴ This situation shows that most of the current literature has neither applied theoretical framework nor original contribution. Contemporary literature evaluating the question of why EU policy towards China has not been able to achieve the stated objectives can loosely be grouped into two broad categories. The first category focuses on how EU foreign policy towards China contains normative principles, while the other category focuses on US interference to explain the lack of success in the EU's China policy.

1.1. The normative and political economic factors in EU's China policy

Holslag claims that European Union policy towards China is failing because the EU has adopted a policy of conditional engagement: 'Europe expects the People's Republic to take a benign and favorable stance that encapsulates its own norms and standards.'²⁵ For example, the EU is more willing to engage China on certain issues such as the promotion of human rights and democracy.²⁶ Holslag argues that due to China's ever increasing status on the world stage, relations with Europe have become more competitive than cooperative. In other words, China does not need to embrace democracy and

Journal, 5, 331-344; Scott, D. (2007a). China and the EU: A Strategic Axis for the Twenty-First Century? *International Relations*, 21, 23-45.

²⁴ Adelman, J. (2005). Comments on 'A Developing Triangular Relationship?' Options for the Future. *C.A.P. Round Table on Evaluating EU-China Relations and the Consequences for the China Policy of the United States: Synergy or Competition?* Munich; Berkofsky, A. (2006b). The EU-China strategic partnership: rhetoric versus reality. *Facing China's Rise: Guidelines for an EU Strategy*, Chaillot Paper No 94; Casarini, N. (2006). The evolution of the EU-China relationship: from constructive engagement to strategic partnership, Occasional Paper. *Occasional Paper*. the European Union Institute for security studies; Crossick, S., Cameron, F. & Berkofsky, A. (2005). EU-China Relations - Towards a Strategic Partnership. *EPC Working Paper*; Dreyer, I. & Rixon, F. E. 2008. An EU-China trade dialogue: a new policy framework to contain deteriorating trade relations. *New ECIPE Policy Brief*. ECIPE; Fox, J. & Godement, F. (2009). A Power Audit of EU-China Relations The European Council on Foreign Relations; Hallaert, J.-J. 2005. The Changing patterns of EU-China trade. In: Imf (ed.) *Euro Area Policies: Selected Issues, Country Report n° 04/235*. Washington; Holslag, J. (2009b). The elusive axis: Evaluating the EU-China strategic partnership. *BICCS Asia paper*, 4; Kerr, D. & Fei, L. (2007). The International Politics of EU-China Relations. *British Academy Occasional Papers*. The British Academy; Scott, D. (2007c). The EU-China 'strategic Dialogue': Pathways in the International System. In: Kerr, D. A. L. F. (ed.) *The International Politics of EU-China Relations*. British Academy Occasional Papers10: The British Academy; Zaborowski, M. (2006). EU-China security relations. EU Institute for Security Studies.

²⁵ Holslag, J. (2006). The EU and China: The great disillusion. *European Foreign Affairs Review*, 11, 555.

human rights while engaging with the EU. The strategic partnership, Holslag claims, has become more like a great disillusion that China is not living up to Europe's expectations.²⁷ For instance, he argues that China's economic development has undermined Europe, increasing the proportion of unemployment across the continent. Thus, the so-called 'win-win' situation of bilateral collaboration does not ring true across the board. Furthermore, Holslag claims that EU strategy towards China has failed, because despite the EU's conviction that China could be steered towards democratisation and multilateralism it has resisted.²⁸ Indeed, China does not allow itself to be moulded as Europe would like. Thus, the question becomes, if the EU abandons its conditional engagement, will the competitive relationship in trade between the EU and China be reduced and will then both sides become genuine strategic partners? This thesis argues that no matter what the EU demands from China on human rights or democratisation, the trade obstacles continue to exist and they will remain at the level of trade partners.

To summarise Holslag's argument, the EU puts forward a policy towards China that was doomed to failure. However, if the EU's conditional engagement became unconditional engagement, would the EU policy towards China be successful? The point is that the EU is not a state that has a coherent foreign policy. Thus, the EU is vulnerable to the strategy of 'divide and rule' by other great powers. Additionally, Holslag does not examine the role of the US in EU-China relations. This mistakenly draws the conclusion that the EU's failed attempt to influence the Chinese was due to bilateral factors. The EU is aware that granting Market Economy Status (MES) and lifting the arms embargo will advance its relationship with China, however, Brussels cannot convince the US and EU Member States to do so. This thesis argues that 'foreign policy' is not the main factor responsible for EU-China relations.

²⁶ Ibid, pp. 555-580; Holslag, J. (2009b). The elusive axis: Evaluating the EU-China strategic partnership. *BICCS Asia paper*, 4(8).

²⁷ Holslag, J. (2006). p. 572.

²⁸ Ibid., p. 555.

Another examination of the relationship between the two is offered by John Fox and Francois Godement. Their report, 'A power audit of EU-China relations' published in April 2009, immediately became one of the most widely discussed papers in Brussels because it strongly criticised both the EU's China policy and China's EU policy. The main criticism of Fox and Godement is that the EU is basing its policy towards China on an 'anachronistic belief' that China will liberalise its economy, improve the rule of law and democratise its politics under the influence of an EU normative policy.²⁹ They argue that the approach of the Europeans towards China is stuck in the past, and it continues to treat China as the emerging power it used to be, rather than the global force it has become. In particular, they claim the failure is caused by the EU adopting the wrong policy; 'unconditional engagement' described as: "*a policy that gives China access to all the economic and other benefits of cooperation with Europe while asking for little in return.*" This seems like the total opposite of Holslag's 'conditional engagement' but in fact the argument is similar: the EU should abandon the fantasy that they can shape China's development. Fox and Godement regard the EU as too weak, while Holslag claims the EU is too idealistic towards China. Again, all of them are ignoring the fact that the EU is an international institution, which cannot act strongly like a state nor can it abandon the principles of its core beliefs: democracy, freedom, human rights and liberty.

Fox and Godement attack the EU for believing that: 'engagement with China is positive in itself and should not be conditional on any specific Chinese behaviour.' They argue that: 'collectively as well as individually, EU Member States will fail to get more from China unless they find ways to overcome their divisions and leverage their combined weight into a strengthened bargaining position.'³⁰ Thus, China has exploited the divisions among EU Member States and takes advantage of the mismatch between its own centralised authority

²⁹ Fox, J. and Godement, F. (2009). A Power Audit of EU-China Relations. *The European Council on Foreign Relations*, p. 1.

³⁰ Ibid.

and the EU's rule-based system of government.³¹ Moreover, the authors suggest that the EU should shift its China policy towards reciprocal engagement, which adopts a new interest-based approach. They urge that EU Member States should take a coherent attitude towards China. However, the EU has already adopted an interest-based approach, such as the EU anti-dumping policy application towards China and the EU arms embargo on China.³² Besides, the request to take a coherent attitude towards China is unrealistic. For example, Spain held the first presidency of the rotating system after ratification of Lisbon Treaty in 2009, which has sought to lift the arms embargo on China, despite the lack of support from the EU institution as a whole and the governments of Member States.³³ This situation shows that it is still too far away for Brussels to produce a coherent attitude towards China, despite its efforts on Chinese institutional reform.

Fox and Godement suggest that the €169 billion trade deficit in 2008 represents a failure by the EU in forcing Beijing to open its domestic market: 'European firms in China continue to face a myriad of non-tariff barriers and arbitrary decisions at a local level.'³⁴ However, if compared with the US, a much wealthier entity than the EU, the trade deficit was €100bn higher. In addition, the US has been pressing China to restrict its exports and open its domestic markets for years, but has suffered the same disappointing result as the EU. For example, US Treasury Secretary, Tim Geithner, visited Beijing in June 2009 and returned empty-handed after pressing China to revalue the Renminbi and open its domestic market.³⁵ Furthermore, Fox and Godement ignore the fact that the EU-Asia trade amount is balanced. So it would seem that although there exists a trade deficit with China the EU still has a counterbalancing trade surplus in Asia. This thesis argues that Fox and Godement use the EU-China

³¹ Ibid. pp. 3-35.

³² Nielsen, J. and A. Rutkowski (2005). The EU Anti-dumping Policy Towards Russia and China: Product Quality and the Choice of an Analogue. *The World Economy*, 28(1), p. 103.

³³ Charlemagne (1 February 2010). The EU and arms for China. *Economist*; Oklestkova, I. & Bondiguel, T. (2 February 2010). Lifting the EU arms embargo on China: cui bono? *Euobserve.com*, <http://euobserver.com/7/29389>

³⁴ Fox, J. and Godement, F. (2009). p. 11.

³⁵ Economy, E. & Segal, A. (2009). The Limits of Engagement. *Foreign Affairs Review*, May/June.

trade imbalance to criticise EU policy, which does not stand up to scrutiny. In comparison with EU trade policy, the US trade policy is much more coherent than the EU's, but the US trade deficit with China is much more serious than the EU's. Thus, the EU trade policy should not be seen as responsible for the trade imbalance.³⁶

Fox and Godement suggest that: 'the European Council should launch a major review of EU policy towards China, with the aim of establishing a small list of joint policy priorities.'³⁷ However, if one looks at the policy-making procedure of the EU, this is what the European Commission has been doing at regular intervals over the past two decades. The difficulty in forming policy within the European Council is that it is limited by the six months rotating presidency. Foreign ministers of the Member States will only have six-month 'Gymnich type meetings' to formulate coherent strategy on the EU's strategic partners.³⁸ Unfortunately, rotating presidencies tend to focus on the most immediate issues. We are yet to know (at the time of writing) how the new arrangement (post-Lisbon) will impact on this. Moreover, the authors recommended that Member States should 'Europeanise' their national cooperation programmes and key dialogues with China.³⁹ This sounds reasonable, but will not be easy to implement. Some Member States like France, Germany and the UK would argue that they have special interests in certain issues, which are significant for their national development. For instance, the UK's financial relationship with China is very important.

Regarding the issue of Tibet, Fox and Godement argue that the EU is being naïve: "*EU leaders and parliamentary authorities will not tolerate any restriction on their right to meet political and religious figures, including the Dalai Lama.*"⁴⁰ Beijing

³⁶ The EU has €169bn trade deficit with China, the US has €269bn trade deficit with China, Cameron, F. (2009). EU-China Relations: Is the EU as Weak as some Believe? *EU-China Observer* 3, p. 8.

³⁷ Fox, J. and Godement, F. (2009). p. 18.

³⁸ Gymnich meeting is the informal meetings of foreign ministers of the European Union, with an agenda but without decisions.

³⁹ Fox, J. and Godement, F. (2009). p. 64.

⁴⁰ *Ibid.*, p. 63.

has demonstrated their attitude towards the Tibet issue in the short-term cancellation of the EU-China summit in Lyon 2008, a ruthless reaction to French president Nicolas Sarkozy's meeting with the Dalai Lama. To the Chinese, European leaders meeting the Dalai Lama is the equivalent of Chinese assistance in reconciliation in Northern Ireland, the Baltic States, Cyprus, Kosovo or the Roma issue.⁴¹ Beijing will do whatever they can to stop any dialogue between the EU and the Dalai Lama. Thus, some EU leaders and parliamentary authorities will not meet the Dalai Lama in order to prevent Chinese retaliation. Fox and Godement advance the policy suggestion that the EU should shift to a reciprocal engagement when dealing with China, for instance, by lifting the arms embargo on China. However, they are looking in the wrong place to explain the failure of EU policy towards China. The issue of the arms embargo is contentious amongst scholars; the general consensus is that the EU will accept the lead of the United States on any agreement involving security concerns.⁴² To summarise, Fox and Godement overestimate bilateral factors because they ignore the US factor in EU-China relations.

Furthermore, Stumbaum argues that, firstly, because of the EU's strict separation between the supranational trade sector and the intergovernmental foreign and security policy; and secondly, the lack of sanction power to force Member States to conform to EU policies, the EU finds itself unable to translate the accumulated potential of European activities towards the People's Republic of China into a coherent European policy, and hence into political

⁴¹ Men, J. (2006). Chinese Perceptions of the European Union: A Review of Leading Chinese Journals. *European Law Journal*, 12.

⁴² The EU Arms embargo on China will be examined in chapter 3. Viewing US intervention as the main factor on arms embargo: Shambaugh, D. & Wacker, G. (eds.) (2008b). *American and European relations with China*. SWP Research Paper; Gill, B. & Murphy, M. (2008b). China-Europe relations: Implications and policy responses for the United States, *A Report of the CSIS*, CSIS; Feng, Z. (2006). How to promote Sino-EU relations going to depth development? *Foreign Affairs Review*, (91), (Chinese); Scott, D. (2007a). China and the EU: A strategic axis for the twenty-first century? *International Relations*, 21(1); Casarini, N. (2007a). The international politics of the Chinese arms embargo issue, *The International Spectator*, 42(3); Narramore, T. (2008). China and Europe: engagement, multipolarity and strategy. *The Pacific Review*, 21(1).

influence.⁴³ The situation is as true as Stumbaum argued, however, these two factors do not apply only to EU China policy, but also to all the EU's external relations. Thus, it can be regarded that her argument points out a general weakness in EU foreign policy but nothing specific to EU's China policy.

1.2. The US factor in EU's China policy

This part of the literature review considers the role of the United States in the development of EU-China relations. The American scholar, David Shambaugh, is a prominent scholar on EU-China relations. He contends that the contemporary relationship between the European Union and China has caused a transatlantic rift because of the issue of the EU arms embargo on China.⁴⁴ Furthermore, Shambaugh argues that the US and the EU differ significantly in their approach towards China: 'if Europe had any significant strategic interests or military presence in East Asia, for example, or was committed to Taiwan's security, European leaders would probably be much less tempted to lift the arms embargo.'⁴⁵ In other words, he regarded that rapidly developing EU-China relations should not damage traditional transatlantic ties. Therefore, when the EU attempted to lift the arms embargo on China in 2003, Washington considered that it would damage American strategic interests in East Asia and US-EU relations. Subsequently, Washington pressured the EU to postpone the lifting of the arms embargo on China in 2005. The lifting of the arms embargo on China is a policy for the EU to improve political relations with China, but the failed implementation has stagnated EU-China relations. It can be argued that this is evidence to prove that US intervention has helped to cause the failure of EU policy towards China.

⁴³ Stumbaum, May-Britt (2007b). Engaging China-Uniting Europe? Eu Foreign Policy Towards China. in Casarini, N. & Musu, C. (Eds.) *European Foreign Policy in an Evolving International System : The Road Towards Convergence* Palgrave, p. 73.

⁴⁴ Shambaugh, D. (2005b). Lifting the EU Arms Embargo on China: An American Perspective. In Gill, B. & Wacker, G. (Eds.) *China's Rise: Diverging U.S.-EU Perceptions and Approaches*. Berlin, SWP, p23.

⁴⁵ Shambaugh, D. (2004). China and Europe: the emerging axis. *Current History*, 103(674); Shambaugh, D. (2005b). The new strategic triangle: U.S. and European reactions to China's rise. *The Washington Quarterly*, 28:3, 7-25.

Since the EU published the 2006 Commissioned paper which contained serious criticism of China, Shambaugh has adjusted his view, and argues that the policy opinion of the United States and the European Union on China has become more aligned. He observed that some of the sparkle has gone out of China-Europe relations since 2006, the romantic 'honeymoon' seemed to have settled into a complex 'marriage.'⁴⁶ Shambaugh expected that in the 2007 EU-China summit: "*most likely, both sides will put on as positive a face as possible, but expect the acrimony to continue as both sides come to grips with an increasingly complicated relationship.*"⁴⁷ His latest book, co-edited with Eberhard Sandschneider and Hong Zhou, states three variables in answering the question of whether the current trend in EU-China relations will remain smooth, leading towards better, deeper and broader cooperation between the two parties: internal development of each of the partners; outside pressure from the United States and globalisation; the ability of political leaders to make policy adjustments. These three variables illustrate the difficulties to be overcome between the two parties but do not highlight why the EU and China cannot solve the bilateral disputes which have continually happened. Although Shambaugh acknowledged the role of the US as a factor, he did not see it as more overly significant than the individual relationship between China and Europe. He argued that it was misleading to overvalue the political rhetoric and to view the arms embargo as a potential 'time bomb' in the bilateral relationship between the EU and China. Shambaugh argued against a lifting of the arms embargo on China and did not regard the US factor as a negative factor in the EU-China relationship. That is because Shambaugh thought that Washington was acting ethically in the world for opposing the lift of the ban. He ignored the fact that the US intervention would weaken the credibility of EU's China policy.

Shambaugh refuted the principal European arguments for lifting the ban, in

⁴⁶ Shambaugh, D. & Wacker, G. (eds.) (2008). *American and European relations with China*, SWP Research Paper, p. 7.

⁴⁷ Shambaugh, D. (27 November 2007). The 'China honeymoon' is over. *The International Herald Tribune*.

symbolism, code of conduct, and China's military modernisation. His arguments have reflected the American consideration on the arms embargo and concluded: 'both Europe and America can continue to enjoy robust relations with Beijing while maintaining their respective arms embargos. China will just have to live with it until it comes to terms with Tiananmen and stops putting military pressure on Taiwan.'⁴⁸ However, these preconditions for lifting the arms embargo are 'mission impossible' to Beijing and hint that Washington will never agree with the EU in lifting the ban.

Moreover, Shambaugh is critical that the: "*European and Chinese have been too easily satisfied with the platitudes of a 'strategic partnership' and urges them that it is time to provide greater meaning to the concept.*"⁴⁹ Shambaugh overestimates the Chinese strategic intention to treat the EU as a strategic partner because he underestimates the US factor in EU policy towards China. From a Chinese perspective, to compare with the Big Three (France, Germany and the UK), the EU is just a political organisation. Beijing doubts the EU's capability to become a global player.⁵⁰ This thesis argues that Shambaugh views the motivation of the EU-China axis by the system factor⁵¹ but ignores that the system also hinders this emerging axis from becoming a genuinely strategic partnership. Shambaugh advocates an official US-Europe dialogue on Asia and China affairs. However, a closer transatlantic relationship will bring more heavy pressure to bear on China regarding trade and security, which would drive up Beijing's anxiety about the West uniting against its own rise.⁵²

Another American scholar, Bates Gill, examines the US role in the

⁴⁸ Shambaugh, D. (2005a). Lifting the EU Arms Embargo on China: An American Perspective, in B. Gill & G. Wacker (eds), *China's Rise: Diverging U.S.-EU Perceptions and Approaches*, Berlin: SWP, p. 29.

⁴⁹ Shambaugh, D., Sandschneider, E. & Zhou H. (2008). p. 314.

⁵⁰ Interview with Yinhong Shi (17 June 2009). Brussels.

⁵¹ The system factor in here means that the end of Cold War offers the opportunity for both sides to promote their bilateral engagement. See Shambaugh (2005a). Ibid.

development of China-Europe relations. He contends that the importance of the escalating relationship between China and the EU, with its continued development, means the EU-China axis is capable of challenging the US, and possibly drives a strategic wedge between transatlantic relations. But, 'while the United States and Europe have seen some divergence in their respective approaches towards China in recent years, the balance weighs heavily in favour of converging interests.'⁵³ This is to say that Gill shares the same perspective as Shambaugh, that the US role in EU-China relations is not a negative factor because the transatlantic relationship shares important and fundamental goals in common vis-à-vis China.

However, unlike Shambaugh, Gill has a more positive perspective on the issue of lifting the arms embargo. He claims that: 'under certain conditions it is possible to lift the EU arms embargo on China, stem the export of military-relevant technologies from Europe to China, and strengthen trans-Atlantic consultations to help shape positive outcomes in the face of China's rise and evolving Europe-China-relations.'⁵⁴ Gill argues that the ban should be lifted because it will not help the modernisation of the Chinese military. However, he acknowledges clearly that the ban on the sale of arms cannot realistically be lifted by the EU without the cooperation of the White House and the US Congress.⁵⁵ Whilst Shambaugh views the arms embargo as a symbol of discontent with China's human rights record and military modernisation program, Gill views it as a mechanism to contain the Chinese military threat. This dissertation will show that Beijing is aware of calls from Europe for the ban to be lifted, even though the final decision would realistically need US

⁵² Shi, Y. (2008). US-Europe close, Sino-Europe estranged and China's strategic demand. *Contemporary International Relations*, (5) 9-11; Crossick (18 June 2008b). *China, EU & US: Holy Trinity or Ménage à Trois?* accessed on 13 Feb, 2009.

<http://crossick.blogactiv.eu/2008/06/18/china-eu-us-holy-trinity-or-menage-a-trois/#comment>.

⁵³ Gill, B. & Murphy, M. (2008). *China-Europe Relations: Implications and Policy Responses for the United States*. A Report of the CSIS Freeman Chair in China Studies, CSIS, p. X.

⁵⁴ Gill, B. (2008). The United States and the China-Europe relationship. IN Shambaugh, D., Eberhard Sandschneider, Hong Zhou (Ed.) *China-Europe Relations*. Routledge, p. 275.

⁵⁵ Gill, B. (2005a). *Lifting of the EU arms embargo to China*. Testimony before the Senate Foreign Relations Committee, March 16.

support.

Like Shambaugh, Gill argues that the United States should play a pivotal role in EU-China relations, the EU therefore needs to strengthen its transatlantic relations, this in turn will contribute to a successful EU policy towards China.⁵⁶ He suggests that the US and Europe should do their best to influence the rise of China. However, this thesis argues that a closer transatlantic approach towards China would increase China's anxiety, which will either diminish Sino-EU relations or strengthen China's hand in its divide-and-rule tactic with the West. Consequently, Beijing will seriously challenge the EU's China policy. For example, Beijing uses the arms embargo as an excuse to reject signing the Partnership and Cooperation Agreement (PCA) with the EU.⁵⁷

It is worth pointing out that the United States and Europe have made diplomatic progress since the disputes prior to the Iraq invasion, and have a dialogue mechanism to coordinate affairs regarding China. Therefore, Gill contends that in the triangle of Europe-China-United States relations, the US-China leg seems weakest.⁵⁸ Gill is undoubtedly right to point to the situation that two parties of the EU and China have never been more intertwined and interdependent than they are today. However, there is no evidence showing that a rather novel Sino-European relationship is better than a Sino-US one. Since President Nixon's 1972 visit to the People's Republic of China, their relationship has enjoyed, with the exception of a few notable hiccups, progressive solid development.⁵⁹ The US and China cooperate in the nuclear issue of North Korea and maintain the Taiwan status quo, which compares better than the relationship between the EU-China.⁶⁰

Turning to Chinese literature, Shi considers that the relationship between the

⁵⁶ Gill, B. & Murphy, M. (2008). p. X.

⁵⁷ Interview with Xinning Song (10 April 2009). Bruges, Belgium.

⁵⁸ Gill, B. (2008). Ibid, p. 277.

⁵⁹ In the Joint Communiqué on the Establishment of Diplomatic Relations dated January 1, 1979, the United States transferred diplomatic recognition from Taipei to Beijing.

EU and China is influenced by the shifting nature of transatlantic relationships. In a prominent paper titled 'US Europe Close, Sino-Europe estranged and China's strategic demand' Shi illustrates that the improvement of US rapport with Europe has hindered China's relation with the EU.⁶¹ Shi argues that during Bush's second term of office he altered US policy and dialogue towards Europe. For example, since 2005 Washington has pleased Europe greatly by altering its uncooperative approach towards the issue of climate change to a prominent agenda. Also, President Bush was quite enthusiastic to meet the elected leaders of Germany, France and Britain, and made attempts to establish a good personal relationship with them. President Bush, in his second term, renewed US dialogue with Europe. In reply, the new leaders of the European nations, who were at odds with the US over Iraq, altered the European approach towards both the US and China. The German chancellor Angela Dorothea Merkel and the latest President of France Nicolas Sarkozy have always taken a pro-US policy, which was a U-turn change from their predecessors. For instance, a significant step in Franco-US relations occurred recently when Sarkozy returned France to the North Atlantic Treaty Organisation (NATO). This 'pro-US sentiment' has spread through Europe.

The Tibet issue has also damaged the relations of bilaterally mutual understanding. Merkel and Sarkozy have met the Dalai Lama and have tended to take the side of protectionism in EU-China trade disputes.⁶² Shi argues that the Tibet issue and trade disputes have affected EU-China relations. Shi claims that with new strategic needs, China should create a favourable geopolitical environment. Thus, China ought to strengthen its relationship with the Association of Southeast Asian Nations (ASEAN) and especially neighbouring states Japan, Korea and India. East Asia is in China's sphere of influence and a region where they can rival the United States. In addition, Shi claims that Beijing has to increase bilateral relations with London, Paris, and Berlin rather

⁶⁰ Zhao, Q. (2007). Managed Great Power Relations: Do We See 'One Up and One Down?', *Journal of Strategic Studies*, vol. 30, no. 4-5, pp. 609-637

⁶¹ Shi, Y. (2008). US-Europe close, Sino-Europe estranged and China's strategic demand. *Contemporary International Relations* (Chinese), (5), pp. 9-11.

than Brussels.⁶³ This strategy, Shi suggests, is evidence of the fact that the Chinese regard the European Member States as more significant than the EU.

The Chinese government is suspicious that closer US-EU ties would threaten China's national interest. That is why Shi claims that Beijing chooses to strengthen bilateral relations within its immediate vicinity rather than the EU Member States. However, Shi overestimates Europe's determination to intervene over the Tibet issue. This thesis argues that although the European leaders and general public are concerned about the Tibet issue, they cannot enforce significant action to influence China. The reasons some European leaders have met with the Dalai Lama are mainly due to domestic demands combined with positive exposure during election campaigns than a serious push on Beijing to change its Tibet policy. Moreover, Shi overlooks the reason why Europe is so dependent on relations with the US; small Member States still do not trust the 'big three' while the big three compete with each other to lead the EU.

Another Chinese scholar, Song Xining, contends that both the EU and China do not regard relations with one another as a priority, the EU-China relationship is not as important as most people considered.⁶⁴ Since the EU postponed its arms embargo and does not grant Market Economic Status (MES) towards China, Song argues that first, similarly to Scott, that western countries share the same ends but just have different means of achieving them.⁶⁵ Second, as Beijing does not view Brussels as an independent actor it chooses to strengthen bilateral relations with the EU Member States. This is an inevitable tactic for Beijing because to deal with Brussels is slow and inefficient.

⁶² Ibid., p.10.

⁶³ Interview with Yinhong Shi (17 June 2009). Brussels.

⁶⁴ Song, X. (2008). China's view of European integration and enlargement. In: Shambaugh, D., Sandschneider, E. & Zhou, H. (eds.). *China-Europe Relations: Perceptions, Policies and Prospects*. London, Routledge. pp. 174-186.

⁶⁵ Interview with Xinning Song (10 April 2009). Bruges, Belgium.

To summarise, as the EU and the US share similar values and norms, there is no way that the EU will cooperate with China against the US in traditional security issues. Certainly since the European Commission put forward its China policy in 1995 EU-China relations have developed rapidly and smoothly, interpreted by many Chinese International Relations scholars as the closest working relationship China has with a foreign power.⁶⁶ Nevertheless, the same scholars received a wake-up call over the issue of the arms embargo. They have realised that EU-China relations are limited by the US factor. So long as the EU relies on US military collaboration, China will find it hard to ally with the EU and ultimately balance against the US.

Having studied the current literature, both groups fail to provide a satisfactory explanation to answer the question of why the EU policy towards China has not been able to achieve its stated objectives. Contrasting the weakness of other approaches, the next section will illustrate why the approach of the neoclassical realist is a better tool in examining this thesis's research question. Thus, it will be organised around three respective arguments, which aim to answer the research question and to contribute to the literature on EU-China relations.

2. The Theoretical Framework

Traditionally, there have been two kinds of thesis: one type has provided a new theoretical framework, for example a new theory to explain EU-China relations; the other has applied existing theory to a new area. My thesis belongs to the second type, which is trying to conceptualise and provide a framework to explain the dynamics in EU-China relations. This thesis applies the theory of neoclassical realism from the body of International Relations (IR) theories and my contribution to knowledge is in using this as a basis for bringing new analytical insights into the discussion of general EU-China relations. Although the literature on the topic is developing and addresses both economic and political dynamics, there has been little systematic general

⁶⁶ Song, X. (2008). p. 184.

analysis so far. This thesis will offer new empirical data, as well as a theoretical understanding of EU-China relations. It will use new Chinese empirical material, reference to which is limited in the existing literature in English.

As discussed in the last section, this study recognises that there is a large literature addressing international political economy.⁶⁷ However, the EU, beyond being a trade and economic affairs body, is a foreign policy actor in international politics. As the EU's development has extended its focus beyond trade issues, EU relationships with China have gone beyond trade. The literature of political economy helps to explain the trade relationship between the EU and China, though the bilateral relationship is not merely trade but trade plus international politics. If one is trying to explain the bigger picture of EU-China relations, for example, in a particular way such as human rights issues, it needs a general approach to look at the political nature of EU-China relations and address them comprehensively. Therefore, this thesis applies International Relations theory rather than international political economy for the purpose of explaining this bigger picture. With this as a starting point, this thesis will address the EU's China policy, which is largely affected by individual EU Member States, as the literature review has already established. Indeed, EU Member States' relations go far beyond trade. For example, British and French relationships with China include human rights considerations, which have a strong political dimension. Moreover, current talk of a bilateral EU-China strategic partnership clearly points to an expanding range of issues and this is better accommodated by adopting IR perspectives. Although the political economy approach has strong capability in the illustration of bilateral relations, it cannot explain all aspects of EU-China relations.

⁶⁷ For further details on the existing international political economy literature pertaining to EU-China relations see footnote 24. Other valuable contributions include: Dai, Xiudian (2006). *Understanding EU-China Relations: An Uncertain Partnership in the Making* *Centre for European Union Studies*. The university of Hull; Dent, Christopher M. (January 1997). Economic relations between the EU and East Asia: Past, present and future. *Intereconomics*, 32 (1). Dent, Christopher M. (2005). *China's Economic Relationship with the European Union. US - China Economic and Security Review Commission - China's Growing Global Influence: Objectives and Strategies*.

Furthermore, this study is dealing with China the emerging power, an evolving power in the form of the EU and both of them in a relationship affected by the US superpower. Again, this requires a foundation in International Relations theory. The notion of power is central to the thesis and in this regard realism has explained the nature of material power. The core of my analysis is provided by the concept of triangulation between three different powers: the EU's evolving power, China's emerging power and the US as an influential superpower. Therefore, this thesis requires a theory that can help to interpret these powers and their relationships.

Ultimately the aim of the thesis is to explain the conflicts between the EU and China. Thus, the liberal IR school of thought, which offers a more cooperative perspective on EU-China relations, is not appropriate here. Neoliberalism tends to focus on why and how bilateral cooperation is pursued.⁶⁸ The liberalist framework has some value in being able to explain the inclusion of so many 'tracks' in China-EU discussions, such as the sectoral dialogues and EU-China Summits. The emphasis here, however, is on how and why bilateral conflicts exert significant influences on EU-China relations. Liberalism argues that high levels of bilateral economic interdependence should contribute to a peaceful international system.⁶⁹ It holds that economic cooperation between developed and developing countries inspires prosperity, which could promote a positive change in developing countries.⁷⁰ However, the aim of my thesis is not to examine whether China is becoming, or may become, a liberal country as a result of engaging with the EU. Instead, the thesis emphasises the explanation of conflicts and not cooperation between powers. The three arguments of the thesis are based around notions of conflict. The thesis examines whether the EU's China policy is able to manage the EU's internal divisions, US intervention and skilful Chinese diplomatic activity. For these

⁶⁸ For example, see Keohane, Robert (1984). *After Hegemony : Cooperation and Discord in the World Political Economy*, Princeton University Press; Keohane, Robert & Nye, Joseph S. (1989). *Power and interdependence*, HarperCollins.

⁶⁹ Haas, Ernst (1987). War, Interdependence and Functionalism, in Raimo Vayrynen, ed., *The Quest for Peace: Transcending Collective Violence and War among Societies, Cultures and States*, Beverley Hills: Sage Publications.

reasons, neoclassical realism is regarded as a better tool than neoliberalism for the purposes of answering this research question.

According to the definition offered by Taliaferro, Lobell, and Ripsman, neoclassical realism seeks to explain “*why, how, and under what conditions the internal characteristics of states – the extractive and mobilization capacity of politico-military institutions, the influence of domestic society actors and interest groups the degree of state autonomy from society, and the level of elite or societal cohesion – intervene between the leaders’ assessment of international threats and opportunities and the actual diplomatic, military, and foreign economic policies those leaders pursue.*”⁷¹ Although the EU is not a state, its Member States can be regarded as its domestic factor, influencing the degree of EU autonomy. Furthermore, Rose claims that: “*neoclassical realism explicitly incorporates both external and internal variables, updating and systematising certain insights drawn from classical realist thought. Its adherents argue that the scope and ambition of a country's foreign policy is driven by its place in the international system and specifically by its relative material power capabilities.*”⁷² Rose’s perspective illustrates why the US factor is important in this thesis in that both the EU and China’s foreign policy towards each other are influenced by their respective relationships with the US, involving their place in the international system.

This thesis recognises that the approaches of neoclassical realism and neoliberalism can be seen as a metaphor for seeing the glass as half empty or half full.

Neoclassical realism ⇒ EU-China relations as half empty= obstacles and the conflicts in EU-China relations.

Neoliberalism ⇒ EU-China relations as half full= cooperation in EU-China relations.

⁷⁰ Keohane, Robert (1984). Ibid.

⁷¹ Taliaferro, Jeffrey W, Lobell, Steven E., and Ripsman, Norrin M. (2009). Introduction: Neoclassical realism, the state, and foreign policy. in Lobell, Steven E., Ripsman, Norrin M. & Taliaferro, Jeffrey W. (Eds.). *Neoclassical Realism, the State, and Foreign Policy*, Cambridge University Press, p.4.

⁷² Rose, G. (1998). Ibid., p. 146.

As the subtitle of my thesis ('Exploring the Challenges to the European Union's Foreign Policy towards China') suggests, my focus is on challenges in EU-China relations. Neoliberalism has featured prominently in the literature on cooperation. Again, neoliberalism could be argued as seeing the glass as half full, which leaves a research gap regarding the other half, which this study aims to fill.

Although some studies of EU foreign policy consider the degree of EU 'actorness' as fundamental, the exiting literature does not make much use of this notion to discuss EU-China relations.⁷³ EU 'actorness' in dealing with China is presented in the context of soft power issues encountered in sectoral dialogues and EU-China Summits, in the study of which, neoliberalism and international political economy may offer the better explanation and prediction. However, this thesis is focused on harder issues such as strategic partnership, trade disputes and human rights disagreements, where it is held that neoclassical realism offers stronger explanations and prediction.

In addition, the thesis needs to clarify the position of 'states' in EU-China relations. Here, it needs to take on board the complex nature of the EU. The meaning of 'States' in the title of the thesis refers to EU Member States and China. The EU is a post-modern political entity made up of nation-states, while China is a nation-state.⁷⁴ In the title of this thesis, institutions refer to international institutions, which are a form of political organisation or coalition. As Mearsheimer argues: "*Western policymakers have sought to create security arrangements in Europe, as well as in other regions of the globe, that are based on international institutions.*"⁷⁵ The institutions he refers to are, for example, the European Union (EU), the North Atlantic Treaty Organization (NATO), the Conference on Security and Cooperation in Europe (CSCE), and the Western

⁷³ Bretherton, C. & Vogler, J. (2002). *The European Union as a Global Actor* Routledge, pp. 11-14.

⁷⁴ François Heisbourg, Chairman's Summing-up, p 121, and Lanxin Xiang, There is No Such Thing as a Normative Chinese model, p152, both in Michael Emerson (editor) (2009) *Readings in European Security*, Volume 5.

⁷⁵ Mearsheimer, John (1994/1995). The false promise of international institution. *International Security*, 19, p. 6

European Union (WEU).⁷⁶ Furthermore, the position of these actors (China, the EU and its Member States) in the context of the emerging new world order is not the primary issue of this study. Instead, it aims to explain the interactions of these actors and the US in the context of EU-China conflicts. Specifically, European institutions in this study refer to the European Union, thus Peterson and Bomberg's 'levels of decision-making in the EU' need to be considered.⁷⁷

This dissertation adopts a neoclassical realist theoretical approach⁷⁸ in order to build three arguments for answering the research question. It is not adequate merely to adopt the approach of mainstream foreign policy analysis, which stresses the influence of domestic factors. It also needs to explore external/system factors because political leaders and elites will make decisions on foreign policy choices in accordance with their perceptions of national relative positions in the international system.⁷⁹ Thus, this dissertation will employ neoclassical realism to examine how external factors affect EU policy towards China and to investigate domestic factors of the EU and China respectively.⁸⁰ The macro level is very important in EU decision-making, thus, it is also crucial to look at negotiation theory: how does the EU negotiate?⁸¹ As Helen Wallace contends: "*the European policy process has been peculiarly dependent on negotiation as a predominant mode of reaching agreements on policy and*

⁷⁶ Ruggie suggests that: "there seems little doubt that multilateral norms and institutions have helped stabilize their international consequences. Indeed, such norms and institutions appear to be playing a significant role in the management of a broad array of regional and global changes in the world system today. Ruggie, John G. (1992). *Multilateralism: The Anatomy of an Institution*. *International Organization*, 46 (3), p. 561; also see: Ruggie, John (1993). *Multilateralism: The Anatomy of an Institution*. in Ruggie, J. (Ed.) *Multilateralism Matters: The Theory and Praxis of an Institutional Form*. New York, Columbia University Press.

⁷⁷ Peterson, John & Bomberg, Elizabeth (1999). *Decision-Making in the European Union*, Palgrave Macmillan, p. 6.

⁷⁸ Rose, G. (1998). Review: Neoclassical Realism and Theories of Foreign Policy. *World Politics*, 51(1), pp. 144-172.

⁷⁹ *Ibid.*, p. 146.

⁸⁰ Lobell, Steven E., Ripsman, Norrin M. & Taliaferro, Jeffrey W. (Eds.) (2009). *Neoclassical Realism, the State, and Foreign Policy*, Cambridge University Press; Rose, Gideon (1998). *Ibid.*; Schweller, Randall L. (2004). Unanswered Threats: A Neoclassical Realist. Theory of Underbalancing. *International Security*, 29, 159-201; Zakaria, Fareed (1992). Review: Realism and Domestic Politics: A Review Essay. *International Security*, 17 (1).

⁸¹ Elgström, Ole & Smith, Michael (2000). Introduction: Negotiation and policy-making in the European Union - processes, system and order. *Journal of European Public Policy*, 7 (5).

*of implementing policies once reached.”*⁸²

Neoclassical realism posits that systemic pressures are filtered through intervening domestic variables to produce foreign policy behaviours.⁸³ Accordingly, this thesis argues that ‘foreign policy’ selection is mainly based on actors’ places in the international system and their domestic variables. Thus, external factors are also very influential in EU-China relations. For instance, many scholars contend that different leaders emerged across Europe in the 2006–2007 period who had more skeptical views towards China and were closer to the US than their predecessors, which is one of the main reasons that led to the loosening of bilateral ties: Chancellor Angela Merkel in Germany, President Nicolas Sarkozy in France, Prime Minister Gordon Brown in the United Kingdom, and Peter Mandelson as EU trade commissioner.⁸⁴ However, this thesis will argue that the USA’s abandonment of its unilateralist foreign policy was the key factor leading to the shift of European leaders’ views on EU-China relations. (An argument to be developed in chapter 4.)

Following the approach of neoclassical realism, this study posits, first, that the international system largely influences EU-China relations.⁸⁵ Second, ‘the place in the international system’ has led to China viewing its interests differently from the EU. Third, the ‘weakness of international institutions’ has led the EU to suffer internal divisions, which also have affected its capacity to achieve its China policy.

⁸² Wallace, Helen (1996). Politics and policy in the EU: the challenge of governance. in Wallace, H. & Wallace, W. (Eds.) *Policy-Making in the European Union*. 3rd edn, Oxford: Oxford University Press, p. 32.

⁸³ Schweller, R L. (2004). Unanswered Threats: A Neoclassical Realist. *International Security*, 29(2), p. 164.

⁸⁴ Gill, B. & Murphy, M. (2008) China-Europe Relations: Implications and Policy Responses for the United States. *A Report of the CSIS Freeman Chair in China Studies*, CSIS, p. 6; Feng, G. (2006). *Ibid.*, p. 15.

⁸⁵ As Waltz has argued, “To the extent that dynamics of a system limit the freedom of its units, their behavior and the outcomes of their behavior become predictable . . .” Waltz, Kenneth (1979). *Theory of International Politics*, New York: McGraw-Hill, pp. 71-72.

3. The Argument

In this thesis, three arguments illustrate how bilateral factors and the US factor prevent EU policy towards China from achieving its stated objectives. This thesis addresses bilateral factors because the result of EU foreign policy towards China is best understood as the product of the EU and China's internal dynamics. In other words, the divisions within the EU weaken its capacity for policy coherence while the rise of China strengthens its power to challenge EU interests. Moreover, this thesis emphasises the US factor because one has to look beyond the EU-China relationship and to explore broad developments in the transatlantic and Sino-US relationships for further influential factors acting upon the essential dynamics driving European Union policy towards China.

3.1. Argument 1

The first argument explains that the ineffectiveness of EU policy towards China concerns the EU's internal divisions. These divisions are responsible for the EU's inability to implement its foreign policy towards China. Although the EU is a successful and unprecedented institution, it is still a long way from acting as a state and suffers from the weaknesses inherent in international institutions. As Waltz argues, international institutions are subordinate to national purposes.⁸⁶ This institutional character inevitably causes incoherence in EU China policy and generates internal divisions, between Member States (national level), between institutions (EU level 1) and between Member States and institutions (EU level 2).⁸⁷ At national level, due to different national preferences stemming from economic structure and historical background, Member States have distinct trade and foreign policies towards China. For example, economic relations between France and China are dominated by big contracts in areas such as energy and transport while Germany is represented by small and medium-sized businesses. When French textiles called for anti-

⁸⁶ Waltz, K. (2000). Structural realism after the Cold War. *International Security*, 25(1), p. 18.

⁸⁷ Peterson, John & Bomberg, Elizabeth (1999). *Decision-Making in the European Union*, Palgrave Macmillan; Putnam, Robert D. (1988). Diplomacy and Domestic Politics: The Logic of Two-Level Games. *International Organization*, 42 (3).

dumping measures against China, Germany did not support it at the request of its importer.⁸⁸ Moreover, the historical background of the two World Wars and the Cold War, has led Central and Eastern European countries to trust the US rather than France or Germany. This situation has caused the Czech Republic and Poland to take a harder line towards China and to share a similar view as the US on China's rise. Therefore, the increasing divisions at national level (between the Member States) caused a situation where members could not focus on forming a common EU China policy.

At level 1, the EU displays a division between the European Council, Commission and Parliament. Although the EU Commission represents its 27 Member States and is in charge of EU trade and economic policy, it actually does not have enough power to formulate and execute a unified policy towards China. The European Council is responsible for defining the general political direction and priorities of the EU, thus it has more concerns about political relations with China. The Commission has a big influence on foreign policy due to its responsibility for proposing legislation, implementing decisions, upholding the Union's treaties and the general day-to-day running of the Union. The European Parliament has ceremonial precedence over all authority at European level, and shares equal legislative and budgetary powers with the Council.⁸⁹ Therefore, because the three main institutions of the EU lack a systemically coordinated mechanism, it not only delays the speed of European Union's policy-making, but at times generates the defects of inconsistency. Particularly, this division happens most in the priority of security, trade interests and human rights. A typical example of this is the European Parliament awarding the 2008 Sakharov prize for human rights to jailed Chinese dissident Hu Jia, while the Commission struggles in tough Partnership and Cooperation Agreement (PCA) negotiations with China. From Beijing's perspective, the Parliament is sending the wrong signal to Chinese dissidents and attempting to intervene in Chinese domestic politics. The best

⁸⁸ Weske, S. (August 2007). *The role of France and Germany in EU-China relations*. Working paper, published by CAP.

way to express Chinese anger is to slow down the PCA negotiations. Besides, when the Commission considers adopting an anti-dumping policy towards China, it needs to be approved by the European Council, and not all Member States welcome anti-dumping policy against Chinese products.

At level 2, the EU shows a division between Member States and Institutions. The EU is geared to create synergies with individual EU Member States and pursue initiatives along the same lines, but often parallel to those of the Commission. While smaller or new Member States tend to participate actively in the Commission strategies, the Big Three frequently stray from the European route in order to pursue national interests. Therefore, co-ordination between Member States' activities and the European Commission programmes still appears to be weak.⁹⁰

Furthermore, the EU Member States formulate and carry out individual China policies, which suit their national preferences. However, when these preferences are different to the EU's common China policy, it inevitably generates disputes with the EU's overall strategy, which then creates divisions at the EU level. Many national governments believe they have more to gain from a national China policy than from an integrated EU approach.⁹¹ A division at EU Level 2 shows that the Member States are likely to pursue a variety of strategies towards China,⁹² from balancing to bandwagoning. The Big Three have built the strategic relationship with China respectively, which explains why they would not be willing to transfer their national China policy to Brussels. Also, the Big Three attempts to balance America's unilateralist foreign policy through China. In contrast with the Big Three's strategic preferences, the other Member States of the EU are instead bandwagoning America in order to balance the rise of China.

⁸⁹ Except a few areas where the special legislative procedures apply.

⁹⁰ Stumbaum, M-B. (2007). Engaging China-Uniting Europe? EU foreign policy towards China. In: N. Casarini and C. Musu (eds.), *European foreign policy in an evolving international system: the road towards convergence*, Basingstoke, Palgrave.

⁹¹ Fox, J. & Godement, F. (2009). p. 21.

⁹² They also pursue a different strategy towards America, see Hyde-Price (2006), p. 232.

Thus, different national aims of Member States naturally generate internal divisions. Especially in its second pillar, which has changed in post-Lisbon, the common foreign and security policy (CFSP), the EU still remains at the intergovernmental level.⁹³ It is essential to understand the scope and above all the limits of the EU as an institution in the implementation of foreign and trade policies in order to make an informed and objective judgment about the quality and quantity of Brussels' policies towards China.⁹⁴ That is to say, even with the introduction of qualified majority voting, which is for joint actions, as well as 'constructive abstention' to allow members to abstain from unanimous decisions taken by others, the EU internal divisions has still caused decision-making in CFSP to be vulnerable to stalemate.⁹⁵

3.2. Argument 2

The second argument is that US intervention in EU-China relations has created an ineffective EU policy towards China. It argues that, apart from the human rights policy, the postponement of the lifting of the arms embargo on China in 2003 mostly stems from the intervention of the United States, thus negotiations stopped and the arms embargo remained.⁹⁶ It was felt by a number of witnesses that at that point China no longer saw the EU as having a pivotal role in its relationships, particularly with the United States, and that, in many ways, it was a partner to the United States in a different way to China.⁹⁷

The US factor not only influences the EU's China policy, but also China's EU policy. Considering the US factor, China has shifted its grand strategy from the

⁹³ Peterson, John & Sjursen, Helene (Eds.) (1998). *A Common Foreign Policy for Europe? Competing Visions of the CFSP* Routledge.

⁹⁴ Berkofsky, A. (2006a). EU-China Relations - Really Towards a Strategic Partnership? *Themenschwerpunkt*, 4, p. 185.

⁹⁵ Glen, C. M. and Murgo, R. C. (2007). EU-China Relations: Balancing Political Challenges with Economic Opportunities. *Asia Europe Journal*, 5(2), p.333.

⁹⁶ Casarini, N. (2009). *Remaking Global Order: The Evolution of Europe-China Relations and its Implications for East Asia and the United States*, Oxford, Oxford University Press, p. 14.

⁹⁷ Lord Teverson (9 June 2010) House of Lords debates, The EU and China (7th Report, Session 2009-10, HL Paper 76).

West to the East as Shi suggested.⁹⁸ As Sandschneider argues, the US was aimed at hedging or even containing the emerging EU-China strategic competitor.⁹⁹ This has influenced the EU-China relationship largely in trade. In autumn 2003, former French President Jacques Chirac and German Chancellor Gerhard Schröder promised their Chinese counterparts to start negotiations on the lifting of the arms embargo on China, which the European leaders thought might improve EU-China relations in 2003.¹⁰⁰ However, not only officials in the Pentagon and White House, but also the legislative branch of the United States, opposed the lifting. In early 2004, President Bush appointed envoys to express US considerations for the potential risk that European weaponry contributed to Chinese military modernisation. In the same year, the US Senator John Kyle who chaired the US Senate Republican Policy Committee at that time, began to focus on the possible measures to stem lifting of the ban with the congress, and to press the US administration.¹⁰¹ Even nongovernmental opinions across the political spectrum, from conservative or neo-conservative to leading American observers, shared similar views against the lifting of the embargo. Washington even united with Japan in pressuring the EU on the basis that lifting the ban would provoke imbalance across the Taiwan Strait, and criticised the EU for acting irresponsibly towards East Asia.¹⁰² In June 2005, under great opposition from the United States on the arms embargo, EU Member States officially made a decision to postpone the proposal.¹⁰³

This was a wake-up call for Chinese leaders and scholars. On the one hand, the

⁹⁸ China ought to strengthen its relationship with ASEAN and especially neighbouring states Japan, Korea and India. East Asia is China's sphere of influence and a region where they can rival the United States, see page 21.

⁹⁹ Sandschneider, E. (2006). Is China's military modernization a concern for the EU, in M. Zaborowski (ed.), *Facing China's rise: Guidelines for an EU strategy*, EU Institute for Security Studies, Paris, pp. 43-45.

¹⁰⁰ See quote from Shambaugh on page 18 above, footnote 32.

¹⁰¹ United States Senate, Republican Policy Committee (22 February 2005). *US Generosity Leads the World: The Truth about US Foreign Assistance*, John Kyl, Chairman.

¹⁰² Archick, K., Grimmett, R.F. & Kan, S. (2005). *European Union's Arms Embargo on China: Implications and Options for U.S. policy*, Congressional Research Service, The Library of Congress.

¹⁰³ Casarini, N. (2009). p. 138.

Chinese Foreign Ministry criticised US opposition to the EU lifting the ban due to the balance across the Taiwanese Strait as interference in China's domestic affairs. On the other hand, on 14 March 2005, the Chinese National People's Congress ratified the Anti-Secession Law (ASL) which went into effect immediately.¹⁰⁴ It reiterated the duty of the People's Liberation Army (PLA) to take military action towards Taiwan, formalising the long-standing policy of the People's Republic of China to adopt 'non-peaceful means' against the 'Taiwan independence movement' in the event of a declaration of Taiwan independence. Because the timing was so close to the issue of the EU arms embargo on China, it can be regarded that the US intervention provoked Beijing to take a clear line against Taiwan's independent movement. Beijing also recognised that its relationship with the EU actually involved a triangular relation between China, the EU and the US.¹⁰⁵ Moreover, it further influenced the Chinese not to view the EU as an independent actor in security issues. Beijing realised that the EU would stand on the American side with the consideration of strategic security. It is to say that China clearly understands that the EU will not help China to balance US military power. Therefore, Beijing feels it is not necessary to treat Brussels as a real strategic partner.

Furthermore, Beijing is seeking multipolarism rather than multilateralism. As Niblett told the US-China Economic and Security Review Commission in 2005: *"there is little doubt that China's current leaders would like to draw Europe and the EU into a multipolar world order in which the transatlantic alliance would be weakened and in which China's ability to maneuver would be maximised."*¹⁰⁶ Although a weakening of the transatlantic bond would be a net plus in terms of the Chinese government's freedom of action domestically and on the world stage, it has been proved from the issue of the arms embargo on China that

¹⁰⁴ China's Anti-Secession Law and Developments across the Taiwan Strait, *Hearing before the Subcommittee on Asia and the Pacific of the Committee on International Relations* (6 April 2005). in House of Representatives (ed.). Serial No. 109-30, p40.

¹⁰⁵ Huo, Z. (2005). On China-EU Strategic Relationship. *China International Studies*, p. 3; this will be examined further in chapter 3.

¹⁰⁶ Niblett, R. (July 2005). *China, the EU, and the Transatlantic Alliance*. Testimony before the U.S.-China Economic and Security Review Commission, Published by the Center for Strategic and International Studies.

transatlantic ties are tighter than EU-China relations. For Beijing then, there is no reason to follow the EU's step towards effective multilateralism: i.e. "*co-operate closely in the framework of the UN, working to find multilateral solutions to emerging crises, and to combat terrorism and increase regional co-operation, including thorough involvement by both in emerging regional structures.*"¹⁰⁷

Therefore, when Beijing has its own national interest in less developed countries, China will not support the EU's effective multilateralism. For example, a UN resolution sponsored by France and the UK that provided new sanctions on Zimbabwean President Robert Mugabe and his allies until the country improves its human rights record and moves ahead on a power-sharing plan in 2008. While the US was involved in the sanctions, efforts to apply punitive pressure on President Mugabe were abruptly undermined by China when it vetoed a UN Security Council resolution seeking sanctions against Zimbabwe. Beijing also adopted a different position with the EU and the US in the Darfur issue. It reflects that when the US and the EU coordinate their approach towards international affairs for the purpose of human rights; it actuates China taking the opposite position against sanctions.

Thus, this study regards that the US factor is a significant point to look at when one explores EU-China relations, particularly in a traditional security dimension. Rose is critical of theories of foreign policy which: "*take as their dependent variable not the pattern of outcomes of state interactions, but rather the behaviour of individual states.*"¹⁰⁸ It is still an appropriate critique for current EU-China research. The content of EU policy towards China is not the only source of bilateral disputes. EU foreign policy is the result of the procedures on the decision-making process on the national and EU level, the influence of interest groups, and the consideration of strategic security. Therefore, the US, the EU Member States and China are all sources of EU-China bilateral disputes. This is

¹⁰⁷ European Commission (2006). EU-China: Closer Partners, Growing Responsibilities, Brussels, COM 632 final.

¹⁰⁸ Rose, G. (1998). Review: Neoclassical realism and theories of foreign policy. *World Politics*, 51(1), p. 145.

not to say that the content of foreign policy is not important, but it would be rather limited by external environment. Therefore, although the EU knew it could improve bilateral relations if it could lift the arms embargo on China, it could not convince the Americans to support its decision. The arms embargo was neither lifted nor intentionally kept in place, but has been put aside without a formal decision on the resolution of the issue.¹⁰⁹

3.3. Argument 3

In the third argument, it is claimed that China's rising power allows it to be capable of adopting an effective divide-and-rule strategy towards the EU. Although in all the Chinese official documents, statements and literature, none of them refer to this strategy, the divide-and-rule can be summarised as a concept or strategy that Beijing is adopting to deal with the EU.¹¹⁰ In many aspects, China needs to compete with the EU and make its intention of diffusing norms towards China ineffective. When the EU intends to adopt a sanction policy towards China for human rights or trade goals, Beijing will exert its influence in large Member States such as the Big Three (France, Germany and the UK) to alter the decisions of the council meeting. Moreover, Beijing will exploit the competition among the Big Three to pressure the Member States respectively. For example when, in September 2007, German chancellor Angela Merkel met the Dalai Lama for a talk in the Chancellery, Beijing offered new French president Nicolas Sarkozy huge business contracts, in particular, a large nuclear plan contract for Areva.¹¹¹

Fox and Godement criticise China's EU policy because Beijing makes full use of the openness of EU markets whilst using the fuzziness of its own administrative channels to restrict access to its own markets.¹¹² Their argument

¹⁰⁹ Stumbaum., M.-B.U. (2010) *The European Union and China : decision making in EU foreign and security policy towards the People's Republic of China* Nomos, Berlin, p. 47.

¹¹⁰ Wacker argued that it has been easy for China to play the European member states off against each other and to 'divide and rule,' see: Wacker, G. (2010). *Changes and Continuities in EU-China Relations: A German Perspective*. IN Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Eds.) *US-China-EU relations: Managing the New World order*. London, Routledge, p. 77.

¹¹¹ Xinhua (26 November 2007). China, France sign 8-bln-Euro nuclear energy deal.

¹¹² Fox, J. & Godement, F. (2009). p. 33.

ignores another side to the facts. First, every country will protect certain sectors. Even the EU is famous in the protection of their textile and agriculture sectors, which are always accused of double standards by developing countries. Second, according to 2003 official Chinese data, foreign capital enterprises have occupied 54.83% of Chinese exports.¹¹³ That is to say, many foreign companies share the business interest in increasing Chinese exports towards the EU. Meanwhile, China has the economic leverage to play the divide-and-rules strategy through the business lobby of foreign investors in their mother countries.

Officially, China claims that the relationship with the EU is crucial because the EU is the biggest trade partner of China, and both of them are major forces on the world stage, supporting multilateralism and the United Nations role in world affairs.¹¹⁴ *“As the EU occupies an important place in China’s foreign affairs, China would like to enhance its all-round strategic partnership with the EU,”* Chinese President Hu Jintao told the visiting European Parliament President Josep Borrell Fontelles in Beijing’s Great Hall of the People.¹¹⁵ However, this is typical of Chinese political rhetoric. In practice, Beijing does not view the EU as an independent actor. From the EU’s perspective, Member States have divided into two groups: one views China as a power which needs to be contained, as the US views it, the other views China as an opportunity to help the EU balance US hegemony. The gap between the two groups allows China to play its divide-and-rule strategy within the differences in economic structures between north and south Europe, and the difference of security considerations between west and east Europe.

¹¹³ *Ministry of Commerce of the People’s Republic of China* (2004). Foreign Investment report. Accessed in 18 May 2009, Available from: <http://wzs.mofcom.gov.cn/aarticle/ztxx/200412/20041200317213.html>

¹¹⁴ H.E. Ambassador Song Zhe. (9 October 2009) EU goods exports to China 2008: **€78.4 billion** and EU goods imports from China 2008: **€247.6 billion**; Speech at the Leuven Center for Global Governance Studies, UCL.

¹¹⁵ Lei, Y. (2006 July 13) *China to advance strategic partnership with EU*: Hu, *Xinhua*, Accessed September 04, 2009. Available from Chinese Government’s Official Web Portal: http://english.gov.cn/2006-07/13/content_335272.htm

China's policy towards the EU remains fundamentally determined by economic goals. This is due to the way that the EU pursues a 'buck-passing' policy on Asian security issues to the US, which means the EU has no security role in Asia. Thus, the EU has no essential strategic conflict with China in Asia. Hence, since the postponement of lifting the arms embargo on China, the engagement between two sides of the EU and China has been limited to the soft issues, such as trade, economy, climate change, environmental protection, human rights and cultural exchange. Most importantly, as *argument 1* examined in EU internal divisions, when Beijing negotiates with the EU on trade, China will use its market power to deepen EU division between the EU and its Member States.

China has learned to deal with the divisions among EU Member States by strengthening bilateral relations with large Member States. Fox and Godement describe that China treats the EU as if it were playing a chess game with 27 opponents.¹¹⁶ This situation reflects Beijing taking the advantage from its single voice and coherent policy, but it also has to work on two levels at the same time as *Argument 1* explained (National and EU levels). The priority depends on the issues and whether the European Institutions or its Member States could maximise China's advantage.¹¹⁷

This strategy applies a combination of political, military and economic strategies in gaining and maintaining power by breaking up larger concentrations of power into chunks that individually have less power than the one implementing the strategy. It works especially when dealing with a political coalition like the EU and ASEAN, where members' interests are inconsistent. Certainly, it also requires offering enough interest in attracting

¹¹⁶ Ibid., p. 3.

¹¹⁷ Berkofsky, A. (December 2008). *The EU-China Relations: Rhetoric versus Reality Policy Brief*, ISPI.

Member States to play a different approach with the EU. Thus, China is not the only one to take this strategy; the US and Russia do it also.¹¹⁸

China's divide-and-rule strategy towards the EU has been mentioned in many reports and papers but not examined seriously.¹¹⁹ China has applied it not only to counteract the critiques of its human rights and trade negotiations with Brussels, but also in terms of the Chinese strategic thought towards Europe. The main consideration of this strategy is not to 'divide' the EU among its members, but to 'manage' the EU bloc. Precisely how does Beijing manage its relations with a political coalition, the EU, which is without single voice on its foreign policy? To engage with European affairs, Beijing has learned to channel the European capitals to influence Brussels.

It is obvious that China has a very realistic approach towards the EU and has strong national power to achieve its goal. Therefore, when the holder of the rotating presidency, French President Nicolas Sarkozy, met with the Dalai Lama, Beijing did not hesitate to cancel the China-Europe summit and it emphasised that the 'punishment was aimed at France, not the EU or Europe'.¹²⁰ It worked, because no Member States or European Institutions stood up to express their objection towards China's measures to France. Instead, they were busy taking over the business contracts that Paris lost.

Furthermore, with its growing economic power, Beijing is capable of manipulating the other great powers such as Japan and the US to compete with the EU in the Chinese domestic market. That means that China can divide the transatlantic relationship in trade issues: Beijing opens the door to Europe as the US adopts the tough foreign policy towards China. If the EU plays tough

¹¹⁸ Everts, S. (2002). *Shaping a credible EU foreign policy*. Published by Centre for European Reform (CER). The US divided Europe into old and new Europe while the Europeans were against the US invasion of Iraq in 2003.

¹¹⁹ Glen, C. M. & Murgu, R. (2007); Fox, J. & Godement, F. (2009); Crossick, S. (2009a). *EU-China relationship in 2009*, accessed in 5 June 2009, Available from: <http://crossick.blogactiv.eu/2009/01/02/eu-china-relationship-in-2009/>

¹²⁰ *China protest at EU-Dalai meeting*. (2009, December 7) BBC, <http://news.bbc.co.uk/1/hi/7769123.stm>

with China, then Beijing opens the door to the US as well. That is the significant reason why the EU is ineffective in its trade policy towards China.

To sum up, these three arguments express respective characters. On the issues of trade and human rights, the European internal division and Chinese skilful diplomacy respectively are the main reasons for the unachievable EU policy objectives towards China. But on the issues of traditional security and multilateralism, the US factor occupies a higher position with which to influence the performance of EU policy towards China. Moreover, without its internal divisions, the EU cannot be split by skilful Chinese diplomacy. Also, if China is not a potential challenger of American interest in the Asia Pacific, the US will not oppose the EU in lifting the arms embargo on China.

On the other hand, it can be argued that the EU should respond to its ineffective trade policy towards China because of its internal divisions resulting in incoherent policy, when EU Member States could not reach a united approach towards China. The Big Three are even competing with each other to be China's best friend.¹²¹ On human rights, the Tibet issue and political reform, China will insist on resisting embracing the EU norms no matter if there is a coherent EU policy or US intervention, because Beijing views these issues as its domestic affairs, which concern Chinese sovereignty.

This dissertation claims that EU policies towards China are ineffective rather than failed. The EU and China have shown great cooperation in many aspects. As Gill comments: *"while these differences will persist – and will thwart the achievement of a truly 'strategic partnership' between China and European counterparts – Europe-China relations are likely to expand and deepen in nearly all areas in the years ahead, if at a somewhat more steady and judicious pace."*¹²² Indeed, the EU largely encourages China to integrate with an international trade

¹²¹ Fox, John & Godement, François (2009). A Power Audit of EU-China Relations. The European Council on Foreign Relations.

¹²² Gill and Wacker (eds.) (2005b). *China's Rise: Diverging U.S.-EU Perceptions and Approaches*, Berlin, SWP; Gill, B. & Murphy, M. (2008b).

system and continue to open up. So far, China has become an important player in the world, and international affairs can hardly be considered without China's participation.

4. Methodology

The study combines three methodological approaches:

In approaching the research on this question, this thesis seeks to triangulate the evidence. This thesis takes a qualitative approach,¹²³ because the EU involves high level negotiation between governments, qualitative interviews are crucial, thus this thesis takes a qualitative approach. Focusing on the interests at stake in the relations for the two key players, the European Union and China, the study consists of:

- (i) primary document of study.
- (ii) review of secondary literature
- (iii) qualitative interviews by semi-structured and on both sides of the EU and China.

The 40 interviewees were persons from a wide variety of backgrounds, including academic institutions, think tanks, nongovernmental organisations, consultancies, and official government agencies. While some were closer to the policy making process than others, all were in positions in which they had a unique perspective on EU-China relations and European foreign policy in general. Although 40 interviews were done in this research, it took a year to complete the fieldwork, of which five months were in Beijing and another seven months in Brussels. It is difficult to obtain permission for an interview in China simply by sending emails or visiting their offices without prior appointment. Thus, the author chose to live in Beijing for five months and carry out research in the Library of Peking University. Similarly in Brussels, the best method was to find a research position in a think tank or an institute. Based on my experience in Beijing and Brussels, most of the interviews were

¹²³ Evera, Stephen Van (1997). *Guide to Methods for Students of Political Science*, Cornell University Press.

made possible by attending conferences, seminars and workshops. These events provided opportunities to meet the people who were subsequently interviewed. Thus, in the area of International Relations, it is important to stay in the capitals which relate to this research, particularly for a PhD student. The situation in Brussels is much better than Beijing because the author managed to gain a visiting fellow position in one of Brussels' best think tanks, the Centre of European Policy Studies (CEPS), which enabled the interviews to be carried out as a research fellow instead of a student. Notwithstanding, without living in Brussels for seven months, the author would not have had the chance to meet so many experts and the conversations with them that has helped the author build critical perspectives and arguments on the topic of the research.

Most importantly, the value of fieldwork is more than the interview itself. Joining the CEPS has allowed the author to see how it influences foreign policy decision-making, to attend conferences to see how scholars and policy makers debate on EU-China current issues and have great conversations with many European diplomats to understand how they view and evaluate their Chinese counterparts. All these have given the author access to practical knowledge and understanding of EU-China relations that are not readily available on journal papers, books, and newspapers. This fieldwork also relates to the contribution to the thesis. First, the Chinese EU policy process is an area that current literature relatively ignores or discusses. The fieldwork in Beijing helped this research to strengthen the understanding of Chinese EU policy process. Second, access to Chinese literature in the library of Peking University and conducting research in different languages were also important to this research because Chinese literature is rather difficult to access. Due to Chinese being the author's first language, access to Chinese literature and using Chinese to do the interviews with Chinese experts was beneficial to the research.

While the author does not assume that any of interviewees' views are the definitive Chinese or European views on these issues, their views are

suggestive of broader trends in the thinking of those in policy making circles in Beijing and Brussels for a number of reasons. Some served as consultants to policy papers for those with decision-making authority. Many wrote articles and reports likely read by the decision makers. They travel in many of the same circles, participating in many of the same meetings and discussions on policy towards the other country. All of these contribute to the prevailing discourse about the bilateral relationship in Beijing and Brussels, to each side's perspective of the other side, and to any sense of 'consensus' that policy makers might have encountered from such experts.

4.1. Case study

The case study refers to a systematic examination of an event or a set of related events,¹²⁴ which aims to describe and explain the phenomenon of EU-China relations. This study will examine the bilateral conflicts between the EU and China in three main case studies: trade disputes, the arms embargo and human rights. The case study of each issue is the tool to examine my three arguments, which will test 1) EU internal divisions by the case of trade disputes and arms embargo, 2) US intervention in the case of the arms embargo and 3) Chinese skilful diplomacy in the case of trade disputes and human rights, and whether the research question is answered.

The case of the Galileo satellite system can also be a good example to use to test my arguments. However, considering that it involves security concerns and has implications and consequences that are not as significant as in the case of the arms embargo, this case is dealt with through use of footnotes.

4.2. Historical approach

This research is a historical account of the evolution of EU-China relations, in which states change their foreign policy behaviour in confronting a significant challenge, such as the 9/11 terrorist attack in 2001 on the United States.

¹²⁴ Burnham, Peter, Lutz, Karin Gilland, Grant, Wyn & Layton-Henry, Zig (2004). *Research Methods in Politics*, Palgrave Macmillan.

Although the author examines the period between 1995 and 2009 to test my three arguments by three case studies, it is necessary to point out that another key development period was in the late 1970s when the EU institutionalised trade relations with China. The first trade framework agreement between the EU and China was established in 1978. From a historical perspective, that agreement was the first step in EU-China relations. This historical approach explains the external and internal factors, which have shaped EU-China relations. This method is necessary to place the study in a historical context. Moreover, the accession of China to the WTO in 2001 provided a great impetus for China to be more deeply involved in the European trade model. It also paved the way for China to influence EU trade policy.

4.3. Comparative approach

The third method is the comparative approach,¹²⁵ which compares different foreign policies between the EU and China. This comparison is useful in fully understand the dynamic of EU-China relations. At the same time, the study looks at the effects of EU normative foreign policy towards China. In particular, chapters three and four provide a hypothesis to explore the research question. Regarding the MES, it is better to understand the difference between rhetoric and practice, which involve EU normative goals and Chinese strategies.

Using multiple methods in a single study provides a rather complete understanding of the questions in hand. Though this is a qualitative approach, statistical data is used when necessary. This triangulation is beneficial since the weaknesses of each method may be compensated by the counter-balancing effort of another. Through the combination of these methods, the study intends to develop a generalised framework to better understand EU-China relations.

¹²⁵ Ibid. Evera, Stephen Van (1997).

Chapter 2

EU foreign policy toward China (1995-2009):

A Framework Review

Introduction

The aim of this chapter is to discuss the fact that EU foreign policy toward China has not been able to achieve its stated objectives, particularly with respect to trade, strategic partnership and human rights. It will start by reviewing EU policy toward China from 1995 to 2006 and illustrate how the official Chinese policy documents of the European Commission contain normative principles. Then, it goes on to examine the issues of trade, the EU-China strategic partnership, and human rights, which present a clear picture. Most objectives outlined in the EU official documents have not yet been achieved and EU normative principles are not the source of its ineffective policy. With regard to trade policy towards China, this thesis will show how divergent interests among EU Member States made a coherent response to the competitive pressure posed by Chinese exports impossible.¹ In term of strategic partnership, it has become more of a great disillusion that China is not living up to Europe's expectations as a partner.² As for multilateralism, although both sides of the EU and China acknowledge the importance of achieving multilateralism, their individual definitions of multilateralism differ. As regards the human rights record in China, it is still poor.³ Overall, EU foreign policy toward China is not as successful as most people would have thought.⁴ However, it has to be clear that the EU's ineffective foreign policy toward China does not mean their bilateral relations are not important. Instead, it is a puzzle why, as Berkofsky questioned, *the more the EU and China seek to cooperate, the more the fundamentally different approaches towards and priorities of respective foreign and security policies come to light?*⁵ To solve this puzzle, this thesis begins by identifying and analysing EU foreign policy towards China.

¹ Comino, A. (2007). A Dragon in Cheap Clothing: What Lessons Can Be Learned from the Eu-China Textile Dispute? *European Law Journal*, 13, p. 818.

² Holslag, J. (2006). p. 572.

³ FIDH (21 September 2004). EU-China Human Rights Dialogue: More Than a Toothless Exercise? International Federation for Human Rights.

⁴ Sandschneider, Eberhard (2006). Is China's military modernization a concern for the EU. in Zaborowski, M. (Ed.) *Facing China's rise: Guidelines for an EU strategy*. Paris, EU Institute for Security Studies, p. 45.

⁵ Berkofsky, A. (2008) The EU-China Relations: Rhetoric versus Reality *Policy Brief, ISPI*, December.

1. EU Foreign Policy and Normative Power Europe

Since its establishment, the European Community and its successor the European Union has been regarded as a novel international actor. Theoretically, analysis of the EU has been informed by a conceptual development from François Duchêne's civilian power⁶ in the 1970's, followed by Christopher Hill's soft power⁷ in 1990 and most recently has been broadly discussed by Ian Manner's normative power.⁸ Empirically, the EU's official policy papers state similar principles about the European Union's role in world politics. Along with constructive engagement, pace Manner's six factors of EU norm diffusion: contagion, informational diffusion, procedural diffusion, transference, overt diffusion and the cultural filter,⁹ the EU expects non-democratic countries to normalise to the Western-predominated international society.

Europe has been trying hard to develop normative principles in the established process of the European Community. For example, in the 1973 Copenhagen declaration, the EC first pointed out the principles of democracy, rule of law, social justice and respect for human rights, which are the fundamental characters of European political culture.¹⁰ The 1986 Single European Act called upon the Community to "display the principles of democracy and compliance with the rule of law and human rights" in its conduct of external relations. Remarkably, the Maastricht Treaty called for the preservation of peace and security, promotion of international cooperation, the fight against international crime, the development of democracy and the rule of law, the respect for human rights and fundamental freedoms, and the support for economic and social development (Article J.1).¹¹ Therefore, Hill

⁶ Duchêne, F. (1973). The European Community and the Uncertainties of Interdependence. in M. Kohnstamm and W. Hager (eds), *A Nation Writ Large? Foreign Policy Problems before the European Community*, London: Macmillan.

⁷ Hill, C. (1990). European foreign policy: Power bloc, civilian model – or flop? In R. Reinhardt (Ed.), *The Evolution of an International Actor*, Boulder, CO: Westview Press.

⁸ Manners, I. (2002). Normative Power Europe: A contradiction in terms? *Journal of Common Market Studies*, 20(2), pp. 235-258.

⁹ Ibid., pp. 244-5.

¹⁰ Ibid., p. 241.

¹¹ Treaty on European Union (1993). Article J.1.

and Smith argued that norms and values have begun to distinctly permeate European foreign policy documents and declarations.¹² Accordingly, it can be regarded that EU foreign policy has normative concerns which set 'diffusing EU norms and values' as a principle of EU external relations.

The first formal engagement between the European Community (EC) and People's Republic of China was in 1975. Thirty-five years ago, China was not today's rising star in world politics but still largely poor and undeveloped. Thus, there is no surprise that the EC believed that it had the weight to steer China's development in a favourable direction: under the influence of European engagement, the aims were to liberalise its economy, improve the rule of law and democratise its political system.¹³ Despite the rapid growth of Chinese national power, the EU did not give up its normative policy toward China. From 1995's 'A long term policy for China-Europe relations', to 2006's 'EU-China: Closer Partners, Growing Responsibilities,' there are five European Commission policy papers, which all emphasised the concern of promoting EU's norms and values toward China.

There are also numerous official statements and European political leaders' wordings reflecting that the EU has great ambition to persuade China to absorb European norms and values. For instance, Benita Ferrero-Waldner, European Commissioner for External Relations, said in a speech to Japanese politicians that: 'One focus has been the need to encourage China to be a responsible member of the international community. We both want China to embrace democracy and the rule of law and respect human rights.'¹⁴ Moreover, on behalf of the European Parliament, Helmut Kohne argued: 'the overarching aim of EU policy toward China ...our general approach aims to help shape China into a fully integrated, responsible and predictable partner

¹² Hill, C. and K. Smith (2000). *European Foreign Policy: Key documents*, London: Routledge.

¹³ Fox, J. and Godement, F. (2009). *Ibid.*

¹⁴ Ferrero-Waldner, B. (6 April 2006). *New Visions for EU-Japan Relations*. Opening of Joint EU-Japan Symposium, accessed 1 June 2009.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/06/227&format=HTML&aged=0&language=EN&guiLanguage=en>

of the international community.¹⁵ However, Scott argues that the Chinese leadership might not totally welcome these EU attempts.¹⁶

Notwithstanding, the EU and China regard each other as strategic partners, which can be viewed as the peak of bilateral relationship since 2003. However, as argued above, the implementation of EU normative foreign policy toward China is inefficient. Why then does the EU remain strongly insistent in promoting its norms and values to China, even without obvious success? It can be argued that the stated objectives of EU policy toward China are largely about the EU's DNA, thus, the EU cannot abandon its fundamental principles of foreign policy due to stagnated EU-China relations.

1.1. Normative power Europe

The conception of normative power can be traced to Francois Duchêne's civilian power: 'the EU's strength and novelty as an international actor is based on its ability to extend its own model of ensuring stability and security through economic and politics rather than military means.'¹⁷ According to this argument, there are two characters in normative power: first, to extend the EU model to others; second, through economic and political rather than military means. In addition, Diez contends that normative power: 'is not a power that relies on military force, but one in which norms in themselves achieve what otherwise is done by military arsenals or economic incentives.'¹⁸ In practice, as Alston and Weiler claimed, 'a strong commitment on human rights is one of the principal characteristics of the European Union.'¹⁹ Moreover, the EU

¹⁵ Kunhe, H. (2 December 2005). Speech on Behalf of the European Parliament on the Occasion of the 60th EP/US Congress Inter-Parliamentary Meeting in London, accessed 4 June 2009. <http://www.helmut-kuhne.de/bruessel/London%20Speech-2%2012%202005.doc>.

¹⁶ Scott, D. (2007a). China and the EU: A Strategic Axis for the Twenty-First Century? *International Relations* 21(1), p. 36.

¹⁷ Duchêne (1972). Europe's role in world peace, *Europe Tomorrow: Sixteen Europeans Look Ahead*, Mayne, London: Fontana.

¹⁸ Diez, T. & Steans, J. (2005). A useful dialogue? Habermas and International Relations, *Review of International Studies*, Vol 31(01), 127-140; Also see Sjursen, H. (2006a). What kind of power? *Journal of European Public Policy*, 13, p. 172.

¹⁹ Alston, P. & Weiler, J. (1999). An "Ever Closer Union" in Need of a Human Rights Policy: The European Union and Human Rights. In: Alston, P. (Ed.) *The EU and Human Rights*. Oxford: Oxford University Press, p. 6.

accelerated a commitment to place universal norms and principles at the centre of its relationship with its Member States and the world.²⁰ Normative power therefore is not just an idea, instead it is an approach for the EU and its actions in world politics regarding what it is, what it does and what it should do.²¹

Furthermore, with the EU as a political coalition, the normative dimension involves fundamental choices about the EU's international identity.²² No one will doubt that the European states have a strong liberalist tradition. Inevitably, when they established the EC/EU, although for the purpose of security and prosperity, it has also become a platform²³ to promote and diffuse European liberal thought in international politics. In Hyde-Price's wordings, it serves as the pioneer of a Kantian paradise.²⁴

Empirically, as a normative power, the EU has committed to 'civilizing' international relations as part of a wider transformation of international society.²⁵ Consequently, a distinctive 'European' approach to international politics that favours diplomacy, persuasion, negotiation and compromise is created.²⁶ These observations illustrate that the EU believes the carrot is more effective than the stick when dealing with other states. Thus, normative power does not merely influence others by exporting norms; it also contains a belief in diplomacy medium being better than war, negotiation being better than conflict.

²⁰ Clapham, A. (1999). Where is the EU's Human Rights Common Foreign Policy, and How is it Manifested in Multilateral Fora? In: Alston, P. (Ed.), *The EU and Human Rights*. Oxford: Oxford University Press; Smity, K. 2001. The EU, Human Rights and Relations with Third Countries: "Foreign Policy" with an Ethical Dimension? In: Smith, K. A. L., M (Eds.), *Ethics and Foreign Policy*. Cambridge: Cambridge University Press.

²¹ Manners, I. (2006). Normative power Europe reconsidered: beyond the crossroads. *Journal of European Public Policy*, 13(2), p. 184.

²² Smith, K. E. (2003). *European Union Foreign Policy in a Changing World*, polity press, p. 27.

²³ Or, a popular rhetoric: novel and uniquely entity.

²⁴ Hyde-Price, A. (2006). Normative' power Europe: a realist critique. *Journal of European Public Policy*, 13(2), p. 217.

²⁵ Duche'ne (1972). *Ibid.*; also see Hill, C. (1990). European foreign policy: power bloc, civilian model - or flop? In: ED, R. R. (Ed.), *The Evolution of an International Actor*. Boulder: Westview Press.

²⁶ Hyde-Price, A. (2006). *Ibid.*, pp. 217-218.

Besides, EU normative power also has its strategic thought. Firstly, it may help the EU transfer its collective economic power to political leverage through promoting human rights, assisting regional cooperation, and fostering collective security partnerships beyond its borders.²⁷ Secondly, according to the European liberal tradition, the concept of normative power has its legitimacy,²⁸ which can gain the support from both politicians and the public. Most importantly, it can conceal the EU's weakness in lacking an independent military power.²⁹ Thirdly, it can allow the EU to function as an international institution whilst conducting its foreign policy as a state. As Zakaria argued, states are likely to want more rather than less external influence, and will pursue such influence to the extent that they are able to do so.³⁰ Fourthly, it can avoid the conflicts on whether to build a European military power among Member States and the US. Therefore, diffusing EU norms to the rest of world becomes the best strategy for EU's global role and further development.

However, the question remains as to whether the EU is capable of achieving its goals? Advocators of EU normative power often ignore the fact that, as an international institution, the EU does not have sufficient military competence.³¹ In fact, it cannot be a complete power without a hard power's support. Thus, due to the lack of the traditional role of states in military and security, the EU has to create a new role in international society: acting as a promoter of European norms that attempts to displace the states as the centre of concern.

²⁷ Youngs, R. (2004). Normative Dynamics and Strategic Interests in the EU's External Identity. *Journal of Common Market Studies*, 42, p. 416.

²⁸ Diez & Manners 2007. Reflections on normative power Europe. In: Williams (ed.) *Power in World Politics*. London: Routledge.

²⁹ European military power still remains in the NATO, Jørgensen, K. E. (1997). PoCo: The Diplomatic Republic of Europe. IN Jørgensen, K. E. (Ed.) *Reflective Approaches to European Governance* Basingstoke: Macmillan; Smith, K. E. (2000). The End of Civilian Power Europe: A Welcome Demise or Cause for Concern. *The International Spectator*, 35(2).

³⁰ Zakaria, F. (1992). Realism and Domestic Politics: A Review Essay. *International Security*, 17, pp. 177-198.

³¹ Duchêne (1972); Diez, T. & Steans, J. (2005).

1.2. The liberal basis for the EU as a normative power

Drawing on liberal-idealist views, the European elite believes that the key to peace is to populate the world with good states, which rules a country by democracy, respecting human rights and offering good governance.³² Moreover, the EU's idea of pooling sovereignty, the importance of a transnational European Parliament and the requirements of democratic conditionality are constitutive norms of a polity which help the EU and is distinctive from existing states and international relations.³³

Despite Europe's 'realist' past, liberal institutionalism was invented in Europe and the EU itself is a prime example of how European states and societies believe in cooperative institutional responses to domestic and international problems.³⁴ Europe has a long history of owning liberal ideas, which believe in individualism and equalitarianism. The European people believe that all human beings deserve freedom of speech and belief and freedom from fear. These shared liberal ideas led the EU to shape the definition of national and European interests and thereby constitute an important influence on foreign policy behaviour.³⁵ Therefore, liberal ideas construct an inevitable responsibility in diffusing EU norms to others.

Moreover, the European liberal tradition has its roots in the Enlightenment, in the eighteenth-century when European intellectuals and political leaders had a powerful sense that reasoning could be employed to make the world a better place.³⁶ For some European thinkers diffusing the liberal idea is not just about interest, but also responsibility. Therefore, the EU should be a power

³² Panebianco, S. & Rossi, R. (October 2004). EU attempts to export norms of good governance to the Mediterranean and Western Balkan countries. *Jean Monnet Working Papers in Comparative and International Politics*, n° 53. University of Catania, p. 3.

³³ Manners, I. (2002). *Ibid.*, p. 253.

³⁴ Shambaugh, D. (2004). China and Europe: the emerging axis. *Current History*, 103(674): pp. 243-248.

³⁵ Hyde-Price, A. (2006). *Ibid.*, p. 219.

³⁶ Hinsley, F. H. (1967). *Power and the Pursuit of Peace: Theory and Practice in the History of Relations between States*. Cambridge, Cambridge University Press; Knutsen, T. L. (1922). *A History of International Relations Theory: An Introduction*, New York, Manchester University Press, chapter 5.

that is able to extend its liberal idea through economic and political rather than military means. How does the EU diffuse its norms and values to others? The EU can exert political and security pressures of granted membership of the EU to the states which are supplicant to join the EU.³⁷ Second, it provides 'solutions' to the problems of the poor third countries. Third, it offers economic assistance in the form of aid, trade preferences and even access to the Single Market. Fourth, intellectual expectations that the EU can resolve the problem of the nation-state and can provide a new framework for European order or an alternative identity for the non-American West.³⁸

1.3. A critique of normative power Europe

The liberal idea leads the EU's role and behaviour in its external relationship, the conduct of its foreign policy and its attempts to act as normative power. However, normative power as a principle of EU foreign policy has been challenged both from inside and outside Europe. For the EU itself, although it can be argued that the reason for making the EU the most successful political coalition is because its Member States share similar values such as those in liberal idea's democracy, religion, human rights, and the principles of free trade, but it is not even close to having any consistent unity. The EU is still an international institution, which obviously lacks common interests from among its Member States. As Smith argues, the Member States do not share extensive common interests that block agreement on the making of common foreign policies within the current EU framework.³⁹ For example, within the European Community (EC) pillar, the highest level of integration within the EU, Member States still seek to protect and block decisions if it contravenes their essential national interests. Therefore, it can be understood that all the Member States agreed to put the normative principles into the Common Foreign and Security Policy (CFSP), but when those principles contravened

³⁷ Hill (1998) Closing the Capabilities-Expectations Gap, *A Common Foreign Policy for Europe? Competing Visions of the CFSP*, J. Peterson and H. Sjørusen, p. 21

³⁸ *Ibid.*, p. 22.

³⁹ Smith (2003) *European Union Foreign Policy in a Changing World*, polity press, pp 3-4.

their national interest, the normative principles become of second-order concern.⁴⁰

Manners suggests that '*the concept of normative power is an attempt to refocus analysis away from the empirical emphasis on the EU's institutions or policies, and towards including cognitive process, with both substantive and symbolic component*'.⁴¹ He knows that the EU is far from being an efficient normative power, but it is the best approach for the EU in playing a role in the world. The related literature exposed the weaknesses within normative power EU in empirical examination. In the case study, most authors looked at Mediterranean and Western Balkan countries and already pointed out the limitation of normative power.⁴² For those non-democratic countries like China, the challenge is why they need to embrace European norms and values. The main problem with diffusing European norms to others is that it is very difficult to convince other non-democratic countries that European norms are suitable for them. For example, on democracy, Chinese leaders and scholars often argue that by looking at the second and third waves of democratisation, there is no country developing better than China.⁴³ They warn the Chinese public that the Soviet Union is the best case to show that democracy is not the model that China should adopt. Even the old democratic countries such as India are even poorer and less equal than China.

Furthermore, the concept of normative power EU with liberal ideas suggests that the behaviour of democracies is different from that of non-democracies.

⁴⁰ Hyde-Price, A. (2006). *Ibid.*, p. 217.

⁴¹ Manners, I. & Whitman, R. (eds) (2000) *The Foreign Policies of European Union Member States* Manchester: Manchester University Press.

⁴² Bicchi, F. (2006). 'Our size fits all': normative power Europe and the Mediterranean. *Journal of European Public Policy*, 13, pp. 286-303; Björkdahl, A. (2005). Norm-maker and Norm-taker: Exploring the Normative Influence of the EU in Macedonia. *European Foreign Affairs Review*, 10, 257-278; Diez, T. (2005). Constructing the self and changing others: Reconsidering 'Normative Power Europe'. *Millennium: Journal of International Studies*, 33(3), pp. 613-636; Panebianco, S. & Rossi, R. (2004). EU attempts to export norms of good governance to the Mediterranean and Western Balkan countries. *Jean Monnet Working Papers in Comparative and International Politics*. JMWP No. 53.

That applies to the notion of the 'democratic peace,' which holds that the behaviour of democracies is different when they deal with each other.⁴⁴ One may link democracy to peace in arguing that democracies do not fight democracies and that that is why the EU has the responsibility to promote democracy to the rest of the world.⁴⁵ But Layne has examined that the reason democracies do not fight each other was not because of 'democracy' but due to other international political reasons.⁴⁶ As he argued in the same journal in 1997: "*an open international trading system would contribute to peace and international stability in the non-Soviet world, and hence reduce its vulnerability to communism,*" which shows that the democratic system is not the key factor in maintaining peace in the world.⁴⁷

Moreover, it is found that states with similar domestic systems often act differently in the foreign policy sphere and dissimilar states in similar situations often act alike.⁴⁸ As Waltz argued: "citizens of democratic states also tend to think of undemocratic states as bad, aside from what they do, simply because they are undemocratic. Democracies promote war because they at times decide that the way to preserve peace is to defeat non-democratic states and make them democratic."⁴⁹ Therefore, it seems that democracy does not bring peace; instead, in the name of peace, to promote democracy can bring conflict.

⁴³ Interview with Chinese diplomat B & C (20 October 2008). Beijing. Also, I attended some seminars in the Peking University, it is a very popular parlance that Chinese scholars spread to Chinese students.

⁴⁴ Rose, G. (1998). Review: Neoclassical Realism and Theories of Foreign Policy. *World Politics*, 51(1), p. 148.

⁴⁵ Owen, J. M. (1994). How Liberalism Produces Democratic Peace. *International Security* 19 (2), pp. 87-125.

⁴⁶ Layne, Christopher (1994). Kant or Cant: The Myth of the Democratic Peace. *International Security*, 19 (2), pp. 5-49.

⁴⁷ Layne, Christopher (1997). From Preponderance to Offshore Balancing: America's Future Grand Strategy. *International Security*, 22 (1), p. 91.

⁴⁸ Hyde-Price, A. (2006). *Ibid.*, p. 228.

⁴⁹ Waltz, K. (2000). *Ibid.*, p. 11.

Furthermore, EU normative principles involve norms and values judgments.⁵⁰ Ideally, values are not concerned with right or wrong, but come from a specific culture and tradition. Therefore, when the EU engages with China with the intention of diffusing European norms toward China, it is seen as unacceptable by Chinese politicians and the public. However, from a Chinese perspective, EU countries also do not espouse an aggressive democracy-promotion agenda or possess extensive security interests in Asia, both of which are sources of deep distrust in U.S.-China relations.⁵¹ Some EU members are deeply concerned about China's human rights situation and the Tibet issue, but these have been only occasional irritants and not permanent barriers to improving relations.⁵²

2. EU Normative and Human Rights Policy towards China

2.1. The European Commission's policy documents contain EU normative principles

If we look at EU official documents toward China from 1995 to 2006, the contents change according to the development of their bilateral relations.⁵³ But the character always presents the same 'normative principles': urging China to integrate into the world trade system, respect human rights, take political reform and be a responsible stake holder.⁵⁴ The major strategic goals have been set out in the EU Communications and the China Country Strategy Paper (CSP): integrating China into the world trade system, achieving economic and social reform, ensuring the environmental sustainability of development in China, and promoting transition to an open society based on

⁵⁰ Legro, Jeffrey W. (1997). Which Norms Matter? Revisiting the "Failure" of Internationalism. *International Organization*, 51, p. 31.

⁵¹ Interview with Zhongping Feng (27 October 2008). Beijing.

⁵² Medeiros, Evan S. (2009) China's international behavior: activism, opportunism, and diversification, Project Air force, RAND, p. 153.

⁵³ Archick, K., Grimmett, R. F. & Kan, S. (2005). European Union's Arms Embargo on China: Implications and Options for U.S. policy. *CRS Report for Congress*. Congressional Research Service, The Library of Congress.

⁵⁴ For example, Commission of the European Communities (2003a). A Maturing Partnership: Shared Interests and Challenges in EU-China Relations.

good governance, rule of law, and respect for human rights.⁵⁵ Thus, the content of the 1995 policy document presents an intention of normative power Europe towards China:

*A commitment to human rights and fundamental freedoms is at the heart of EU policy worldwide. Violations are not only a cause for concern in their own right, but because the EU believes that espousal of international standards of human rights and acceptance of political liberalisation is vital for long-term social and political stability.*⁵⁶

Also, the EU has set five long-term aims as regards China:

1. Engaging China further in the international community,
2. Supporting China's transition to an open society based on the rule of law and respect for human rights,
3. Integrating China further into the world economy,
4. Making better use of existing European resources, and
5. Raising the EU's profile in China.⁵⁷

These aims contain the idea of 'socialising' China into the world system, established by the developed countries. However, the EU normative policy toward China has a contention of what would be the criteria for identifying norms. Who set the criteria? Do the criteria suit China and other states that have totally different social and economic conditions? If EU norms are intended to become the universal principle of the world, does the EU have enough power to spread it? With the 'stick and carrot' strategy, the EU has compelled Turkey to adopt the constitutional reforms required to meet the Copenhagen criteria before starting the enlargement process.⁵⁸ However,

⁵⁵ European Commission (2004). Country Strategy Paper: China, Commission Working Document. Brussels.

⁵⁶ Commission of the European Communities (1995). A long term policy for China-Europe relations, Communication from the Commission to the Council, COM(95) 279 final, Brussels, 5 July.

⁵⁷ European Commission (1998). Building a Comprehensive Partnership with China. COM (1998) 181.

⁵⁸ Manners, Ian (2006). Normative power Europe reconsidered: beyond the crossroads. *Journal of European Public Policy*, 13, p. 194.

without the motivation of gaining EU membership, for example, the Arabic countries have no intention of embracing the EU's norms.⁵⁹ Thus, as Hyde-Price argues, the EU lacks coercive instruments and this consequently leads to a reliance on declaratory politics and 'soft power'.⁶⁰

Without coercive instruments, the alternative for the EU in diffusing its norms to others is through economic attraction. From an economic dimension, however, China's export levels to the EU have become gradually closer to its import levels from the EU since 1995. The EU lost its trade surplus with China in 1997.⁶¹ From a political dimension, the bilateral relationship has gone backwards since the sanctions resulting from the 1989 Tiananmen Tragedy. It has been ten years since the EU's last China policy was signed in 1985: the EU-China Trade and Cooperation Agreement.⁶² Therefore, it will be necessary to update EU's China policy to cope with China's rapid growth. Meanwhile, the 1995 Commission paper was also the first of the EU's China policies after the formation of the EU which succeeded the European Community.⁶³ As Hervé Dejean de la Bâtie wrote in his analysis, "*with the first Commission's communication on China in 1995 begins the real European policy toward China*".⁶⁴ Therefore, the EU has greater ambitions in extending its global influence. The 1995 Communication paper sought to chart the long-run course for EU-China relations into the twenty-first century.

Yet, the non-European countries may not believe EU norms are suitable for their social, cultural, and political traditions. Possibly, they might pretend to accept EU norms because of the 'carrot' they may gain. Therefore, the main

⁵⁹ Panebianco & Rossi (2004). p. 7

⁶⁰ Hyde-Price, A. (2006). *Ibid.*, p. 217.

⁶¹ See: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/china/>, accessed 12 Feb 2009.

⁶² EEC-China (1985). *Agreement on trade and economic cooperation between the European Economic Community and the People's Republic of China – 1985*, http://europa.eu.int/comm/external_relations/china/intro/1985_trade_agreement.htm. Accessed 19 January 2009.

⁶³ In 1992, the Treaty of Europe Union birth (Maastricht Treaty) to the European Union, a unique political and legal construction rather than any other regional organisation.

⁶⁴ Bâtie, Hervé Dejean de la (2002). EU's China Policy is improving but could be better; *IFRI*

challenge for EU normative power is whether the EU is capable of diffusing European norms. A recent case can elaborate this predicament. In order to respond to the EU normative concerns in China's diplomatic relations with African totalitarian countries, China has agreed to talk to their European counterparts on a regular basis. However, just as a policy analyst at the European Policy Centre in Brussels argued, realistically this is unlikely to change anything.⁶⁵ Why is this so? It is because the EU has not enough power to persuade China to follow European principles in engaging with Africa, thus China agreed to hold talks but is not committing to certain conditions. Fox and Godement criticise the way China channels EU pressure by accepting formal dialogues, which the EU hails as a great victory, and which Beijing then turns into inconclusive talking shops.⁶⁶ Their perspective shows that Chinese foreign policy has challenged the credibility of European normative policy.

However, when the great powers develop their external relationship, it is reasonable that they will apply the norms to a wide range of political, economic, trade, and diplomatic initiatives.⁶⁷ Therefore, the EU aid policy towards China aims to steer Chinese development in a more favourable direction for the EU.⁶⁸ For example, a programme sponsored by the EU to work together on Chinese rural society such as village elections, which is hoped can sow the seeds of democracy in Chinese society.⁶⁹ Shambaugh argues that this has been the core of the EU's approach to China.⁷⁰ European leaders believe that through aid programs and cooperation projects (which can be regarded as normative policy), China would gradually embrace EU's norms and values. Before 2006, the EU still viewed China basically through

Centre Asie.

⁶⁵ Berkofsky (2007). Europe Gets Tough on China. *Far Eastern Economic Review*, p. 43

⁶⁶ Fox, J. & Godement, F. (2009). A Power Audit of EU-China Relations The European Council on Foreign Relations, p. 8.

⁶⁷ Morgenthau, Hans (1948). *Politics Among Nations*, p.265.

⁶⁸ Holslag, Jonathan (2006). The EU and China: The Great Disillusion. *European Foreign Affairs Review*, 11, p. 555.

⁶⁹ Brown, K. & Crossick, S. 2009b. The EU and China: Time for a Change? *Asia Programme Paper: ASP PP 2009/03*, Chatham House, p. 7.

the prism of it being a developing country and a transitional nation: in the midst of multiple reforms aimed at marketing the economy, globalising the society, and pluralising the polity.⁷¹ Thus, European leaders were convinced that China would view Europe as a teacher and learn from its histories as welfare states.⁷² According to these presumptions, when the EU attempted to give lessons after the events of the ethnic-based riots in Tibet in March 2008 and in Xinjiang province in July 2009, it led to Sino-EU tensions. It is an example illustrating that EU normative policy towards China is ineffective and, on that occasion, caused an exacerbated bilateral relationship.

On the global scale after the Cold War, the collapse of the Soviet Union and the Berlin Wall changed the world system from bipolar to unipolar. The EU is attempting to make its relationship with China more independent, rather than subordinate to the transatlantic relationship.⁷³ Therefore, the 1995 EU policy was a departure and a first in EU policy towards China. It set up the normative principles and the EU had great expectations for it. From the Commission's point of view, a commitment to human rights and fundamental freedoms is crucial. However, the method of constructive engagement was clearly chosen by the EU.⁷⁴

In 2003, the EU published another landmark paper: 'A Maturing Partnership: shared interests and challenges in EU-China relations.' The document is designed to update EU policy toward China in terms of the significant changes since previous communications. For example, it tends to fit the situations of the change of Chinese leaders, the adoption of the Euro, and the imminent enlargement of the EU. This document deals with the relationship in two aspects. The first is the prominent growth in bilateral trade, as well as

⁷⁰ Shambaugh, D., Sandschneider, E. & Zhou H. (Eds.) (2008). *China-Europe Relations: Perceptions, Policies and Prospects*. London: Routledge, p. 310.

⁷¹ *Ibid.*, p. 311.

⁷² Interview with Zhongping Feng (27 October 2008). Beijing.

⁷³ 刘建生, Liu, Jiansheng (2005). 中欧关系: 从'而立'到'不惑' (Sino-European relations: from 'standing' to the 'middle age'). *瞭望新闻周刊 (Outlook news weekly)*, 37.

⁷⁴ Gosset, D. (2002). China and Europe: toward a meaningful relationship. *Conference in Barcelona*, p. 6.

acknowledgment of serious divergences over human rights concerns, and to encourage the rule of law and political reforms in China.⁷⁵ The second aspect involves the strategic position that: 'China's geopolitical vision of a multipolar world, and the Chinese perception of the EU as a partner of growing importance, also provide a favourable context for increased EU visibility.'⁷⁶ Most importantly, the EU points out that it 'shares China's concerns for a more balanced international order.'⁷⁷

The Chinese government has responded quickly to this document. The Chinese Ministry of Foreign Affairs released its response to the Commission's document, which is the first policy paper towards Europe addressing the establishment of a 'full partnership' based on shared interests and the absence of fundamental conflicts in October 2003.⁷⁸ *China's EU Policy Paper* pointed out that 'China is committed to a long term, stable and full partnership'. The Chinese document clearly states that Beijing wants closer political ties with the EU, indicating that China will continue to deepen its relations with individual EU governments. The document also stresses that the 'one China' principle is a cornerstone of EU-China relations and that Beijing 'appreciates the EU's non-confrontational attitude to human rights in China'. Moreover, the Chinese document indicates that Beijing welcomes cooperation in the military sphere, leading to a 'strategic security consultation mechanism'.⁷⁹ These two policy papers have shaped the fundamental principle for the solemn proclamation of a 'strategic partnership' at the 6th China-EU Summit, which was held in October 2003 in Beijing.⁸⁰ Therefore, 2003 marks the beginning of the honeymoon period of EU-China relations.

The European Commission's Communication of 2006 '*EU-China: closer partners, growing responsibilities*' has reviewed the relationship within the

⁷⁵ EU Commission (2003). pp. 6-7.

⁷⁶ *Ibid.*, p. 23.

⁷⁷ *Ibid.*

⁷⁸ Chinese Ministry of Foreign Affairs (October 2003). *China's EU Policy Paper*, Beijing.

⁷⁹ *Ibid.*

background of China's rising power and global role.⁸¹ The EU and China have an interest in working closely together on issues ranging from sustainable development to international security. The maturity of the relationship is reflected in the 7 formal agreements and 22 sectoral dialogues. However, as Sandschneider criticised, apart from policy statements, Europe is far from implementing a consolidated and integrated China policy.⁸² Notwithstanding, the 2006 Commission paper also criticised China seriously and urged China to improve its human rights record, build the rule of law, allow more democracy, respect freedom of speech, and allow market forces to operate in its trade in raw materials.⁸³ Chinese leaders viewed this paper as a signal of a setback in EU-China relations and considered adjusting its EU policy. Berkofsky described how Chinese policy makers have perceived this 2006 EU Commission's China strategy paper as a slap in their faces.⁸⁴

Moreover, at the end of 2006, the European Council adopted a new China strategy named 'Partnership and Competition', which obliged the EU to accept tough Chinese competition while pushing China to trade fairly and many of the difficulties were issued in the conclusions.⁸⁵ It can be regarded as a significant shift after the EU-China relationship started to flatten out as irritants emerged.⁸⁶ This paper states that while the EU is committed to the continued 'maturing' of relations with China, those relations 'must be balanced, reciprocal, and mutually beneficial.' Again, the conclusions called for EU Member States and the EU Commission to 'take stock' of ongoing sectoral dialogues and seek interactions that are 'focused and have practical results.' In its strongest language, the conclusions said that the "Council

⁸⁰ 赵晨, Zhao, Chen (2008). 中欧关系的现状及其发展趋势 (The Current Situation of Sino-EU relations and developing trend). 新视野 (*New Vision*), 2, p. 94.

⁸¹ European Commission (2006). EU - China: Closer partners, growing responsibilities. Communication from the Commission to the Council and the European Parliament, COM(2006) 631, p. 4.

⁸² Sandschneider, E. (2002). China's Diplomatic Relations with the States of Europe. *The China Quarterly*, 169, p. 33.

⁸³ European Commission (2006), *Ibid.*, p. 4 & 7.

⁸⁴ Berkofsky, A. (2007). Europe Gets Tough on China. *Far Eastern Economic Review*, p. 42.

⁸⁵ The European Council (2006). Partnership and Competition.

continues to have serious concerns about the human rights situation in China and deeply regrets the fact that there has been little progress in a number of areas," and specifically cites concerns over political detentions, the rights of minorities, access to information, unfair judicial procedures, and freedom of religion, expression, and association, among other items.⁸⁷

On the other hand, EU normative policy towards China is evidenced through many training programmes mounted in many European Member States for improving on the qualities of Chinese judges, lawyers, officials, scholars and civil society participants. These are illustrative of the European approach to diffusing its norms in China. It has organised a number of programmes for China through 'European Commission's Multiannual Indicative Programme.'⁸⁸ However, the EU does not satisfy the result in the political area, such as participatory politics, human rights, civil society, rule of law, religion, the death penalty, penal reform, and labour standards.

The above discussions show the limitations of EU normative power. The EU's eastern enlargement, in two successive rounds in 2004 and 2007, has widely been acknowledged as its biggest foreign policy success to date, these new Member States were however poor and still suffering with a fear of Russian intervention.⁸⁹ Other non-democratic states are not interested in embracing European norms and values, neither small countries such as Myanmar, nor big countries such as China.

2.2. EU's human rights policy towards China

From the Copenhagen Declaration in 1970 to the Treaty on European Union in 1992, the EU Member States developed certain means to promote the

⁸⁶ 高华, Gao, Hua (2006). 中欧关系的进展与挑战 (Progress and Challenge of China-EU Relations). 和平与发展 (*Peace and Development*), 1, p. 55.

⁸⁷ Gill, B. & Murphy, M. (2008b). China-Europe Relations: Implications and Policy Responses for the United States, *A Report of the CSIS*, CSIS, p. 6.

⁸⁸ See the European Delegation website: www.delchn.cec.eu.int

⁸⁹ 2004: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia; 2007: Bulgaria and Romania. Tocci, Nathalie (2007). The European Union as a Normative Foreign Policy Actor. CEPS, p.4.

values of human rights, democracy and the rule of law, such as the submission of joint demarches (political steps) and the adoption of common positions in international organisations.⁹⁰ From a European perspective, the EU Member States contend that China has a significant human rights problem and they would like to see that problem ameliorated.⁹¹ But from the Chinese perspective, Beijing disagrees that China has any human rights problems and argues that the EU is neither respecting Chinese culture nor understanding the situation of Chinese social development.⁹²

Therefore, when the EU policy towards China has strong concerns regarding human rights, it becomes a challenge to the EU's Chinese trade policy. As the above section stated, when EU-China relations are dominated by economy and trade, the EU is not able to cut trade ties with China over human rights concerns. European leaders have been aware of this situation since the Tiananmen tragedy in 1989: the European Community applied economic sanctions on China but lifted them within one year. Furthermore, Li argues that "the stronger the EC/EU's rhetoric in human rights but the softer in the actions."⁹³ This is shown by the fact that the EC/EU did not adopt significant actions but tried to promote its bilateral trade and economic relations with China, whose human rights situation was still very poor. Although the human rights concern has caught European attention because of the Tiananmen tragedy,⁹⁴ Li still argues that the EC/EU's human rights policy

⁹⁰ King, Toby (1999). Human Rights in European Foreign Policy: Success or Failure for Post-Modern Diplomacy? *European Journal of International Law*, 10 (2), p. 313.

⁹¹ The evidences can be found in the statements made on behalf of the EU at the UN Commission on Human Rights each year over the past decade. Also, in the 1995, 2001, 2003 & 2006 European Commission policy documents toward China.

⁹² 施新州, Shi, Singjou (2007). 中欧在民主问题上的分歧与中欧关系 (China and the EU Divide on the Issue of Democracy and the Sino-EU Relations). *国际关系学院学报 (Journal of University of International Relations)*, 1; 周弘, Zhou Hong (2004). 论中欧伙伴关系中的不对称性与对称性. (Symmetry and Asymmetry in the China-EU Partnership). *欧洲研究 (Chinese Journal of European Studies)*, 2.

⁹³ Li, Chengtung (2008). *The Variation of the EC/EU's External Human Rights Policy: Cases of China and Burma/Myanmar, 1987-2000*, PhD thesis, University of Reading, pp. 269-279.

⁹⁴ Commission of the European Communities (2001), *The EU Relations with China: an Overview*.

towards China before the adoption of the 'Long Term China Policy' in 1995 is still fragmented.⁹⁵

During the Tiananmen Square protest, the Chinese Government reacted strongly to student and labour protest, which led the West to call it a massacre. The EU took the decision to suspend economic and cultural relations with China. Nevertheless, in just less than fifteen months, European Community Foreign Ministers decided to gradually resume economic cooperation and to re-establish high-level contact on October 1990.⁹⁶ In 1993, the EU lifted all the economic sanctions but maintained the arms embargo, which has paved the way for a renewed surge in bilateral trade and investment. In 1997, the ban on visits by heads of state was also tacitly lifted with the visits of German President Herzog in late 1996 and French President Jacques Chirac to China in 1997.⁹⁷

Albeit the EU policy towards China contains normative principles, its realist approach has streamlined the bilateral affairs in practice. Thus, the following section will continue to explore precisely the EU's policies toward China in three aspects: trade, strategic partnership and human rights to examine whether the EU achieves its stated objectives.

The debate within the EU human rights policy towards China focuses on whether or not to co-sponsor a resolution critical of China at the UN Commission on Human Rights (UNCHR) or alternatively to base policy around a human rights dialogue with China.⁹⁸ In fact, the European Union's position on the human rights' resolution and dialogue process is complex because of the individual characteristics of each Member State and the

⁹⁵ Li, Chengtung (2008). Ibid.

⁹⁶ President Yang Shangkun praised Spain for its "consistent friendly policies" vis-à-vis Beijing and its effort to improve China-EC relations. In 1991 Qian Qichen visited Portugal, Spain and Greece. The same year PRC Deputy Prime minister Zhu Rongji visited the EC Commission.

⁹⁷ Chanda, N. (1996). No-cash carrier. *Far Eastern Economic Review*, 10, pp. 20-21.

⁹⁸ Baker, Philip (2002). Human Rights, Europe and the People's Republic of China. *The China Quarterly*, 169, p. 45.

relationship between the European Commission and the European Parliament.⁹⁹ EU-China dialogue on human rights was initiated in January 1996.¹⁰⁰ The former head of the General Directorate for External Relations at the European Commission, Angelos Pangratis criticised that: 'there have been some minor improvements ...but a challenge the EU does face is not to let the dialogue become an empty shell or diplomatic fig leaf. We still strive for concrete results.'¹⁰¹ Additionally, Backer argues that there has been little or no significant improvement in China's human rights practice over the past decade in either UNCHR or dialogue approaches.¹⁰²

However, China has succeeded in poverty reduction (more than 400 million Chinese have been lifted out of poverty since the 1980s, accounting for more than 75% of the global poverty reduction).¹⁰³ Its domestic agenda emulates policies the Europeans have pursued over recent decades: social security systems, social cohesion and a more balanced regional development. But despite these achievements, the Europeans believed that, the way a country is governed inspires (or fails to inspire) confidence, therefore Beijing needs to recognise that human rights are not simply a domestic issue, but also a strategic issue limiting China's soft power. In China, the degree of protection for individual human rights is significantly lower than one is entitled to expect from a country which has not suffered any foreign invasion for over half a century, has not suffered major civil unrest for over a quarter of a century, has not been subjected to any country-wide natural disaster and has enjoyed high level of economic growth since the late 1970s.

Alston and Weiler argue that 'inefficiency, fragmented policy responses, unclear lines of responsibility, an inability to develop necessary expertise,'

⁹⁹ Interview with a Belgium diplomat: D. (1 June 2009). Brussels.

¹⁰⁰ Balme, Richard (2008 b). *The European Union, China and Human Rights*. in Laïdi, Z. (Ed.) *EU Foreign Policy in a Globalized World: Normative power and social preferences*. Routledge, p. 145.

¹⁰¹ Pangratis, Angelos (2002) *The EU and China: Economic Giants*, in K. Brodsgaard and K. Heurlin (eds), *China's Place in Global Geopolitics: International, Regional and Domestic Challenges*, New York: Routledge, p. 75.

¹⁰² Baker, Philip (2002). *Ibid.*, p. 62.

¹⁰³ Wolfowitz (October 2005). A statement by World Bank President.

due to so many units of European institutions being responsible for human rights affairs, has caused the administrative fragmentation.¹⁰⁴ However, if one looks at US human rights policy towards China, which has less fragmented situations than the EU, it also does not influence the Chinese human rights problem. Thus, the implementation of EU human rights policy is not the source of inefficient policy towards China.

King argues that economic competition and conflicting national interests continue to restrict Europe's common foreign policy on human rights issues to declarations of concern rather than action.¹⁰⁵ Thus, the EU human rights policy toward China is not quite successful. Hence, human rights issues could catch attention when events in China provide a catalyst such as the Tiananmen Tragedy in 1989.¹⁰⁶ But, this study argues that the EU internal divisions and Chinese skilful diplomacy are the factors that undermine the effectiveness of the EU's human rights policy toward China other than King's argument.¹⁰⁷

3. The EU's Trade Policy towards China

Most scholars, policy makers and observers agree that economic interests are the main driver in EU-China relations.¹⁰⁸ Indeed, the exuberant economic and trade interaction between these two sides are the fundamental basis of EU-China relations. Due to its institutional character, the EU trade policy toward China operates at two levels: one is the bilateral level between the EU Member States and China and the other is the collective level between the European Institutions (precisely in the Council and the Commission) and China. The character of these two levels is that they do not completely overlap

¹⁰⁴ Alston, Philip & Weiler, Joseph (1998). An "Ever Closer Union" in Need of a Human Rights Policy. *Journal of International Law*, 9 (4), p. 691.

¹⁰⁵ King, Toby (1999). Human Rights in European Foreign Policy: Success or Failure for Post-Modern Diplomacy? *European Journal of International Law*, 10 (2), p. 313.

¹⁰⁶ Interview with a Chinese diplomat: B (20 October 2008). Beijing.

¹⁰⁷ It will be addressed on Chapter Three and Four.

¹⁰⁸ Song, X. (2006) Strategic Elements of EU-China Economic Relations. IN Defraigne, P. (Ed.) *The EU, China and the quest for a multilateral world*, China Institute of International Studies. China Institute of International Studies & ifri.

but are not mutually exclusive.¹⁰⁹ Moreover, in the EU level, it addresses the monitoring of the full and effective implementation by China of its World Trade Organisation (WTO) commitments that takes place in a multilateral setting since China's formal application to join the WTO in 1992. Given that the EU shares common concerns with the US on ensuring China's economic development towards effective liberalisation, a multilateral approach towards these issues is most natural.

3.1. The EU and China in the WTO

The European Commission's policy papers are replete with proposals to strengthen the competitive position of the EU in the world trade system and to use trade policy in the pursuit of general foreign policy objectives.¹¹⁰ Therefore, China's WTO accession became a significant stage in increasing the EU's leading position and in integrating China into the world trade system. Thus, during the 1990's, the negotiation for Chinese accession in the WTO was the main objective of EU policy towards China.

The 1985 *Trade and Cooperation Agreement* (TCA) is the Treaty basis of EU external trade policy towards China, which was established by EU Member States and was entrusted to the Commissioner for external trade with the task of conducting economic negotiations with China at the EU level in order to collectively exercise a greater bargaining power. By throwing their support behind the Trade Commissioner, EU Members States were attempting to maximise their economic leverage as a great trading power *vis-à-vis* China. In particular, the negotiations for China's entry into the WTO in 2001 have consolidated the European Commission's role as the central actor in EU-China economic relations.

¹⁰⁹ Ash, R. (2008). Europe's Commercial Relations with China. IN Dave Shambaugh, E. S., Hong Zhou (Ed.) *China-Europe Relations*. Routledge, p. 189.

¹¹⁰ Zimmermann, H. (2007). Realist Power Europe? The EU in the Negotiations about China's and Russia's WTO Accession. *Journal of Common Market Studies*, 45(4), p. 814.

The 1995 Communication paper suggested that the EU: 'encourage China to become fully integrated in the international community, to widen political dialogue to include all issues of common interest and global significance, to support China's WTO membership on the basis of clear commitments to create a fully-fledged market economy.'¹¹¹ It can be regarded that the EU considers the WTO as a bilateral leverage in increasing its economic weight on Chinese economic development. This consideration has led to the EU support for the integration of China into the WTO.¹¹² The EU has taken hope in its trade surplus with China's own obligations to remove various internal and external barriers to trade as a precondition of WTO membership. From a Chinese perspective, the aims in joining the WTO were in reducing the vulnerability of Chinese trade to various discriminatory measures against Chinese low-cost products, to attract foreign direct investment and to enhance China's international status.¹¹³

However, a significant disturbance happened, the Tiananmen Square massacre in 1989, and the European Commission (EC) froze the bilateral relations with China after this.¹¹⁴ The Commission decided to postpone the negotiation of WTO accession indefinitely. However, China exerted its broadly domestic market to encourage competition among the great powers like Japan, the EU and the US. Therefore, the one who wants to access the Chinese domestic market must lift the economic sanction as soon as possible. Considering the U.S. and Japan could profit from that, the EC was forced to abandon its sanctions on China.¹¹⁵ In the end, all programmes for economic

¹¹¹ Commission of the European Communities (1995). A long term policy for China-Europe relations, Communication from the Commission to the Council, COM(95) 279 final, Brussels, 5 July.

¹¹² Dent, C. M. (January 1997). Economic relations between the EU and East Asia: Past, present and future. *Intereconomics*, 32 (1), p. 11.

¹¹³ Ash, R. & Holbig, H. (Eds.) (2002). *China's Accession to the WTO. National and International Perspectives*, London: Routledge, p. 5; Feng, H. (2006). *The Politics of China's Accession to the WTO: The Dragon Goes Global*, London and New York: Routledge, p.18.

¹¹⁴ Ash, R. (2008). Europe's Commercial Relations with China. IN Dave Shambaugh, E. S., Hong Zhou (Ed.) *China-Europe Relations*. Routledge, p. 190; Zimmermann, H. (2007). Realist Power Europe? The EU in the Negotiations about China's and Russia's WTO Accession. *Journal of Common Market Studies*, 45(4), p. 820.

¹¹⁵ Möller, K. (2002). Diplomatic Relations and Mutual Strategic Perceptions: China and the

cooperation were resumed after just one year after the Tiananmen affair, in October 1990. Although Denmark singled out China as a concern on human rights aspects, there was very little influence in the pursuit of WTO accession negotiations. After the EU's establishment by the Treaty of Maastricht in 1993 upon the foundations of the European Communities, it has controlled the voices of these human rights concerns from the European Parliament. Thus, even though the EU-China Human Rights Dialogue produced many documents, it hardly had any results.¹¹⁶ While the European Parliament criticised China's human rights record, it had no influence on final ratification of China's WTO accession and the European Parliament knew this already.¹¹⁷

As discussed above, the EU's China policy has strong normative orientation. However, the European Commission and the Member States adopted a policy geared towards broader geopolitical and economic goals rather than normative goals. Thus, the bilateral sides finished the accession negotiations deciding that ratification presented no problems. As Zimmermann argued: 'there are many indications from the actual negotiations that the preferences of the EU in these negotiations appeared to be dominated to a greater degree by mercantilist concerns predicted by the realist approach than by purely commercial concerns or normative considerations.'¹¹⁸ This example has challenged the concept of 'EU normative power' in the EU's external relations, which was conspicuously absent in the case of China WTO accession.

Since China became a member of the WTO, the EU adjusted its trade policy towards China that aimed to monitor the correct implementation of China's WTO commitments:

"Integrating China further in the world economy by finalising China's WTO accession, close monitoring of the correct implementation of China's WTO commitments, implementing EU assistance programmes to make WTO accession a

EU. *The China Quarterly*, 169, p. 27.

¹¹⁶ *Ibid.*, p. 31.

¹¹⁷ Interview with the European Parliament official: O. (30 July 2009) Brussels.

*success, strengthening existing sectoral dialogues and agreements in key areas (information society, environment, energy, science and technology) and develop new ones (enterprise policy, industrial standards and certification, customs, maritime transport, securities and competition policy)."*¹¹⁹

The EU exerted its leverage in order to make China agree to some specific commitments in areas such as services, intellectual property rights, joint venture requirements and market access. However, the EU regarded that China failed to live up to its WTO commitments. China is accused of 'cheating' and of 'not following any rules'.¹²⁰ On the other hand, China has increased its influence in the WTO through aligning itself with the EU and the US with the aim of promoting policies favourable to China by gaining access to international markets, including the markets of developing countries.¹²¹ For example, although it opposes EU protectionist efforts, it has maintained a low profile; even its preferences on textiles issues are closer to the interests of developing countries. This contradictory situation of being disappointed but still needing to work with China shows that the EU is unable to achieve its trade policy through the WTO stage.

Ideally, the implication of China's WTO accession is the elimination of barriers to bilateral trade for China as well as the EU, which leads to a substantial increase in bilateral trade volumes. A comprehensive reshuffle in the composition of imports and exports as falling tariff and non-tariff barriers will substantially alter relative prices.¹²² However, these developments in

¹¹⁸ Zimmermann, H. (2007). Realist Power Europe? The EU in the Negotiations about China's and Russia's WTO Accession. *Journal of Common Market Studies*, 45(4), p. 822-823.

¹¹⁹ Commission of the European Communities (2001). EU Strategy towards China: Implementation of the 1998 Communication and future steps for a more effective EU policy, Communication from the Commission to the Council and the European Parliament, COM(2001) 265 final, Brussels, 15 May.

¹²⁰ Comino, A. (2007). A Dragon in Cheap Clothing: What Lessons can be Learned from the EU-China Textile Dispute? . *European Law Journal*, 13, p. 819.

¹²¹ Pearson, M. M. (2006). China in Geneva: Lessons from China's Early Years in the World Trade Organization. IN Johnston, A. I. & Ross, R. S. (Eds.) *New Directions in the Study of China's Foreign Policy*. Stanford University Press, p. 245.

¹²² Taube, M. (2002). Economic Relations between the PRC and the States of Europe. *The China Quarterly*, 169, p. 104.

terms of trade effects will act in favour of the industrialised economies but does not apply to the less developed economies in the EU and even less to the Eastern European economies. They lose some of their present transaction cost advantages over Western European markets, and China becomes their new competitor. This internal economic gap between Western and Eastern European economies has become an internal division in the EU and has caused inconsistent EU trade policy.

3.2. Trade deficit, anti-dumping & MES

There are significant competitive challenges that China poses to the European Union economy.¹²³ Since 1996, the EU's trade balance with China turned negative for the first time from a surplus of US\$ 1,266.1 million to US\$ 825.6 million deficit, and getting worse every year, and reached US\$ 70,291.6 million in 2005.¹²⁴ In addition to continually asking China to open up its domestic market, the EU appeals to the Chinese government to go ahead with the liberalisation process and to achieve WTO standards. Additionally, EU anti-dumping policy is an often used and controversial instrument to restrain Chinese cheap products from entering the European market. EU-China trade is dominated by manufactured products whereby over 90% of total EU trade with China was in manufactured products in the early 2000s.¹²⁵

In 2004, the EU initiated 107 anti-dumping cases against China, which covers roughly 0.4% of all EU trade with China, but amounted to 20% of total European anti-dumping actions against foreign countries.¹²⁶ It can be argued that it is important for the European Commission to accompany the

¹²³ Dent, Christopher M. (2005). China's Economic Relationship with the European Union. *US - China Economic and Security Review Commission - China's Growing Global Influence: Objectives and Strategies*, p. 3.

¹²⁴ International Monetary Fund (IMF), Direction of Trade Statistics, accessed on 30 September 2009,

http://esds.mcc.ac.uk/WDS_DOTS/TableVierer/tableView.aspx?ReportId=26497.

¹²⁵ Andreosso-O'callaghan, B., Nicolas, F. & Wei, A. X. (2006). A European Perspective: The Sustainability of EU-China Economic Relations in the 21st Century - Between Complementarity and Rivalry. IN Defraigne, P. (Ed.) *The EU, China and the quest for a multilateral world. China Institute of International Studies, ifri*, p. 54.

liberalisation of economic relations with protective mechanisms for European companies.¹²⁷ Therefore, the EU anti-dumping policy is a central conflict for EU-China trade relations following China's rapid economic development.¹²⁸ As Messerlin and Wang argued, anti-dumping measures have always been the EU's preferred trade barrier vis-à-vis emerging economies.¹²⁹ Thus, China has become increasingly affected by anti-dumping measures since the 1990s. The adaptation of the European Community's new anti-dumping practice in 1997 made it possible to grant individual treatment to companies in state-trading countries.¹³⁰ Consequently China was removed from the list of state-trading countries for the purpose of anti-dumping proceedings in 1998.

Table 2.1 2008 EU-China Trade and Investment

Trade in goods	Trade in services	Foreign Direct Investment
EU exports to China: €78.4 billion	EU exports to China: €20.1 billion	EU investment into China: €4.5 billion
EU imports from China: €247.6 billion	EU imports from China: €14.4 billion	Chinese investment into the EU: €0.1 billion

Source: European Commission Directorate-General for Trade

¹²⁶ Defraigne, P. (2006). The EU, China and the quest for a multilateral world. China Institute of International Studies, ifri. P. 10.

¹²⁷ Algeri, F. (2002). EU Economic Relations with China: An Institutionalist Perspective. *The China Quarterly*, 169, p. 73.

¹²⁸ 刘曙光, Liu Shuguang (2002). 中国-欧盟经济关系的特点及发展前景 (China-EU Economic Relations: Features and Vision). *外交学院学报 (Journal of Foreign Affairs College)*, 2, p. 53; 刘金源, Liu Jinyuan (2004). 全球化背景下的中欧经贸关系 (Chinese and European Trade and Economic Relations under the Globalization). *世界经济与政治论坛 (Forum of World Economics & Politics)*, 2; 黄辉 (2005). 中欧贸易摩擦 (*Sino-EU Trade Conflicts*), 社会科学文献出版社 (Social Sciences Academic Press).

¹²⁹ Messerlin, P. & Wang, J. (2008). Redesigning the EU trade strategy towards China. *Joint ECIPE-GEM Working Paper*, No. 04, p. 8.

¹³⁰ Strange, R. (1998). EU trade policy towards China. in Strange, R., Slater, J. & Wang, L. (eds.) *Trade and Investment in China. The European Experience*. London and New York, Routledge, p. 70.

Also, the EU is urging China to raise its exchange rate. The Chinese Renminbi (RMB) has depreciated about 25% against the euro since 2000.¹³¹ The former EU Trade Commissioner, Peter Mandelson, commented that China “*must not stick to an artificially low exchange rate as part of a strategic trade policy, or fix prices below long-term sustainable costs.*”¹³² Subsequently, the EU officials began to breach the official EU silence on the appropriate exchange rate of the Chinese currency in mid-October 2007.¹³³ Since then, the European Finance Ministers and the European Central Bank President have urged China to allow its currency to appreciate against other global currencies.¹³⁴ Continuously, Peter Mandelson has been criticizing China's protectionist practices with increasing vigour and threatens protectionist measures if China does not reevaluate its RMB exchange rate and start taking more effective measures to face the trade deficit.¹³⁵

From the European perspective, the depreciation of China's exchange rate is one of the key factors causing the EU trade deficit with China. Although economists widely disagree on the level of the RMB's under-evaluation,¹³⁶ these diverging results are due to differences in the assumptions made and the variables included. However, the point in this study is not to examine whether the RMB is under valued, rather, whether the EU is able to convince China to raise RMB's exchange rate. It is clear that the EU failed to achieve this major goal of its trade policy towards China. Therefore, the EU adopted protectionist strategy in response to the pressure from Member States and some related industries. Also, the EU has to continue imposing anti-dumping duties and new tariffs to alleviate the pressure of the huge trade deficit with

¹³¹ Goldstein, M. & Weatherstone, D. (2005). *Renminbi Controversies. Paper prepared for the Conference on Monetary Institutions and Economic Development Cato Institute*. Institute for International Economics.

¹³² *International Herald Tribune* (09 April 2005).

¹³³ Interview with a Commission trade official F. (8 July 2009). Brussels.

¹³⁴ Messerlin, P. & Wang, J. (2008). *Redesigning the EU trade strategy towards China. Joint ECIPE-GEM Working Paper, No. 04*, p. 13.

¹³⁵ Shambaugh, D. (26 November 2007). *The 'China honeymoon' is over. The International Herald Tribune*.

¹³⁶ Dunaway & Li (2005). It estimates run from zero to nearly 50%.

China. This decision also relates to the issue of whether the EU grants China its Market Economy Status (MES).¹³⁷

The EU argues that China does not yet meet specified market-economy criteria.¹³⁸ The Chinese believe that, in view of all the efforts they have made in the course of their ongoing transition towards market economy, they deserve to be granted MES without delay. Beijing defends itself and responds with countercharges that it is a victim of rising trade protectionism in Europe.¹³⁹ Chinese trade officials criticised the EU for its reluctance to grant China MES, which some Chinese scholars and foreign observers regard as a 'relic of the Cold War.'¹⁴⁰ A Chinese Ministry of Commerce spokesman argued that in a June 2007 EU study, which concluded that China still did not meet the criteria for market economy status, "*failed to fully and objectively reflect the true situation of China's market economy development.*"¹⁴¹ Actually, if China was granted MES; it can reduce anti-dumping penalties on Chinese exporters, whilst the EU would lose the legal instrument used to limit cheap Chinese products entering the European market.

To date, 80 countries of the World Trade Organisation's 150 members have granted China full Market Economy Status; the U.S. and the EU, by far China's biggest trade partners, are among those that don't.¹⁴² Compared to Russia, China argues that it is more market-oriented but the EU granted MES to Russia, not to China. Moreover, China accused the EU of double standards, adding that companies invested in by the EU in China were more likely offered MES, while China's local companies were refused on the basis of

¹³⁷ Ash, R. (2008) Europe's Commercial Relations with China. IN Dave Shambaugh, E. S., Hong Zhou (ed.) *China-Europe Relations*. Routledge, p. 213.

¹³⁸ Rémond, M. (2007). The EU's Refusal to Grant China 'Market Economy Status' (MES). *Asia Europe Journal - Springer*, 19, p. 345.

¹³⁹ *Liaowang* (19 March 2007). PRC Liaowang Weekly Says China Facing 'Threat' from Neo-Trade Protectionism.

¹⁴⁰ Jonquieres, G. D. (3 May 2006). China Dealt Unfair Hand in Global Game. *Financial Times*.

¹⁴¹ *Zhongguo Xinwen She* (13 June 2007). PRC Commerce Spokesman Criticizes EU Report on China's Market Economy Status.

¹⁴² Qingfen, D. (12 May 2010). US unlikely to grant China market economy status soon. *China Daily*.

comparatively minor issues. Moreover, the Chinese EU officer argues that this was based on 'political and trade protectionist considerations' and used as a 'delaying strategy': China's progress is being ignored, and Chinese enterprises 'suffer unfairness.'¹⁴³ Beijing had put this issue very high on its list of foreign policy priorities and claims that it is a victim of discriminatory treatment.¹⁴⁴ What are the factors causing the EU to refuse granting China Market Economic Status? In addition to MES, it involves the legitimate power that the EU has in adopting anti-dumping penalties on Chinese exporters, the north versus south European division is further complicating the solution of the issue,¹⁴⁵ which has become a source of China-EU friction.

Again, the above analyses show that issues of trade deficit, the Chinese currency exchange rate, the anti-dumping policy and MES are concerned with the economic competition between the EU and China. For example, if the EU argues that China subsidises its steel sector, China can come back and say that the EU subsidises its agriculture sector. As Comino argued, by shielding itself from Chinese exports while pushing China to open up its market and towards liberalisation, the EU can be reproached for pursuing double standards.¹⁴⁶ Therefore, the normative principles of EU trade policy towards China seem to have very little role. Thus, the conflict of interests from this controversy becomes an obstacle in EU-China relations.

3.3. A Partnership and Cooperation Agreement between the EU and China

In September 2006, both China and the EU agreed to launch negotiations on a 'Partnership and Co-operation Agreement' (PCA), a move endorsed by the EU Council, by updating and replacing the 1985 Trade and Economic Cooperation Agreement. In January 2007, the European Commissioner for External Relations and the European Neighbourhood Policy, Ferrero-Waldner

¹⁴³ Interview with a Chinese EU officer: L. (16 July 2009). Brussels.

¹⁴⁴ Green, S. (2004). "China's Quest for Market Economy Status. *Chatham House Briefing Papers*; However, according to the interview the author did in Beijing with Professor Zhongping Feng in October 2008, China is no longer to push MES in the trade negotiation with the EU.

¹⁴⁵ The north versus south Europe division will examine in Chapter 3.

visited China for inaugural talks on the new pact of PCA. In May 2007, a Chinese delegation headed by Assistant Foreign Minister Kong Quan attended the first steering meeting on the PCA in Brussels.¹⁴⁷ At the heart of that partnership was included a specific focus on trade and investment issues.¹⁴⁸ Thus, the bilateral negotiations on the PCA are addressing softer issues first and leaving tougher questions—such as the EU arms embargo, China’s human rights record, and language regarding Taiwan—until later in the process.¹⁴⁹

On the soft issues, the PCA is intended to cover traditional economic issues, such as energy, the environment, agriculture, and science and technology, which provide a comprehensive and legally binding basis for an enhanced political relationship.¹⁵⁰ The EU has pledged to keep its markets open to Chinese exports of goods for supporting China’s export-orientated development. In return, the EU requested China adopt a policy with stronger intellectual property rights, more open markets in services, lower restrictions on inward investment, lower non-tariff barriers and subsidies, more transparent and open government procurement, improved norms and standards, and a better functioning of the legal regime.¹⁵¹ However, a slow negotiation reflects that EU- China relations are in a stagnated period. On the one hand, it is difficult for the EU to form a uniform negotiating position towards China due to various stakeholders within this huge trade bloc. On the other hand, China is continually insisting on the importance of granting MES and lifting the arms embargo. Consequently, the new EU-China PCA might not come into reality within the forthcoming years.

¹⁴⁶ Comino, A. (2007). A Dragon in Cheap Clothing: What Lessons can be Learned from the EU-China Textile Dispute? . *European Law Journal*, 13, p. 818.

¹⁴⁷ The Weekly Press Review of the Swiss Embassy in the People's Republic of China. (5 Noveber 2007). <http://www.sinoptic.ch/embassy/presseschau/2007/20070507-0511.htm>.

¹⁴⁸ European Commission working paper (2006). *Ibid.*, p. 14.

¹⁴⁹ Murphy, M. (2008). China-Europe Relations: Implications and Policy Responses for the United States. A Report of the CSIS Freeman Chair in China Studies, CSIS, p. 8.

¹⁵⁰ Xinhua, (17 January 2007). China, EU Officially Launch Talks on PCA. http://news.xinhuanet.com/english/2007-01/17/content_5619478.htm.

¹⁵¹ Junjie, Z. (2007). An Uneasy Balance. *Beijing Review*, 50(2), p. 10

4. EU Policy in Building A Strategic Partnership with China

This section begins with an examination of EU policy towards China that attempts to establish a strategic partnership. In the last few years, the predominant discourse between EU and Chinese policy-makers has revolved around the idea of 'strategic partnership'.¹⁵² This idea can be traced back to the EU-China political dialogue that began in 1994. The serial bilateral dialogues had hammered out definitive strategy in *A Long Term Policy for China-Europe Relations* (1995) and *Building a Comprehensive Relationship with China* (1998).¹⁵³ Consequently, The Commission policy paper on China, *A Maturing Partnership: Shared Interests and Challenges in EU-China Relations*, called for a strategic partnership with Beijing, stating that: "It is in the clear interest of the EU and China to work as strategic partners on the international scene ... Through a further reinforcement of their cooperation, the EU and China will be better able to shore up their joint security and other interests in Asia and elsewhere."¹⁵⁴ Also, the Eighth EU-China Summit (30 October 2003) noted "the increasing maturity and growing strategic nature of the partnership."¹⁵⁵ Speaking overall, in addition to the consideration of great economic benefits, the need for strategic dialogue implies strategic divergence and differences to be overcome, rather than the confirmation of an existing agreement and strategic convergence.¹⁵⁶

As a strategic partner, the EU attempts to persuade China to be a peaceful stakeholder and to act according to the international norms of international society. Therefore, the European institutions have started to appeal to China

¹⁵² Fraser Cameron, Axel Berkofsky & Stanley Crossick, (July 2005). *EU-China Relations – Towards a Strategic Partnership*, European Policy Centre, Working Paper no. 19; *Embracing the Dragon: The EU's Partnership with China*, op. cit.

¹⁵³ Commission of the European Communities (1995). *A long term policy for China-Europe relations*, Communication from the Commission to the Council, COM(95) 279 final, Brussels, 5 July; European Commission (1998). *Building a Comprehensive Partnership with China*. COM (1998) 181.

¹⁵⁴ European Commission (2003). *A Maturing Partnership – Shared Interests and Challenges in EU-China Relations*, Brussels, COM (2003) 533 final, 10 September.

¹⁵⁵ Joint Press Statement of the 6th EU-China Summit. (30 October 2003). Beijing.

¹⁵⁶ Scott, D. (2007c). The EU-China 'strategic Dialogue': Pathways in the International System. In K. David & F. Liu (Eds.). *The International Politics of EU-China Relations*, British Academy Occasional Papers 10, The British Academy, pp. 13-14.

to cooperate with the EU in building a common, effective multilateralism. For instance, it urges Beijing to play a 'more constructive role' towards Iran and to put pressure and deliver its influence on the Sudanese government in Darfur.¹⁵⁷ Central to this partnership is the idea that relations between the EU and the PRC have gained momentum and acquired a new strategic significance. More significantly, the declaration of strategic partnership has impelled the bilateral relations into a honeymoon period. There have been two substantial developments; first, EU policymakers agreed with their Chinese counterparts to initiate discussions on the lifting of the EU arms embargo sanctioned on China after the Tiananmen tragedy. Secondly, the signing of the agreement allowed China to participate in the Galileo Global Navigation Satellite System. The proposal was first officially included in the Presidency conclusions of the European Council of Brussels in December 2003.¹⁵⁸

Both sides' official definition of the term 'strategic partnership' can be found in their leaders' speeches in the international conferences. For instance, the former EU High Representative for the Common Foreign and Security Policy (CFSP), Javier Solana's speech at the China-Europe International Business School: 'we really do have a partnership which is getting wider and deeper. Our goals are converging across a wide range of international subjects ... we are natural partners in many ways'.¹⁵⁹ Solana suggests both sides should cooperate in issues such as the proliferation of weapons of mass destruction, international terrorism, global security of energy supply and regional crises and the environment.¹⁶⁰

¹⁵⁷ Holslag, J. (2006). The EU and China: The Great Disillusion. *European Foreign Affairs Review*, 11, p. 576.

¹⁵⁸ Council of the European Union (5 February 2004) Presidency conclusions, 12 and 13 December 2003.

¹⁵⁹ Solana, Javier (6 September 2005). Driving Forwards the EU-China Strategic Partnership. accessed 14 January 2010, p. 2.

¹⁶⁰ Javier Solana (6 September 2005). Driving Forward the China-EU Strategic Partnership. Speech by the EU High Representative for the Common Foreign and Security Policy at the China-Europe International Business School, Shanghai.

Moreover, the similar perspective also stated by José Barroso, the President of the EU Commission, at the Seventh Annual Summit, was that the definition of a strategic relationship means that: *“we put the big picture in front of minor problems that might appear precisely because the relationship is growing and developing and very fast in a very wide number of sectors.”*¹⁶¹ He illustrates the development of EU-China relations as a strategic, mutually beneficial and enduring relationship, which is one of the EU’s top foreign policy priorities for the twenty-first century. Barroso argues that: *“in achieving this goal we must convince the international community that the EU-China partnership is not a threat, but an opportunity to create a more stable and balanced international order.”*¹⁶²

As for China, the Chinese leadership has stated that the EU-China strategic partnership should be comprehensive, including co-operation in the field of traditional security (terrorism, the joint fight against illegal immigration, and the proliferation of weapons of mass destruction), as well as non-traditional security issues (such as energy security, environmental and health security). In a speech in May 2004 in Brussels, Jiabao Wen declared that: It is a shared view of the two sides to work for a comprehensive strategic partnership. ‘Comprehensive’ meaning that the cooperation should be all dimensional, wide-ranging and multi-layered. It covers economic, scientific, technological, political and cultural fields, contains both bilateral and multilateral levels, and is conducted by both governments and non-governmental groups. ‘Strategic’ meaning that the cooperation should be long-term and stable and have bearing on the larger picture of China-EU relations. It transcends the differences in ideology and social system and is not subjected to the impacts

¹⁶¹ ‘Press Conference with Wen Jiabao and Barroso (6 September 2005). accessed in 9 December 2009, available at

<http://www.number10.gov.uk/output/Page8133.asp>

¹⁶² José Manuel Barroso (15 July 2005) The EU and China: Painting a Brighter Future Together. Speech by the President of the European Commission at the Chinese Academy of Social Sciences, Beijing.

of individual events that occur from time to time. 'Partnership' meaning that the cooperation should be equal-footed, mutually beneficial and win-win.¹⁶³

It is important to notice that these statements were made in September 2005, which was after the EU postponing of the lifting of the arms embargo on China. The timing is significant in examining the EU-China strategic partnership because 2005 is a watershed marking the end of the honeymoon period of EU-China relations. Since 2005, China has recognised the implications of US intervention in the EU's China policy and has realised the US's concerns regarding the EU-China strategic partnership. Therefore, during Solana and Barroso's trip to China, they attempted to persuade Chinese leaders and scholars that the EU still favours the developing of a strategic partnership and considers the arms embargo a 'minor problem.' Moreover, Barroso emphasised that the EU-China partnership is not a threat, which is to persuade Washington that the EU-China axis will not challenge American strategic interest and will not change EU-US relations. It is clear that Barroso's words not only speak to China but also to the US, however, it cannot solve the obstacle of lifting the arms embargo.

Solana used the issue of Iran to argue that the EU and China have produced diplomatic conciliatory approaches rather than the more interventionist American stance, which proved both sides' appreciation of their respective efforts in facilitating a political resolution of the Iranian nuclear issue.¹⁶⁴ Solana argues that: 'the EU and China have both expended considerable diplomatic effort to support what the other is doing. This has strengthened both our hands. This is strategic partnership in action.'¹⁶⁵ However, the Iran

¹⁶³ Wen, Jiabao (6 May 2004). Vigorously Promoting Comprehensive Strategic Partnership Between China and the European Union. Speech by the Chinese Prime Minister at the China-EU Investment and Trade Forum, Brussels.

¹⁶⁴ Joint Statement of the 7th EU-China Summit (8 December 2004) available at: http://europa.eu.int/comm/external_relations/china/docs/js_081204.pdf (accessed 18 December 2009).

¹⁶⁵ Solana, Javier (6 September 2005). Driving Forwards the EU-China Strategic Partnership. accessed 14 January 2010, p. 2. available at: http://ue.eu.int/ueDocs/cms_Data/docs/pressdata/en/discours/86125.pdf

issue might be a rare case that could see the EU-China cooperation in international crises. Scott argued that China is not really involved in European security issues, whilst the EU is of marginal importance in East Asian security affairs. He regards that traditional diplomatic coordination between these two partners has not always been noticeable. Scott gives two examples: the 1991 Iraq War and the 1999 Kosovo War, that show that China and the EU are more divided than united on the issues.

The EU seeks to establish a strategic partnership with China, which derives from the EU's security strategy and is built around effective multilateralism.¹⁶⁶ The EU has adopted the *European Security Strategy*, which claims a qualitatively new response, embedded in an analysis of the global drivers of change.¹⁶⁷ China has become the significant consideration of the EU's international relations strategy. From a strategic perspective, China is second after the transatlantic relations in the EU's priority list. China and Asia are crucial for the EU's international position in many policy areas and will shape the EU's role as a global player. However, the challenge is not only, as Maull argued in the conference of European Security Forum, that the EU largely appears as an 'ineffective multilateralist,' but also that China is a competitor to the US and Japan.¹⁶⁸

China is one of the EU's strategic partners but lacks the substantial meaning of strategy because a rising China is antagonising the US and Japan. This is to say that the EU has a stronger strategic relationship with the US. Nevertheless while the EU has stressed multilateralism as a common ground for the development of the Sino-European strategic partnership, EU policy makers

¹⁶⁶ As the meaning of the European Security Strategy, it adopted by the European Council in December 2003. The Declaration of European Identity, which marks the beginning of European Political Cooperation, at the Copenhagen European summit 1973, makes interesting contrasting reading to the ESS. The EU has taken a major step forward from its earlier ambition to be nothing else than a normative power.

¹⁶⁷ The European Union (12 December 2003). *A Secure Europe in a Better World - European Security Strategy* Brussels, Council of the European Union.

¹⁶⁸ Maull, Hanns (2007). *The European Union, China and Global Security*. in Ludlow, P. (Ed.) *The Eu and China*, p. 119.

have remained rather vague with regard to the concrete objectives and purpose of a strategic partnership with China.¹⁶⁹

Fundamentally, China and the EU's views of the world differ on critical issues: from sovereignty, democracy and human rights to individual countries such as North Korea, Iran, Myanmar, and Sudan. China's power produces a dilemma for the EU in terms of a normative (value-based) or a realistic (interest-based) foreign policy. China almost divided the transatlantic relationship on the issue of the arms embargo. Although the transatlantic relationship does not compel Europe to subscribe to all elements of US foreign policy, the decision to postpone the lifting of the arms embargo on China made both sides rank the transatlantic partnership as a top priority.¹⁷⁰ Notwithstanding the EU intends not to choose between the US and China and is expanding the strategic space it can use to promote its interests, China is gradually no longer viewing the EU as an independent player in world affairs.

China has an interest in establishing a strategic partnership with the EU and, individually, with the Big Three. First, Beijing seeks to cope with the constraints of American power in the post-Cold War era through alignment with the EU while Chinese leaders consider the possibility that the US will no longer be so dominant in the international system. Secondly, the only official Chinese EU papers¹⁷¹ represented Beijing's strategic intention in the Galileo project, advanced technology transfers and the proposed lifting of the arms embargo.¹⁷² However, these intentions are not controlled by the EU but are in the hands of the EU large Member States, with their economic and political strategies towards China, whose primary aims are to champion their national industries and to balance the relationship with the US.

¹⁶⁹ The *European Security Strategy* (December 2003). (ESS), Brussels.

¹⁷⁰ This thesis will carry on examining the arms embargo on Chapter 5.

¹⁷¹ Chinese Ministry of Foreign Affairs (13 October 2003). China's EU Policy Paper The People's Republic of China.

¹⁷² This emerged during this author's interviews with officials and scholars in Europe and China. Please see the appendix.

Furthermore, Holslag argues the concept of multilateralism that both sides are 'committed' to promote, this is seen very differently by Brussels and Beijing. The EU, campaigns for: 'the development of a stronger international society, well functioning international institutions and a rule-based international order.'¹⁷³ The EU is 'committed' to upholding and developing international law and the fundamental framework for international relations is the United Nations Charter.¹⁷⁴ The United Nations Security Council has the primary responsibility for the maintenance of international peace and security.¹⁷⁵ However, China is seeking its own form of multilateralism, and Beijing's offensive diplomacy often undermines Europe's in several regions, particularly with developing countries.¹⁷⁶ Therefore, China and the EU are often at odds, with both groups reverting to maintaining a cordial and affective partnership over trade and in the business sector.¹⁷⁷ Holslag suggests that the EU should be based on a realistic assessment, not on short-sightedness, because China will pursue its own goals anyway, not Europe's.

5. Conclusion

The content of normative policy towards China is not the reason why the EU failed to achieve its stated objectives and could not improve the stagnated bilateral relationship. Europeans are tired of violence and conflict, and have chosen instead to emphasise on the economic, political, cultural, technological, and moral dimensions of power.¹⁷⁸ The EU seeks to be a normative power¹⁷⁹ as its role in world politics, which has become the fundamental principle of its policy towards China. Ideally, the EU commits to 'civilizing' international

¹⁷³ The Council of the European Union (12 December 2003). *A Secure Europe in a Better World - European Security Strategy*, Brussels, p9.

¹⁷⁴ Ibid.

¹⁷⁵ European Security Strategy (2003). *A Secure Europe in a Better World*, by the European Council on 12 December 2003 See <http://ue.eu.int/uedocs/cmsUpload/78367.pdf>.

¹⁷⁶ Holslag, J. (2006) pp. 572-577.

¹⁷⁷ Holslag, J. (2009b) p. 1.

¹⁷⁸ McCormick, J. (2007). *The European Superpower*, p. 12.

¹⁷⁹ Diez & Steans contend normative power *not a power that relies on military force, but one in which norms in themselves achieve what otherwise is done by military arsenals or economic incentives*, Diez, T. & Steans, J. (2005). pp. 127-140.

relations as part of a wider transformation of international society.¹⁸⁰ Realistically, as an international institution, the EU lacks hard power and relies on US military protection, remaining a 'soft' and 'normative' power becoming the best strategy it can play in the world.¹⁸¹

If normative principles are the reason why EU policy towards China has not been able to achieve its stated objectives, that bring out two things: first, that EU policy towards China puts normative principles as a priority; second, if the EU abandoned normative principles, and the ban of arms embargo would be lifted, the PCA could be signed very soon. However, the evidence shows that human rights are not the main reason to maintain the embargo ban, and the Tibet issue is not a central point in the PCA negotiation.

Some European and all Chinese scholars consider that EU normative policy is the main problem for EU-China relations.¹⁸² The former argues China's undemocratic political system and lack of respect for human rights becoming the obstacle; the latter considers the EU for attempting to westernise China which is not fully respectful of the Chinese social character. Morgenthau's argument perfectly explained why the EU adopts a normative policy towards China.¹⁸³ If China could embrace the European norms while it opened its

¹⁸⁰ Ducheˆne, F. (1972). Europe's role in world peace. *Europe Tomorrow: Sixteen Europeans Look Ahead*, R. Mayne, London: Fontana, pp. 32-45.

¹⁸¹ Hyde-Price, A. (2006). *Ibid.*, p. 217.

¹⁸² Pastor, A. and Gossett, D. (2005). The EU-China Relationship: A Key to the 21st Century Order ARI. (Real Instituto Elcano de Estudios Internacionales y Estrategicos), 142(30), November; Casarini, N. (2006). The evolution of the EU-China relationship: from constructive engagement to strategic partnership. *Occasional Paper*, the European Union Institute for security studies No 64; Dai, (2006); Defraigne, P. (2006). The EU, China and the quest for a multilateral world. Published by China Institute of International Studies and ifri; Holslag, J. (2006). *Ibid*; Holslag, J. and Geeraerts, G. (2007). China and Europe: The Myth of a Postmodern World. *Background Paper*, 2 (7), Published by Brussels Institute of Contemporary China Studies (BICCS); Wissenbach, U. (2007). The EU's effective multilateralism - but with whom? Functional multilateralism and the rise of China. *International Policy Analysis*, Published by Friedrich-Ebert-Stiftung; 冯仲平, Feng, Zhongping (2007). 中欧关系：机遇与挑战共存 (Sino-Europe relations: co-existence of opportunities and challenges). *时事报告 (Current report)*, 15; 喻锋, Yu, Feng (2008). 当前中欧关系评析 (Comment on Current China- EU Relationship). *江南社会学院学报 (Journal of Jiangnan Social Uuniversity)*, 10; 张健, Zhang, Jian (2007). 欧盟对华认知变化及政策调整 (Changes in EU's Cognition on and Policy Towards China). *现代国际关系 (Contemporary International Relations)*, 7.

¹⁸³ Morgenthau, Hans (1948). *Politics Among Nations*.

doors to the world in 1979, sharing the similar political ideology, then China would define its strategic interest similarly as Europe's. To this end, Europe will benefit from the rise of China, neither challenged nor threatened.

In fact, international actors are not always motivated by the considerations of security and power maximisation. They also have a variety of moral concerns reflecting their political preference. They believe that if the other country can share the same norms and values such as environmental protection, human rights, and democracy, then the world can reduce conflict and war. In fact, as Mearsheimer argues, these are always 'second-order' concerns:

*"They rank below national security and other fundamental national interests in importance, and when push comes to shove, states will sacrifice them if they clash with their core national interests or conflict with balance-of-power logic."*¹⁸⁴

From this point of view, policy perspectives of normative principles are second-order concerns. Therefore, it can be understood that the EU has increasingly come to serve as the institutional repository for the second-order concerns of its Member States over the last decade.¹⁸⁵ Member States tend to encourage the EU in pursuing those normative goals if they do not challenge their core national security and interests.

Again, differences in ideologies are hard to resolve, those often apparent in the differences over the issues of Tibet, Xinjiang and Taiwan.¹⁸⁶ Both Europe and China have ancient civilisations, and each treasures its own values as rooted in their political systems and foreign policies. Therefore, while the EU attempts to diffuse its values to the rest of the world, Beijing will resist any spread of European style 'universal values' no matter by what coercion or un-coercion. To consider its political legitimacy and authority, the Chinese Communist Party strongly claims its own political and cultural independence.

¹⁸⁴ Mearsheimer, J. (2001). *The Tragedy of Great Power Politics*, pp. 46-7.

¹⁸⁵ Hyde-Price, A. (2006). *Ibid.*, p. 223.

Furthermore, commercial policy relations between the EU and China have significantly deteriorated, and EU policy makers have adopted a confrontational approach towards China when they suffer from ineffective trade policy with China. Messerlin and Wang contend that EU policy makers are bound to be ineffective and economically and politically counterproductive.¹⁸⁷ This dissertation argues that it is because Europe's great powers continue to insistently guard their sovereign rights to formulate and pursue their own foreign and security policy priorities.¹⁸⁸ Consequently, the CFSP and the European Security and Defence Policy (ESDP) inevitably remains intergovernmental. As Shambaugh argues, so far, the CFSP remains little more than a series of declaratory ideals.¹⁸⁹ Co-operation in pursuing the normative power will also remain limited to a set of 'second-order concerns' agreed on the basis of the lowest common denominator.¹⁹⁰

In the next chapter, this thesis will examine the first argument of this thesis that EU internal divisions between the Member States and between the European institutions lead to EU-China problems by the case studies of the trade disputes (including trade deficit, Chinese market access, Chinese currency exchange rate, EU's anti-dumping policy towards China, Market Economic Status and Intellectual Property Rights (IPR)) and arms embargo.¹⁹¹

¹⁸⁶ Junbo, J. November 02 2009. "China sizes up EU's new face."

¹⁸⁷ Messerlin, P. & Wang, J. (2008). Redesigning the EU trade strategy towards China. *Joint ECIPE-GEM Working Paper*. No. 04, p. 3.

¹⁸⁸ This argument will continue to examine in chapter 3.

¹⁸⁹ Shambaugh (2005). *Ibid.*, p. 4.

¹⁹⁰ Hyde-Price (2006). *Ibid.*, p. 231.

¹⁹¹ Cameron, F. (2009 b). The Development of EU-China Relations. IN Wiessala, G., Wilson, J. & Taneja, P. (Eds.) *The European Union and China: interests and dilemmas* Editions Rodopi B.V, p. 48.

Chapter 3

**Divisions within the European Union challenge the credibility
of its foreign policy**

Introduction

This chapter will argue that internal divisions between the Member States of the European Union and the various EU institutions (Council, Commission and Parliament), ensured that European foreign policy objectives with China fell short. Two examples will be adopted to support this argument: the EU's trade dispute with China and EU arms embargo on China.

As Europe regards the trading relationship with China to be exceptionally important;¹ EU policy has focused on cooperation and support for Chinese social and economic reform to ensure sustained economic development.² In turn, this will spearhead China's integration in the world economy, fight against the nation's poverty and an emphasis on World Trade Organisation implementation.³ This policy advertised the hope that China could be 'westernised' through constructive engagement with the EU. Equally, the issue of the EU arms embargo on China demonstrates the landmark attempt to upgrade the relationship with China from trade to strategic partners.

How then does EU division disrupt these foreign policy objectives with China? To start with, Member States have different national preferences, economic structures and history. This ensures they have their own trading relationship and foreign policy with China.⁴ Combine these differing relationships with China and problems will occur when attempting to follow (and construct) a joint EU China policy; generating further division between Member States (national level); between Member States and institutions (EU level).

¹ Yahuda, M. (2008). *The Sino-European Encounter: Historical Influences on Contemporary Relations*. IN Shambaugh, D., Sandschneider, E. & Hong, Z. (Eds.) *China-Europe Relations: Perceptions, Policies, and Prospects*. Routledge, p. 13.

² For example, in Commission of the European Communities (1995). *A long term policy for China-Europe relations*, Communication from the Commission to the Council, COM(95) 279 final, Brussels, 5 July.,

³ European Commission (2004). *Country Strategy Paper*. Commission Working Document, Brussels, p. 25.

⁴ Ross, Robert S., Tunsjø, Øystein & Tuosheng, Zhang (2010). *US-China-EU relations: Towards a new world order?* in Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Eds.) *US-China-EU relations: Managing the New World order*. London, Routledge,

1. The EU's as a Limited Global Player

Considering the violent history of Europe, the EU has achieved remarkable success in forming an impressive political and economic union. Nevertheless, despite the opinion of some, this thesis claims that the EU is still a long way from acting as a state. The different national aims of Member States generate internal divisions within the EU institutions. This is especially prevalent in its second pillar; the Common Foreign and Security Policy (CFSP), the EU still remains at the inter-government level. Despite the 'China aims' the EU as a supranational institution has limited capabilities to execute European policies towards China.⁵ Glen argues that: "*Despite the intricacies of its design however, it is equally apparent that CFSP still displays significant deficiencies, which undermine the EU's ability to formulate a coherent and workable foreign policy.*"⁶ This weakness is prominent in particular when the EU meets the challenges from the great powers such as China, Russia and the United States.

From a decision-making perspective, Smith argues that institutional complexity of the EU does not in itself produce policy and it may even lead to the avoidance of decision-making.⁷ Although decision-making in CFSP remains primarily intergovernmental, and therefore susceptible to a stalemate, it needs to be pointed out that the dynamics of EU evolution. Authors such as Bretherton and Vogler argue that some progress towards common foreign policy was made during the last 30 years of the twentieth century,⁸ but more recent literature points to a shift 'back' towards greater intergovernmentalism or a 'renationalisation' of European foreign policy seen in responses to 11 September 2001 and continuing as a result of the July 2004 enlargement.⁹ Mild attempts at rectifying in the absence of consensus, such as the introduction of

⁵ Berkofsky, A. (2006a). EU-China Relations - Really Towards a Strategic Partnership? *Themenschwerpunkt*, 4, p. 185.

⁶ Glen, C. M. and Murgo, R. C. (2007) EU-China relations: balancing political challenges with economic opportunities. *Asia Europe Journal*, 5(2), p. 333.

⁷ Smith, M. (2003). The Framing of European Foreign and Security Policy: towards a post-modern policy framework? *J Eur Public Policy*, 10, p. 565.

⁸ Bretherton, Charlotte & Vogler, John (2002). *The European Union as a Global Actor*. Routledge

⁹ Hill, Christopher (2004). Renationalising or Regrouping? EU Foreign Policy since 11 September 2001. *Journal of Common Market Studies*, 42 (1).

qualified majority voting (QMV), can still be overruled by any Member State if it deemed its national interests to be at stake.¹⁰

Prominent American scholars, John Mearsheimer and Robert Kagan are pessimistic about the prospects of the EU as a distinct global actor.¹¹ Nevertheless, the ratification of the Lisbon Treaty, with the intended aim of providing more coherence to the union's actions, is definite evidence to the contrary. Indeed, the EU is aware of this situation and attempted to resolve the issue through the agreements stated in the Treaty of Lisbon. This treaty attempts to transform the institutional structure of the EU.

Firstly, Article 9B of the Lisbon Treaty introduces a long overdue modification; the creation of a President of the European Council.¹² Secondly, the Treaty merges the posts of High Representative for the CFSP and the External Relations Commissioner, to the 'High Representative of the Union for Foreign Affairs and Security Policy and Vice-President of the Commission' (HR-VP).¹³ Thirdly, the European Union External Action Service (EEAS) now works in cooperation with the diplomatic services of the Member States and comprises officials from relevant departments of the General Secretariat of the Council and of the Commission as well as staffs seconded from national diplomatic services of the Member States.¹⁴ This new set-up seeks to strengthen the function and efficiency of coordination between Member States' national foreign policy.

Furthermore, numerous commentators regard the EU as a definite global

¹⁰ Glen, C. M. and Murgo, R. C. (2007) EU-China relations: balancing political challenges with economic opportunities. *Asia Europe Journal*, 5(2), 333.

¹¹ Mearsheimer, J. J. (2006). Conversations in International Relations - Interview with John J. Mearsheimer (Part I). *International Relations*, 20, 105-124.; Kagan, R. (2003). *Of Paradise and Power: America and Europe in the New World Order*, New York, NY: Knopf.

¹² (House of Lords (2008). The Treaty of Lisbon: An impact assessment. European Union Committee, 10th Report of Session 2007-08, The Authority of the House of Lords.

¹³ Isis (March 2008). The impact of the Lisbon Treaty on CFSP and ESDP. *European Security Review*, no. 37, p. 2.

¹⁴ *Ibid.*, p. 2.

actor already.¹⁵ In trade, the union occupies 30% of world's Gross Domestic Product (GDP).¹⁶ If considered as a state, the EU would have 495 million people, making it the third largest 'nation' after China and India. The militaries of the prominent states within the EU are coherently organised and operate within the framework of NATO. In raw military terms, European states do not pack a very heavy punch; Europe has a very limited proportion of its troops that can actually be deployed beyond the frontiers of the EU. However, they manufacture some of the most advanced military technology in the world.¹⁷ Although European do not like an idea of EU military power, it can become a great armed force in the very short time.

The majority of commentators will argue that the EU is a global actor in trade and not a major influence on international security.¹⁸ One can argue that the EU has more influence on international security within its neighbourhood than it does globally, as the case of Kosovo exemplifies. This is partly because the EU has concentrated its efforts on its own neighbourhood in recent years. However forces within the Union hope to shift this situation and continue its development into an explicit global security actor. This shift began with the European Union replacing the European Community; achieving a higher integrating level and covering enlarged fields of functions. Subsequently, it extended towards the East: absorbing three former neutral countries plus ten states from the former Soviet bloc along with Cyprus and Malta. The Union's border reached Russia, further highlighting the issue of European security and its 'international' role. On the whole, the enlargement has generated many issues that have affected the relationships between Member States. The treaties intending to bring about more coherence, and combined with

¹⁵ For example, Charlotte Bretherton and John Vogler.

¹⁶ The EU: 18,387,785, World: 60,917,477, millions of USD; Nominal 2008 GDP for the world and the European Union (October 2009). *World economic outlook database*. International Monetary Fund. Retrieved 2009-10-01.

¹⁷ *The Military Balance* (2007). London: International Institute for Strategic Studies.

¹⁸ Bretherton, C. & Vogler, J. 2002. *The European Union as a Global Actor* Routledge ; Leal-Arcas, Rafael (2009). EU Relations with China and Russia: How to Approach New Superpowers in Trade Matters. *Journal of International Commercial Law and Technology*, 4 (1); Peterson, J. & Smith, M. E. 2002. The EU as a Global Actor. In: BOMBERG, E. & STUBB, A. (eds.) *The European Union: How Does it Work?*

enlargement have given the governing bodies of the EU political muscle and the means to extend influence through the global system. However, as Hill argued that: *“If permanent atrophy is really to set in, then it is more likely to come through the complications of big-bang enlargement, through divisions over defence or even through the euro, a source of division in foreign economic policy.”*¹⁹ The enlargement of the EU has not necessarily strengthened the EU, there is the point about renationalisation to consider.

To succeed at being a fully recognised global actor and engage with other great powers, the EU has created and worked on a network of ‘strategic partnerships’. In Asia, the Union is deepening its strategic partnerships with China, India, and Japan. The EU-Africa summit was held in December 2007 in Lisbon, and to many it succeeded in cementing a new Africa-EU partnership, marking a significant step forward in relations between the two continents. In particular, the EU has successfully established a coherent strategic framework and dialogue with South Africa. The European Union and the Latin America states set the foundations for a good working partnership in the first bi-regional Summit in Rio de Janeiro (Brazil) in 1999. As a result Brazil (2007) and Mexico (2008) are now recognised within the Union as important strategic partners. Within ‘a network of strategic partnerships’, the EU-China partnership occupies the most attention for the EU, simply because China is the second biggest trade partner of the EU and China has similar strategic interests in global affairs. Besides, these improvements of EU’s external relations have added to the Unions longstanding and effective relationship with the United States and Canada (2008).²⁰

These numerous strategic partnerships bring opportunities. World powers recognise the potential strength of the EU and are therefore willing to cooperate over important issues such as depleting natural resources and

¹⁹ Hill, Christopher (2004). Renationalising or Regrouping? EU Foreign Policy since 11 September 2001. *Journal of Common Market Studies*, 42 (1).

²⁰ Organised and analysed the material from Europa website:

http://ec.europa.eu/external_relations/index_en.htm, accessed on 20 February, 2010.

energy independence.²¹ Moreover, cooperation with these partners has helped combat threats such as terrorism, the proliferation of weapons of mass destruction, regional conflicts, state failure, and organised crime through effective multilateralism. However, it is an immense task to maintain such global strategic networks and challenges always arise. Perhaps the greatest challenge is to convince observers what is the definite strategy behind these 'strategic partnerships'. The concept itself is quite ambiguous. Despite the variety of annual summits, it is still debatable what a strategic partnership with the EU entails. President Obama decided not to attend the scheduled 24-25 May 2010 EU-US summit in Madrid, suggesting that the purpose of these regular summits was questionable. Some European scholars regarded Obama's snub as a 'wake up call' for the EU; suggesting the Union needs to decide on a firm identity in global affairs and the direction of its foreign policy.

Another challenge is to efficiently transform and direct the bloc's economic power into political leverage. The EU is eager to get rid of the image of 'an economic giant but a political dwarf.'²² Therefore, it has to improve its ability to implement a coherent foreign policy, which is the purpose of the Lisbon treaty. If one links a coherent foreign policy to Europeanisation,²³ and argues that a general agreement on the impact of Europeanisation on the 'deepening and widening' goals of the European Union,²⁴ then it is not the case in EU foreign policy towards China. This is because the process of European integration is contested amongst nation states and national preferences, which are frequently at odds with the proposed EU direction. Therefore, this thesis will argue that if the European leaders cannot reduce the disagreements

²¹ The Council of the European Union (12 December 2003). A Secure Europe in a Better World - European Security Strategy Brussels, p. 3.

²² Europe in 12 lessons, Europa, accessed on 02 March 2010.
http://europa.eu/abc/12lessons/lesson_11/index_en.htm

²³ Wong, Reuben (2005). Europeanization of Foreign Policy. in Hill, C. & Smith, M. (Eds.) *International Relations and the European Union*. Oxford University Press.

²⁴ Pirro, E. B. & Zeff, E. E. 2005. Europeanization, European Integration, and Globalization: Review Essay. *The Whitehead Journal of Diplomacy and International Relations*, Winter/Spring.

between Member States and the various institutions, then economic power will not transform to coherent political muscle across the continent.

Hill argues that there is a large gap between the 'expectation' of the EU over foreign policy and its 'current capabilities'.²⁵ Hill reasons this is because: "*firstly...a coherent system and full actorness are still far from realisation; and secondly this inconvenient fact has often been ignored.*"²⁶ It has been 17 years since he wrote this critique, but this point remains valid. Without a coherent system that ensures one voice, it is hard to have an effective foreign policy. Yet as the EU cannot speak with one voice, the lack of unified opinion challenges the credibility of its foreign policy.

This incoherent EU policy might be viewed as a result of the conflict between the intergovernmental and supranational conceptions of the EU. Some Member States (the British are a great example) are strongly attached to an intergovernmental conception of the EU and reject any further pooling of sovereignty.²⁷ However, the author argues that due to the separate histories, political thought and economic structures of the 27 Member States, divisions are inevitable between the states, between institutions and between Member States and institutions. The intergovernmental approach is best reflected in EU foreign policy whilst an attempt at a supranational approach is considered over trade policy. The problem is not about which approach is better. The difficulty is that how to reduce the EU internal divisions, when differing views of EU foreign policy direction exist. By way of explanation, without transforming the divergent national interest to convergent EU preference, the incoherent foreign policy will continually exist. Although the European Commission began a common policy over China, which was endorsed by the European Council, the 'Big Three' (Great Britain, France and Germany) are still competing with each other to be seen as China's best friend in Europe.

²⁵ Hill, C. (1993). The Capability-Expectations Gap, or Conceptualizing Europe's International Role. *Journal of Common Market Studies*, 31, p. 318.

²⁶ Ibid.

²⁷ Gamble, A. (2006). The European Disunion. *British Journal of Politics and International Relations*, 8, p. 35.

Some diplomats argue that there is a lack of leadership with regards to China relations; that the legal and institutional framework for EU-China relations is out of date.²⁸ It is true that the current legal basis for EU-China relations is still the bilateral trade and economic co-operation agreement from 1985.²⁹ The four-page agreement focuses mostly on trade issues. This agreement established a 'Joint Committee' that would meet twice a year, as the main body to deal with EU-China relations.³⁰ This committee comprises representatives of the EU trade commissioner and the Chinese ministry of commerce and therefore can only really function to enhance economic and trade issues. Also, this committee does not have the political power to deal with the vast range of issues now on the agenda: such as non-proliferation, illegal migration or climate change. Therefore, the EU hopes to build a new framework of Partnership and Cooperation Agreement (PCA), which will involve the establishment of bilateral institutions that can better deal with the whole range of contemporary issues in EU-China relations.³¹

However, China does not consider this framework as crucial, which naturally has stagnated the negotiating over its creation.³² This chapter argues that the institutional framework is not the source of EU-China problems. Instead, EU internal division is the main factor of ineffective EU policy towards China. As long as Member States (not only the 'Big Three' but also Spain and Italy) are unable and unwilling to coordinate their national interests in line with a common foreign policy towards China, any new framework will be ineffectual. Therefore, this chapter will take the examples of EU-China trade disputes and the EU arms embargo on China to explore how EU divisions have damaged the Union's foreign policy credibility.

²⁸ Interviews with the French, British diplomats and the Commission official N, K & J (24, 14, 12 July 2009). Brussels.

²⁹ EC Commission-China (1985). Agreement on trade and economic cooperation between the European Economic Community and the People's Republic of China – 1985.

³⁰ Algieri 2008. It's the system that matters: institutionalization and making of EU policy toward China. In: Shambaugh (ed.) *China-Europe Relations: Perceptions, Policies and Prospects*.

³¹ Interview with a Commission official: P. (31 July 2009). Brussels.

³² Interview with a Chinese diplomat: L. in the EU (16 July 2009). Brussels.

2. EU Internal Divisions at Member State Level

As a political coalition of 27 Member States, it is difficult for the EU to have a single common policy towards China.³³ Different national preferences stem from differing economic structure and historical background.³⁴ Member states of the Union have built distinct trade and foreign policies with China. A coherent policy towards China is hard to achieve and creates divisions within the EU. Many European researchers share this perspective. For example, Godement argues that divisions between EU Member States have weakened Europe collectively and each member state individually when they face difficulties in their bilateral relations with China.³⁵ Wacker supports this argument: 'The Member States are either not willing or not able to formulate their interests and priorities with respect to China. Instead, national reflexes prevail.'³⁶ As a result, the large Member States are perceived as shouldering a crucial responsibility for EU's relations with China, while at the same time their individual priorities hamper the bargaining power of the Union as a whole.³⁷

The prominent European nations are likely to pursue a variety of strategies with China.³⁸ Sandschneider argues that: "*Most Western European states take advantage of the confusing situation that there are de facto two different policies towards China, one formulated by single nation states and one promulgated by the*

³³ Interview with Stanley Crossick (11 May 2009). Brussels.

³⁴ Moravcsik, Andrew (1993). Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach. *Journal of Common Market Studies*, 31 (4); Moravcsik, Andrew (1999). *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht*, Routledge.

³⁵ Godement, F. (2010). A Global China Policy. European Council on Foreign Relations (ECFR).

³⁶ House of Lords (2010). Stars and Dragons: The EU and China. European Union Committee, Published by the Authority of the House of Lords, p. 26.

³⁷ Fox, J. & Godement, F. (2009). A Power Audit of EU-China Relations The European Council on Foreign Relations, p. 7.

³⁸ They also pursue a different strategy toward America, see Hyde-Price (2006), p. 232; Elgström, Ole, Bjurulf, Bo, Johansson, Jonas & Sannerstedt, Anders. (2001). Coalitions in EU negotiations. *Scandinavian Political Studies*, 24 (2); Elgström, Ole & Smith, Michael (2000). Introduction: Negotiation and policy-making in the European Union - processes, system and order. *Journal of European Public Policy*, 7 (5); Moravcsik, Andrew (1999). *Ibid.*

European Commission and other European institutions."³⁹ Thus, European leaders are inclined to leave the responsibility for policy implementation to the EU and tell their citizens and Chinese counterparts: "the problems are on the EU, not Member States."⁴⁰ Subsequently national governments of EU Member States implement their own China policy, which follows national interests. For the more general topics, particularly areas that can be agreed upon, nation states will expect the EU to take action.⁴¹ A good example is the issue of Chinese human rights that have been reserved for the EU to worry about on their behalf. Member states are free to focus on developing trade ties.

The policies of the Big Three have been instrumental in shaping the current EU-China relationship in vision, ideas and expertise. They were the main donors of millions of euro for the EU aid programs in China. However, these attempts were largely fruitless as a result of poor coordination with each other and the EU over strategy and direction.⁴² Despite all the EU countries 'officially' endorsing the objectives of the EU-China strategic partnership, divisions and rivalries once again between the Big Three undermine EU objectives. Cabestan argues that larger Member States have jealously guarded their individual control over foreign policy.⁴³ This is because the Big Three perceive the rise of China differently and are engaged in commercial rivalry with each other.

On the surface, foreign policy aims at China from EU Member States, including the Big Three, are very similar to each other and they match the common EU strategy of socialising China. Contradictory, each of the Big Three is continually building its own strategic partnership with China, have

³⁹ Sandschneider, E. (2002). China's Diplomatic Relations with the States of Europe. *The China Quarterly*, 169, p. 42.

⁴⁰ Interview with a European Commission official: M. (23 July 2009). Brussels.

⁴¹ Interview with the European Commission officials: M, N & O. (23, 24, 30 July 2009). Brussels.

⁴² Interview with a British diplomat to the EU: K (14 July 2009). Brussels.

⁴³ Cabestan, J.-P. (2010). China and European Interests: A French Perspective. IN Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Eds.) *US-China-EU relations: managing the new world order*. Routledge, p. 123.

their own bilateral human rights dialogue, its own student exchange and science co-operation program, its own chamber of commerce in China and its own aid program for China.⁴⁴

Moreover, it can be argued that the UK and Portugal have greater interests with China over the other EU Member States and leading to more heated exchanges about common European policy.⁴⁵ Both countries colonised Hong Kong and Macau for 99 years and returned them to China in 1997 and 1999 respectively. Obviously, according to their comprehensive interests in China, they seek to persuade EU institutions to adopt a similar position in order to follow their specific national interests in their former colonies.⁴⁶

2.1. EU Member States divisions' over trade

Trade and investment are the key drivers of both European and Chinese economic growth and clearly the source of their competitiveness.⁴⁷ For example, the Commission's Global Europe Communication (2006) claims, "our prosperity depends on trade".⁴⁸ EU-China trade reached the €300bn mark in 2007. China has risen to become the EU's second largest trading partner, with over 10% of its trade. By contrast, the EU is its largest trading partner with 20% of Chinese trade.⁴⁹ The growth of trade between the EU and China has risen 70 fold since 1978. Foreign investment from the EU towards China also has also developed. The EU is the biggest source of direct foreign investment in China.⁵⁰ On the one hand, investment in China has helped many European companies to remain competitive by gaining access to lower

⁴⁴ Barysch, K., Grant, C. & Leonard, M. (2005). *Embracing the dragon: The EU's partnership with China*, Centre for European Reform, p16.

⁴⁵ Gow, James (2010). Travelling Hopefully, Acting Realistically? in Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Eds.) *US-China-EU relations: Managing the New World order*. London, Routledge, p. 174.

⁴⁶ Interview with the Belgian & British diplomat to the EU: D & K (1 June, 14 July 2009). Brussels.

⁴⁷ Interview with DG TRADE Unit, The European Commission Official: F (8 July 2009). Brussels.

⁴⁸ The European Commission (2006). Global Europe. Communication Paper.

⁴⁹ Statistic Data is available at <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/china/>, accessed on 11 February 2009.

⁵⁰ Ibid.

labour, land and material cost. Thus, these European firms maintain jobs and investment in Europe in core activities such as design and research to survive in ever tougher global competition. On the other hand, cheap Chinese labour can be seen as contrary to the EU mantra, with many lower-skilled jobs disappearing from Europe. Inevitably, it has led to greater demands for protectionist measures with China from the Southern European states, but a heavy focus on free trade from the Northern states.⁵¹

This divergence can be examined in the EU-China textile dispute. China and the EU are the world's first and second largest textiles exporters. This situation has ensured that within this industry the two blocs are competing rather than cooperating. In 2004, Europe exported €514 million worth of textiles to China (but these were largely expensive products).⁵² The total EU exports to China increased by over 100% between 2000 and 2005. However, not every Member States can share the profits from this growth due to their different economic structures.⁵³ Groups have grown within the EU, free traders and protectionists, who advocate differing trading relations with China.⁵⁴ The industrial-orientated economies, such as the Czech Republic, Germany, Poland and the UK, belong to free trader group. Their advantage would stem from having a complementary trade relationship with the Chinese that these European Member States would like to import a lot of cheap Chinese goods to satisfy their domestic demand.⁵⁵ On the other hand, the economies of Bulgaria, Cyprus, Finland, France, Greece, Hungary, Italy,

⁵¹ 李蕙瑛, Huiying Li & 李钢, Gang Li (2003). 至关重要的回应-全面巩固提升中欧经贸关系的战略地位与水平 (Critical Response - Comprehensively Consolidate and Promote China-EU Economic and Trade Relations in Strategic Status and Level). 國際貿易 (*International Trade*), 22, p. 13; Fox, John & Godement, François (2009). A Power Audit of Eu-China Relations. The European Council on Foreign Relations, p. 24.

⁵² European Commission (10 June 2005). EU-China Textile Agreement. http://europa.eu.int/comm/external_relations/china/intro/memo05_201.htm.

⁵³ European Commission (2006). EU - China: Closer partners, growing responsibilities. Communication from the Commission to the Council and the European Parliament.

⁵⁴ Stumbaum, M.-B. U. (2009). *The European Union and China : decision making in EU foreign and security policy towards the People's Republic of China* Berlin, Nomos, p. 135.

⁵⁵ 樊莹, Fan Ying (2008). 中国与欧盟双边贸易失衡的原因及影响探究 (An Analysis of the Causes and Effects of Bilateral Trade Imbalance between China and the EU). 国际经济合作 (*International Economic Cooperation*), 2, p. 25; 王国安, Wang, Gonan & 范昌子, Fan, Chitzu (2006). 中欧贸易互补性研究 (the Research of Sino-EU Trade Complementarity). 国际贸易问题 (*International Trade Issue*), 3.

Malta, Portugal, Romania, Slovakia, Slovenia and Spain, are more export-orientated, which belong to the group of protectionist states who are wary of Chinese competition.

In early 1998, the strong influence of France in the Commission formed a French coalition over trade policy towards China.⁵⁶ However, a small majority led by Germany opposed these duties, which caused the Commission to stop the proposal. This situation fuelled nationalism amongst French fabric weavers, who in turn were wooed by the then Presidential candidate, Jacques René Chirac. He then put the issue of provisional duties at the European Council meeting in Noordwijk, Netherlands in 23 May 1997. This forced governments across Europe to debate the cotton issue.⁵⁷ When the duties expired in 1998, the conflict between the two sides returned. Both sides condemned each other and the southern coalition supported the Commission to renew the provisional duties. In the end, the proposal of renewing duties was failed with a vote of 8 to 6 (Belgium abstained).⁵⁸ Therefore, it can be argued that the diverse national interests across Europe have become the biggest challenge to the EU in reaching an agreement over trade.

Moreover, the free traders have strong retail industries and have benefited from cheap Chinese exports. However, the other Member States like many South European countries have lost their 'textiles and clothing' industries and face competition from China's cheap goods.⁵⁹ In particular, newer Member States of East Europe without a mature manufacturing base face stiff competition from China.⁶⁰ In the industry of textiles and clothing (T/C), their labour productivity stagnates at 36%, below China's, which is close to 40%.

⁵⁶ Peterson, J. & Bomberg, E. (1999). *Decision-Making in the European Union*, Palgrave Macmillan, pp. 112-114.

⁵⁷ *Ibid.*, p. 113.

⁵⁸ *Ibid.*, p. 114.

⁵⁹ Stumbaum, May-Britt U (2009). *The European Union and China : decision making in EU foreign and security policy towards the People's Republic of China* Berlin, Nomos, p. 161; 王三兴, Wang, Sanxing (2006). 全球化条件下中欧贸易产品结构与不平衡分析 (An analysis on EU-China trade imbalance of product structure under globalization). *对外经贸实务 (Practice in Foreign Economic Relations and Trade)*, 8, p. 12.

⁶⁰ 王三兴, Wang, Sanxing (2006). *Ibid.*

European labour costs are considerably higher.⁶¹ This is to say, China not only have the advantage of lower labour cost, its labour efficiencies are also better than European labours.

No surprises then that the textile producing states such as Spain, France, Portugal and Italy, are the strongest advocates of restrictions against Chinese exports. The Chinese T/C exports have affected all these countries' textile industries. The Spanish textile industry has felt the impact of competition from China most strongly and has lost about 55,000 jobs in this sector since 2003.⁶² The Italian industry dominates the 'high end' of this market and has been able to weather the Chinese assault better than the Spanish spinning industry.⁶³ As a result, the European Commission, national European governments and Europe's business associations are constantly examining the impacts that highly competitive Chinese imports are having upon European industries.⁶⁴

Many European firms have outsourced manufacturing, leaving the departments in research, development and design in their homeland. This situation explains why some within the European T/C industry, view China as a market opportunity, in contrast to others who view China as a competitor that will destroy the European market by cheaper imports.⁶⁵ Furthermore, there is growing demand in China for technical textiles. With the emergence of an increasing Chinese middle class, the export opportunities for specialised, high-end European T/C products have increased.⁶⁶ Thus, when Germany outsourced most of its production to Asia, it upgraded its T/C industry and 85% of production now consists of chemical fibres. This has enabled

⁶¹ European Commission (2004). *The Challenge to the EU of a Rising Chinese Economy*, European Competitiveness Report 2004, p. 253.

⁶² Comino, A. (2007). *A Dragon in Cheap Clothing: What Lessons can be Learned from the EU-China Textile Dispute?*. *European Law Journal*, 13, 829.

⁶³ Institut Français de la mode (February 2004) *Study on the Implications of the 2005 Trade Liberalisation in the T/C Sector*, at 177, available at www.fagepi.net/2004/lib_php/download_file.php?num_doc=375

⁶⁴ Interview with DG TRADE Unit, The European Commission Official: F, Ibid.

⁶⁵ *The Economist* (25 February 2006). *Italian textiles and China. Special Report*. p. 66.

⁶⁶ 王国安, Wang, Guoan & 范昌子, Fan, Changzi (2006). Ibid.

impressive growth in export rates for Germany.⁶⁷

Another example of divergence happened in 2005. A total 48.3 million sweaters, 17.1 million pairs of trousers and nearly 500,000 blouses made in China were blocked in European ports, and 1.6 million T-shirts, 3.4 million bras and 1,470 tons of flax yarn were being kept back, because the quotas imposed by the European Union on Chinese textile exports have already been filled.⁶⁸ There were 5.9 million sweaters, 1.2 million pairs of trousers, 121,150 blouses, 52,600 T-shirts and nearly 10,600 bras imported from China being held in French ports; for Germany, 9.8 million sweaters, 3.2 million pairs of trousers, 201,200 blouses, 920,000 T-shirts and 1.6 million bras had been seized.⁶⁹ Although the agreement the EU and China finally came to in August 2005 was the result of very intense discussions, there was no consensus how to proceed within the EU.⁷⁰

The French led coalition of Member States with large domestic textile industries, insisted on strict compliance with the import quotas that were imposed after the European Commission and the Chinese Trade Ministry reached an agreement on 10 June 2005.⁷¹ It was a measure at the strong request of the French led coalition to protect European textile manufacturers by limiting Chinese imports to Europe. From another point of view, Germany supported their retailers' appeal that allowed the textiles to pass the borders and consider the costumers' benefit for buying cheap clothes. The former EU-Commissioner Peter Mandelson had to define a 'European' standpoint.⁷²

⁶⁷ Jungbauer, S. (28 January 2004). Textile Giant China – A Challenge for the German Textile and Fashion Industry. <http://www.gesamttextil.de/englisch/publication/yearbook2003/E1356.htm>.

⁶⁸ Xinhua (24 August 2005). Figures for Chinese textiles blocked in EU.

⁶⁹ Ibid.

⁷⁰ 李钢, Li, Gang & 姚铃 (2005). 中欧纺织品贸易摩擦背後-中欧纺织品贸易摩擦的國際政治 經濟 思考 (Behind the Trade Conflict of Sino-European Textiles-the Consideration of International Political Economy in the Trade Conflict of Sino-European Textiles). 國際貿易 (*International Trade*), 7.

⁷¹ 吴显英, Wu, Xiang-Ying & 苏根英, Su, Gen-Ying (2006). 中欧纺织品谈判的理论分析及启示 (Theoretical analysis and suggestions of China Europe textile negotiation). 科技与管理 (*Sci-Technology and Management*), 6, p. 43.

⁷² Brown, K. & Crossick, S. (2009b). The EU and China: Time for a Change? *Asia Programme Paper: ASP PP 2009/03*, Chatham House, p. 5.

Therefore, the internal EU divisions weaken the position of the EU in negotiations with China, and allow them to exploit Europe. This is a great example to demonstrate that the asymmetric economic structure within the EU ensures differing priorities and consequently the European Commission cannot produce a coherent trade policy towards China.

Moreover, the divergence among EU Member States not only happens in T/C industry, but also in the serious competition for China's market shares.⁷³ It is understandable that the competition is inevitable because the rise of China gives way to an enormous domestic market. As Barysch, Grant and Leonard argue that:

*"Foreign companies in China face brutal competition. These companies then look to their own governments for help. The result is competition at a political level."*⁷⁴

Indeed, when the Chinese government expresses that they welcome foreign countries coming to invest and construct China, it attracts western governments and companies competing in the multi-billion dollar contracts that flow from China's massive infrastructure.⁷⁵ For example, Beijing encourages foreign investment on nuclear reactors, high-speed railway and subway system, in addition to numerous dams, airports and pipelines.⁷⁶ Therefore, the Member States of the EU scramble for the Chinese market, which has caused the EU internal division. The following section will explore in more detail the competition within the Big Three, which is the key factor for the division within the EU Member States.

Unlike Germany, the United Kingdom has one of the largest trade deficits in the EU with China. In 2004 the trade deficit was €17 billion on total bilateral

⁷³ 张淑静, Zhang, Shujing (2004). 互补:中欧经贸合作的主旋律 (An analysis on mutual complements of the economic and trade cooperation between China and Europe), 国际经济合作 (*International Economic Cooperation*), 5, p. 23.

⁷⁴ Barysch, Grant & Leonard 2005. *Embracing the dragon: The EU's partnership with China*, Centre for European Reform.

⁷⁵ Interview with CICIR Professor Xiaoqing Sun (27 October 2008). Beijing.

⁷⁶ Invest in China (2007), accessed on 8 May 2009, available at: http://www.fdi.gov.cn/pub/FDI/zgjj/hyzk/fwy/jcssjs/t20070904_82699.htm

trade of €24 billion.⁷⁷ The UK is the fourth largest exporter to China from within the EU and the second largest importer of Chinese goods. Hong Kong remains an important economic gateway for the UK into China.⁷⁸ The UK cooperates with China through the development of human resources such as education and healthcare, the environment, and the support of economic and administrative reforms such as Science and Technology. The UK has memoranda of understanding (MoUs) on trade and finance and promotes the listing of Chinese companies on the London Stock Exchange.⁷⁹

Fox and Godement argue that the UK prioritises its bilateral relationship with China over European channels.⁸⁰ But it is understandable that for the reason to compete with the other two of the Big Three, London needs to build its own strategic relationship with Beijing. Economic and political favours have helped the UK gain political support for British companies in China, ignoring the concerns for human rights, and focusing on commercial interests to correct the trade deficit.⁸¹ For example, the Chinese signed a contract with Lloyd's of London permitting it into the Chinese market during Chinese President Jintao Hu's state visit to the UK in November 2005. In return, Rolls Royce announced that Air China Limited selected the Rolls-Royce Trent 700 to power its new fleet of 20 Airbus A330-200 wide-body aircraft. Together with a long-term TotalCare services agreement for the engines, the total value of the contract was approximately \$800 million.⁸²

⁷⁷ Notwithstanding the trade imbalance, the stance of the UK government is generally anti-protectionist; The data is available at:

<http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>

⁷⁸ Stumbaum, M.-B. (2007b). Engaging China-Uniting Europe? EU foreign policy towards China. IN Casarini, N. & Musu, C. (Eds.) *European foreign policy in an evolving international system : the road towards convergence* Palgrave, p. 66.

⁷⁹ Brown, K. (2009a). The UK and China: Dealing with a New- Old Friend. *Asia Programme Briefing Note: ASP 2009/01*, Chatham House, p. 5.

⁸⁰ Fox, J. & Godement, F. (2009). A Power Audit of EU-China Relations The European Council on Foreign Relations, p. 25.

⁸¹ Ibid.

⁸² Free Weekly (27 June 27 2005). Aircraft/Engine Deals. *Aviation Headlines*. www.avitrader.com/_lister/.../news/.../Headline_News_2005-06-26.pdf.

Furthermore, the British government did not vote in Europe against the new quotas of the 'Multifibre Agreement' in May 2005 for tactical reasons, which seemed that the UK supported the French coalition.⁸³ Discordantly, the Blair administration pressed the EU to release the blocked garments and help European retailers, in support of the protectionist measures. The UK has therefore attempted to play a balancer between free trading and protectionism. The UK is capable of playing the balance because it had undergone a structural change to its economy with less dependence on the textile industry and because of the former Prime Minister, Tony Blair's personal diplomatic skill.⁸⁴

In 2005, the total volume of Franco-Chinese trade was €13,005 billion, 37% of the trade between Germany and China (€34,714 billion).⁸⁵ France has a trade deficit of €4,889 billion with China, representing the largest deficit with any other trading partner.⁸⁶ Therefore, the trade deficit has started to become a contentious issue within French domestic politics, and many advocate protectionism for France.⁸⁷

The trading relationship between France and China has been a very contentious issue.⁸⁸ France was the only European country attempting to sell weapons to Taiwan, against China's strict objections. The arms sale to Taiwan of the sixty Mirage 2000-5, ordered in 1992, placed Paris in a difficult situation with Beijing.⁸⁹ Although Paris claimed this deal was commercial in nature, Beijing viewed this as a challenge to the Sino-Taiwanese sovereignty dispute.

⁸³ The UK abstained from voting against the introduction of new quotas to support the French government won the referendum on the Constitution Treaty of the European Union.

⁸⁴ The T/C industry was once the UK's biggest employer, and the world's largest producer in T/C. However, its manufacturing had sharply declined in the 1960's with a closure rate of one mill per week. In the early 1980's, 200 mills closed within 12 months

⁸⁵ Eurostat.

⁸⁶ Ibid.

⁸⁷ Shambaugh, D., Sandschneider, E. & Hong, Z. (Eds.) (2008). *China-Europe Relations: Perceptions, Policies, and Prospects* Routledge, p. 309.

⁸⁸ Taube, M. (2002). Economic Relations between the PRC and the States of Europe. *The China Quarterly*, 169, p. 86.

⁸⁹ Mengin, F. (2001). Hiding the Sino-Taiwanese Dispute? France-China Global Partnership and the Taiwan Issue *the paper presented at the International Conference: «The Role of France and Germany in Sino-European Relations».*

However, since January 1994 France has lived up to its promise to China that it would stop selling major weapons to Taiwan.⁹⁰ China's Prime Minister Wen Jiabao visited France in December 2005. He signed a framework document with European aircraft maker Airbus for an order for 150 mid-range planes worth €9 billion.⁹¹ Moreover, China signed an agreement with Eurocopter for a 50-50 EC175 co-development partnership in 2006.⁹² Big business contracts such as these have encouraged France to seek to be a friend of China in Europe. Beijing wisely ensures the governments in Paris, London and Berlin compete with each other for its full attention.

2.2. EU Member States divisions' over the arms embargo

2.2.1. The debates

The 'Big Three' have built strategic relationships with China, which explains why they would not be willing to transfer their national China policy to Brussels.⁹³ Also, before 2005, they attempt to balance America's unilateralist foreign policy with China. To contrast with the Big Three's strategic preferences, many other Member States bandwagon with America to help balance against the rise of China. Therefore, when the US started to 'intervene' with the issue of the EU arms embargo on China, opinion fragmented into two groups supporting or opposing the ban. As mentioned, there was increasing pressure from Beijing and from certain quarters within the EU to lift the arms embargo on China in the period 2004–2005.⁹⁴ Before the intervention of the US in 2004, there were no Member States who publicly opposed lifting the arms embargo. Only Sweden and Denmark held the neutral positions because their national parliaments opposed to the lifting. In June

⁹⁰ Cabestan, J.-P. (2001). France's Taiwan Policy: A Case of Shopkeeper Diplomacy. *Paper presented at the International Conference: The Role of France and Germany in Sino-European Relations*, p. 5.

⁹¹ Xinhua News Agency (6 December 2005). China to Buy 150 Airbus A320 Planes.

⁹² Eurocopter: An Asian Helicopter Manufacturer? Accessed on 6 August 2009, <http://www.eurocopter.com/w1/jrotor/77/manufacture.html>

⁹³ Elgström, Ole & Smith, Michael (2000). *Ibid.*; Moravcsik, Andrew (1999). *Ibid.*

⁹⁴ Gill, B. & Murphy, M. (2008b). China-Europe Relations: Implications and Policy Responses for the United States, *A Report of the CSIS*, CSIS, p. 21.

2005, EU Member States officially made a decision to postpone the proposal.⁹⁵

Some Member States tend to participate actively in EU foreign policy because they are not powerful enough to build an individual relationship with China. These Member States, like Greece and Portugal, adhere to EU policy on the arms embargo. On the other hand, the 'Big Three' frequently deviate from the European route in order to pursue their national interest. One of the possible reasons is that they believe that they are important enough to influence both Beijing and Brussels.⁹⁶

Furthermore, divisions between Member States are reflected well when commentators focus on the competition between the Big Three. The UK, France and Germany initially shared the view of lifting the ban with China, surely all defence industries would have approved of the lifting of the arms ban. However, after further consideration, influence from their defence industries and the acceptance that they did not share similar strategic priorities with the US or China, differing opinions about the ban grew. Thus, as Barysch argued, the focus from some EU Member States on short-term commercial advantage has caused divisions within the EU.⁹⁷ Contrastively, the Commission, the European Parliament and the Nordic EU countries want a stronger emphasis on human rights. However, the European Council still reached a consensus to lift the ban on China before US intervention. Hence, it can be argued that the competitive bilateralism among Member States and China has led the to a rather rash decision in the lifting of the arms embargo.⁹⁸

2.2.2. France

France was the leading member state in favour of lifting the arms embargo on China. This was after consideration of strategic and economic factors. The

⁹⁵ Casarini, N. (2009) *Remaking Global Order: The Evolution of Europe-China Relations and its Implications for East Asia and the United States*, Oxford University Press, Oxford, p. 138.

⁹⁶ Interviews with the French, British diplomats N& K (24, 14 July 2009). In Brussels.

⁹⁷ Barysch, K., Grant, C. & Leonard, M. (2005). *Embracing the dragon: The EU's partnership with China*, Centre for European Reform, p14.

⁹⁸ Interview with the CEPS Research fellow: Elena Gnedina (25 June 2009). Brussels.

former French president, Jacques Chirac, actively promoted this opinion first calling for an end to the arms embargo in late 2003. During a visit to France by Chinese President Jintao Hu in January 2004, Chirac said that the embargo: 'no longer corresponds with the political reality of the contemporary world' and called for it to be ended.⁹⁹ When he visited China in October 2004, President Chirac brought with him four ministers and more than 50 leading French businessmen to discuss deals with China and claimed French defence companies could do well in China, if only Europe would lift its arms embargo. He argued that the EU should lift the embargo as soon as possible, and upgrade China to Market Economy Status (MES).¹⁰⁰ Chirac was aware that the decision on MES was a matter for the European Commission, but his intention was seeking to strengthen ties with China and make a concerted effort to overtake Germany with trade in China.¹⁰¹ Consequently, French businesses successfully signed an unprecedented €4-5 billion worth of contracts during the state visit. Moreover, €6.48 billion contract was signed for the delivery of four nuclear reactors, with a Franco-German group pitted against an Anglo-American bid.¹⁰²

France has a vision of promoting a multi-polar world with its own position enhanced by a strategic partnership with China. The Dassault Aviation group in France was holding up the sale of the most advanced Mirage jets to China pending the lifting of the arms embargo.¹⁰³ Also, France's S.E.M.T. Pielstick sold diesel engines for the PLA Navy's Type 054-class frigates, with a license for co-production. Alcatel of France sold to China the Chinasat-9

⁹⁹ Anthony, I. (2005). Militarily relevant EU-China trade and technology transfers: Issues and problems. *Chinese Military Modernization: East Asian Political, Economic, and Defense Industrial Responses*.

¹⁰⁰ Glen, C. M. & Murgo, R. C. (2007). EU-China Relations: Balancing Political Challenges with Economic Opportunities. *Asia Europe Journal*, 5, 331-344.

¹⁰¹ Wong, R. (2005). Towards a Common European Policy on China? Economic, Diplomatic and Human Rights Trends since 1985, University of Victoria Publications. *University of Victoria Publications*, <http://web.uvic.ca/europe/ipsa-rc3/rwong.pdf>.

¹⁰² Wyatt, C. (8 October 2004). Chirac bid to lift China arms ban. *BBC*.

¹⁰³ US House of Representatives (2006). Arms Exports to the People's Republic of China by Member States of the European Union. Joint Hearing before the Committee on armed services meeting jointly with Committee on International Relations, hearing held 14 april 2005, p. 19.

communications satellite.¹⁰⁴ Therefore, if the arms embargo can be lifted, it will allow France to export advanced weapons to China, which includes the non-lethal systems and dual-use items such as electronics for ships and aircrafts, non-combat platforms, optoelectronic devices, transmitters, radars etc.¹⁰⁵ Most importantly, France has occupied the biggest European arms export to China, which roughly reached 65% of all EU arms exports to China since the sanction of the embargo ban.¹⁰⁶

Before the United States waded in over this issue, France brought up the issue of lifting the ban during consultation between Germany, France, Italy and the UK at the end of 2002, which sought to seek consensus within the EU.¹⁰⁷ In the December 2003 European Council summit, France raised the issue of renewing the arms ban.¹⁰⁸ Despite US intervention in 2004, France stands alone amongst the 'Big Three' in supporting a lift of the arms embargo ban. France has been accused by other EU Member States of using the EU as a springboard aimed at promoting its own diplomatic interests and perpetuating the illusion that France is still a great power.¹⁰⁹ Thus, since the UK and Germany have shifted their position, France is finding it very hard to continue with this issue within the European Council. Therefore, France is forced to accept the decision that postpones the procedure of lifting the ban. One may argue that the EU has some authority over the Member States from this case. But it needs to be noticed that the decision of postponement is under the pressure from the US, not the EU.¹¹⁰

¹⁰⁴ Archick, K., Grimmett, R. F. & Kan, S. (2005). European Union's Arms Embargo on China: Implications and Options for U.S. policy. *CRS Report for Congress*. Congressional Research Service, The Library of Congress, p. 15.

¹⁰⁵ Dempsey, J. (9 March 2005). Britain Seeks To Tighten Rules on Arms To China. *International Herald Tribune*.

¹⁰⁶ Conrad, B. (2007). *Once the Dust Has Settled – Exploring New Ways of Approaching the EU Weapons Embargo on China*, p. 31.

¹⁰⁷ Interview with a French diplomat N (24 July 2009). In Brussels.

¹⁰⁸ Council of the European Union (2003a). User's Guide to the European Union Code of Conduct on Arms Exports, 1428/03, Brussels, 6 November, p. 19.

¹⁰⁹ Cabestan, J.-P. (2010). China and European Interests: A French Perspective. IN Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Eds.) *US-China-EU relations: managing the new world order*. Routledge, p. 123.

¹¹⁰ It will be continued to discuss the role of US in next chapter.

2.2.3 Germany

During a State Visit in China in December 2003, the former German Chancellor Gerhard Schröder expressed the German favour for a rapid lifting of the arms embargo on China, which he argued as “*a relic of the Cold War*”.¹¹¹ Motivation behind Schröder’s rhetoric was from the business lobbies. German businesses appealed to Chancellor Gerhard Schröder to increase his efforts to engage with Beijing. In Schröder’s visit, the 42 German entrepreneurs who travelled with him to China signed contracts valued at \$2 billion. Before this state visit, Germany held several rounds of high-level consultations on security and defence with China, underpinned by visits of high-ranking military and civilian representatives. Germany has also been training PLA officials.¹¹² These business advances on China illustrates that Germany expected benefits from the export of arms to China. Former Soviet states in Eastern Europe have tended to trust the US over France and Germany, likely due to the historical success of the US in both world wars and US led NATO over the Warsaw pact. Additionally, the Czech Republic and Poland share a similar view to that of the US concerning China’s rise. They also adopt a harder line and policy towards China. Therefore, increasing divisions at a national level (between the Member States) will produce a situation where members will not focus on forming a common EU policy towards China.

In the Sixth annual report, made in accordance with Operative Provision 8, the EU for the first time analysed the export data by the EU Common Military List category.¹¹³ The data in the report indicated that the largest share of German license approvals for China in 2003 were in categories ML14–specialised military training equipment or simulators (€528 thousand), ML11–electronic military equipment (€433.1 thousand), and ML21–software for

¹¹¹ Caruso, R. (2005). To Lift or not to Lift? A Few Notes on the Lifting of the European Arms Embargo on China. *Crossroads*, 5(1), p. 7.

¹¹² Casarini, N. (2007a). The International Politics of the Chinese Arms Embargo Issue. *The International Spectator*, 42, p. 374.

¹¹³ Official Journal of the European Union (23 December 2004). Sixth Annual Report According to Operative Provision 8 of the European Union Code of Conduct on Arms Exports. C316.

items controlled in the EU Common Military List (€134.4 million).¹¹⁴ The report shows that compares with France and the UK, German arms exports to China is rather low, thus, Berlin has sought this opportunity of lifting the ban to increase its arms exports to China.

2.2.4 The United Kingdom

The UK is more pessimistic about lifting the arms embargo. The government in London was and remains opposed to the sale of small arms equipment such as machine guns, large-caliber weapons, bombs, torpedoes and missiles (with specially designed components) and ammunition. It is the opinion of London that military aircraft and helicopters, vessels of war, armoured fighting vehicles and other weapons platforms might be used directly and brutally for internal repression.¹¹⁵ But, the UK has continued to supply non-lethal items to China such as avionics and radars. In this respect, it is evident that the United Kingdom has a considerable arms business with the Chinese government.¹¹⁶ From the below table, it shows that the UK only occupied 38% and 24% of EU's arms sale towards China in 2002 and 2003. That is to say, London has intention to catch up French arms sale towards China.

Table 3.1. Value of EU Licences Issued to sell arms to China (Millions of euro)

EU licences	2002	2003
France	105.43 (50%)	216.89 (47%)
Germany	n/a	1.1
United Kingdom	79.5 (38%)	112.46 (24%)
Total	209.8	461.2

Source: Council of the European Union, 2003, 2004.¹¹⁷

¹¹⁴ Official Journal of the European Union (23 December 2003). Common Military List. of the European Union. C314.

¹¹⁵ Niblett, R. (2004). The United States, the European Union, and Lifting the Arms Embargo on China. *EURO-FOCUS*10(3) 30 September, 10(3) 30 September, p. 2.

¹¹⁶ US House of Representatives (2006). Arms Exports to the People's Republic of China by Member States of the European Union. Joint Hearing before the Committee on armed services meeting jointly with Committee on International Relations, hearing held 14 april 2005, p. 43.

¹¹⁷ Fifth and Sixth Annual Report according to operative provision 8 of the European Union Code of Conduct on Arms Export.

The UK sees China through the prism of its global ambitions as a potential strategic partner.¹¹⁸ After the 1997 handover of the former British colony of Hong Kong to China, under the principle of 'one nation, two systems', the UK-China relationship has been dominated by both trade and strategic concerns. The UK views China as holding very high strategic relevance given that both countries sit permanently on the United Nation Security Council.¹¹⁹ Since 2003, the UK has also started an annual strategic security dialogue with Beijing and has been training PLA officials. Following France, in June 2004, the UK held joint maritime search-and-rescue exercises with the PLA.¹²⁰

Therefore, the UK prior to 2005, albeit with more reluctance, supported the lifting of the ban for strategic and commercial concerns.¹²¹ To the British, the sales of weapons to China would mean more effective control of what was handed over, allowing a stricter code of conduct in arms sale. However, because of the 'Special Relationship' between the United States and the United Kingdom this attitude began to alter. The US government put a lot of pressure on the UK about its position over the arms embargo. They made the accurate point that the British defence industry has cooperated greatly with US firms and their military with large and successful sales in the US market.¹²² Unlike his EU colleagues, Tony Blair, the former Prime Minister of the UK, rejected the concept of multipolarity and supported a 'unipolar world under the domination and partnership of the US and the EU.'¹²³

Besides, the UK-US special relationship was reaffirmed by joint action in the Iraq War 2003. British defence companies have cooperated with firms within

¹¹⁸ Stumbaum, M.-B. (2007b). Engaging China-Uniting Europe? EU foreign policy towards China. IN Casarini, N. & Musu, C. (Eds.) *European foreign policy in an evolving international system : the road towards convergence* Palgrave, p. 60.

¹¹⁹ Interview with a British diplomat: K. (14 July 2009) in Brussels, UK mission to the EU.

¹²⁰ Casarini, N. (2007a). The International Politics of the Chinese Arms Embargo Issue. *The International Spectator*, 42, p. 374.

¹²¹ Ibid.

¹²² The two biggest foreign Pentagon suppliers-BAE system and Rolls Royce are both of British companies.

¹²³ Vinocur, J. (30 April 2003). 4 nations agree to set up autonomous Europe defense body: Anti-war powers to join forces. *International Herald Tribune*.

the US on several major joint projects in military technology, such as the Joint Fighter Striker (F-35 JFS).¹²⁴ Perhaps more importantly for the UK, if Washington restricted the transatlantic defence trade, as a senior Pentagon official suggested, in response to the EU lifting the ban, then this action would hit the UK harder than any other European ally. The close co-operation the UK Ministry of Defence has with the US and access to some of its military technology means that any restrictions could affect the operating ability of the United Kingdom's defence components. Besides, the UK had won the congressional backing for a special preferred status when applying to gain access to US military technologies, a status that could be rescinded.¹²⁵

Table 3.2. The shift of stance on the arms embargo on China¹²⁶

Support	Uncertain	Opposition
French Germany Italy Spain UK Finland Netherlands	The other 18 Member States (18/25) adopt the positions as the European Council.	
After the US intervention		
France Spain Italy Malta	Germany Sweden Netherlands Greece Portugal Lithuania	UK Denmark Norway

¹²⁴ Gertler, J. (2009). F-35 Joint Strike Fighter (JSF) Program: Background and Issues for Congress. *CRS Report for Congress*, p. 7.

¹²⁵ Hawaii, M. (24 December 2004). Pentagon warns EU on sale of arms to China. *Financial Times*.

¹²⁶ Fox, J. & Godement, F. (2009). pp. 67-100.

From supporting to postponing the decision of lifting, the transformation of the British policy signals how particular the attitude of American is to the EU arms embargo. Most of the arms exports authorised for China by EU Member States that have been made by France, the United Kingdom and Italy. The Czech Republic, Austria, and Germany granted substantially smaller valued license approvals as a response to US intervention. Consequently, the French led coalition with Spain, Italy and Malta were too few to win the vote in the Council meeting.¹²⁷

3. EU Divisions at EU Level: Between Member States and the European Institutions

3.1. The debates

The main actors to formulate policy within the EU are the European Commission, the European Parliament and the Council of the European Union. There are three main decision-making procedures: co-decision, consultation and assent.¹²⁸ Co-decision is the core legislative procedure and the most widely used decision-making process within the EU. However, there are many regulations to prevent the influence of national governments and to ensure equal influence across the continent for the purpose of producing a common policy. Professor Shambaugh evidences in the European Union Committee of House of Lords of the UK that, although the Commission and Council have formulated a series of well thought-through Communications on China since 1995, Member States have been pursuing strategies and policy themselves, which undermine the EU and the substance of EU policies.¹²⁹ Sandschneider contends that the national interests of EU Member States are sometimes stronger than the wish to build and follow a functioning common foreign policy.¹³⁰ Political and economic ambitions suffer from tensions

¹²⁷ Council of the European Union (2003, 2004). Fifth and Sixth Annual Report according to operative provision 8 of the European Union Code of Conduct on Arms Export.

¹²⁸ Elgström, Ole & Smith, Michael (2000). *Ibid.*; Moravcsik, Andrew (1999). *Ibid.*

¹²⁹ House of Lords (2010). *Stars and Dragons: The EU and China*. European Union Committee, Published by the Authority of the House of Lords., p. 26.

¹³⁰ Sandschneider, E. (2002). China's Diplomatic Relations with the States of Europe. *The China Quarterly*, 169, p. 34

between EU-level policies and national foreign policies.¹³¹ This not only has an impact on bilateral relations with China, but also contributes towards a general incoherent foreign and security policy from within the EU.¹³²

The policy making process of the EU institution is a multi-level system, which interacts horizontally between the institutions of the EU and Member States and vertically between supranational, national and sub-national levels.¹³³ Ideally common interests have to be defined while resources for external action have to be put together to meet international challengers. Empirically, a common EU foreign policy needs to be done through a transfer of sovereignty from the national to supranational level.¹³⁴ However, this only takes place in the field of trade policy.¹³⁵ In the area of security, only gradual agreement amongst Member States is ever generated. The European Commission admitted in its evaluation report that coordination between the European Community and Member States is strong in form but weak in substance.¹³⁶ The report outlined a lack of substantive coordination, as a result of states competing to gain commercial advantages from China. A spirit of cooperation to promote the appearance of EU coherence was missing.¹³⁷ Therefore, as Sandschneider has argued, European diplomatic relations with China are characterised by a tension between EU-level policies and the persistence of national foreign policies.¹³⁸ This is the fundamental reason that causes the division between Member States and European Institutions.

¹³¹ Moravcsik, Andrew (1993). *Ibid.*; Putnam, Robert D. (1988). *Diplomacy and Domestic Politics: The Logic of Two-Level Games*. *International Organization*, 42 (3).

¹³² *Ibid.*; Sandschneider, E. (2002). *Ibid.*; Interview with the Centre for European Policy Studies (CEPS) Director: Michael Emerson (3 July 2009). Brussels.

¹³³ Peterson, John & Bomberg, Elizabeth (1999). *Decision-Making in the European Union*, Palgrave Macmillan; Peterson, John & Smith, Michael E. (2002). *The Eu as a Global Actor*. in Bomberg, E. & Stubb, A. (Eds.) *The European Union: How Does It Work?*; also, Peterson, John & Bomberg, Elizabeth (1999). *Decision-Making in the European Union*, Palgrave Macmillan.

¹³⁴ *Ibid.*, Interview with the CEPS Research fellow: Elena Gnedina (25 June 2009). Brussels.

¹³⁵ Interview with the CASS fellow: Ling Jin (18 June 2009). Brussels.

¹³⁶ The European Commission (April 2007). *Evaluation of the European Commission's Cooperation and Partnership with the People's Republic of China: Country Level Evaluation, Final Synthesis Report*, p. x.

¹³⁷ *Ibid.*, p. xi.

¹³⁸ Sandschneider, E. (2002). *China's Diplomatic Relations with the States of Europe*. *The China Quarterly*, 169, p. 34.

The process of EU integration is not universally applauded, there is: 'a perpetual boundary problem' between the Member States and the institutions of the EU.¹³⁹ For example, the European Security Strategy (ESS) was published in order to encourage a European wide debate about the EU's global role, yet this hardly got an echo from national parliaments or local media. In other words, the EU's approach of building stronger relations with China has been undermined by conflicting foreign policy goals of the major Member States.¹⁴⁰ National interest is more important than attempts towards a Common Foreign and Security Policy (CFSP).¹⁴¹ Thus, this negative circumstance has contributed towards an incoherent 'common' foreign and security policy.

Moreover, the interaction between different bureaucratic structures is extremely cumbersome. Smith argues that since the Single Europe Act in 1987 that enshrined foreign policy cooperation into EU treaties, it has laid down a complicated set of institutional arrangements for the CFSP.¹⁴² As Member States formulate and carry out their individual China policies, they place their national preference first. Subsequently, when these preferences are different from that of the EU's common China policy, disputes arise.¹⁴³ Although Shambaugh argues that the Council and Commission had framed a series of principles through 'Communications on China' since 1995, Member States did not pursue those strategies or follow policy guidelines formulated by the Council and Commission. Many national governments believe they have more to gain from a national China policy than from an integrated EU approach.¹⁴⁴ Consequently, it has undermined the EU's authority and the substance and spirit of EU policies.¹⁴⁵

¹³⁹ *Ibid.* p. 294.

¹⁴⁰ Interview with Axel Berkofsky (14 June 2009). Brussels.

¹⁴¹ Sandschneider, E. (2002). China's Diplomatic Relations with the States of Europe. *The China Quarterly*, 169, p. 34.

¹⁴² Smith, M. (2003). The Framing of European Foreign and Security Policy: towards a post-modern policy framework? *Journal European Public Policy*, 10, pp. 560.

¹⁴³ Interview with a European Commission Official: E (1 July 2009). Brussels.

¹⁴⁴ Fox, J. & Godement, F. (2009) p. 21.

¹⁴⁵ House of Lords (2010). Stars and Dragons: The EU and China. European Union Committee, Published by the Authority of the House of Lords, p. 26.

Moreover, specific division is generated over the direction of EU-China dialogue, covering intellectual property rights to regional security, education, maritime transport and environmental protection. The Directorate-General for External Relations (DG RELEX)¹⁴⁶ is closely involved in the dialogue with the commissioners and their officials and regularly travels to China to monitor progress in their areas of cooperation.¹⁴⁷ However, there is little coordination on the various discussion points. The short-term objectives discussed sometimes are inconsistent and against the overall objectives defined in the EU strategy papers. As one Commission official argued: 'each dialogue takes place in its own little box.'¹⁴⁸

It is evident that there is strong competitive behaviour and mistrust between the EU institutions (the Council, the Commission, and the Parliament).¹⁴⁹ Allen explains that this is due to the mixture of community and intergovernmental procedures that overlap policy fields straining the chances of coherent policy from the EU institutions.¹⁵⁰ However, Allen's argument explores the competitive behaviour between the institutions but ignores how it undermines the credibility of overall EU foreign policy. Thus, next section will discuss this issue.

3.2. The division between Member States, the European Council and the European Parliament

This section explores further the competitive behaviour between the European Council and Member States and will argue that this has caused division within the EU, affected EU policy towards China and ensuring that the union has been unable to achieve its stated objectives.

¹⁴⁶ The DG relex is a Directorate-General of the European Commission, responsible for the external policy. It comprises by a dozen Commission departments.

¹⁴⁷ Interview with a Commission official: M. (23 July 2009). in Brussels.

¹⁴⁸ Ibid., p. 9.

¹⁴⁹ Algieri, F. (2008). It's the system that matters: institutionalization and making of EU policy toward China. IN Shambaugh, D., Eberhard Sandschneider, Hong Zhou (Ed.) *China-Europe Relations: Perceptions, Policies and Prospects*, p. 80.

¹⁵⁰ Allen, D. (1998). Who Speaks for Europe? The Search for an Effective and Coherent External Policy. IN Peterson, J. & Sjursen, H. (Eds.) *A Common Foreign Policy for Europe?: Competing Visions of the CFSP* Routledge., Routledge, p. 51.

The European Council derives from the Maastricht Treaty, which introduced two instruments: 'common positions' and 'joint actions' that obligates Member States to comply with collectively resulting decisions in the realm of CFSP.¹⁵¹ However, because decisions of the Council have to be unanimous, any state can change its decision if it has a different view on the issue. That means no matter how big or small in territory, rich or poor in economy, each state can enjoy the same power of veto. Undoubtedly vetoing occurs to comply with the national interest. If an issue or policy document is adopted, as Song observed, "*evidently it means the original has been compromised 27 times and only a shell of the original policy will remain.*"¹⁵² That is why the Council's published conclusions merely express skilful political rhetoric without explicit contexts and means. For example, even in trade policy documentation, the most coherent dimension of the EU, there is a lack of particular direction towards China.¹⁵³ As a result, it was hard for the Council and Commission to adapt a fast and effective decision. This was true not just in relations with China, but also when dealing with events in its neighboring states in the Balkans back in the early 1990s.¹⁵⁴

Division also arises due to the complexities of the rotating presidency. Before the ratification of the Lisbon Treaty, the Council operates a system where so much emphasis is placed on reaching an agreement at the lowest possible standard. A pivotal role is played by the President, assisted by the Council Secretariat. The Presidency can shape the decision making in different areas. As the president is in charge of the Council and the planning of meetings his or her own nation can forward issues that will inevitably become a priority over other issues.¹⁵⁵ It is clear that every six months a change in the Presidency will cause a serious challenge to the development of a China

¹⁵¹ Article J.4.1 (1992) Maastricht Treaty; also see: Peterson, John & Smith, Michael E. (2002). *Ibid.*; Peterson, John & Bomberg, Elizabeth (1999). *Ibid.*

¹⁵² Interview with Xining Song (10 April 2009). Brugge, Belgium.

¹⁵³ The European Council (2006). The Council adapted the Commission conclusions, Article 18.

¹⁵⁴ Everts, S. (2002). Shaping a credible EU foreign policy. *CER*, p. 12.

¹⁵⁵ Duke, S & Vanhoonaeker (2006). Administrative Governance in the CFSP. *European Foreign Affairs Review*, 11, p175.

policy, which was perhaps put forward by the previous President. However, the point of a six monthly rotating presidency is to uphold the democratic tradition within the union. It prevents the big powers from seizing all the responsibility. Adversely, rotating presidency is significant to maintain the Union as a democratic institution, but it also undermines long term decision making, especially when deciding with external policies of outside powers.¹⁵⁶ Moreover, after the ratification of the Lisbon Treaty 2009, the situation does not improve within the period of six months because the rotating presidency still remains.

The EU's external trade policy is determined through decisions using a 'Qualified Majority Voting system'. This has led Member States to divide between a protectionist group (French coalition) and free trade group (German coalition). Any group can dominate the issues if it obtains the support of half the union. Consequently, the EU lacks unity, which is compounded by the inconsistencies that exist between different dialogues and agreements in different sectors of the EU. The inconsistent policies arise not only over foreign policy and governance issues, but also in trade and economic policy.¹⁵⁷

The European Council came to an agreement after the Tiananmen Square Tragedy to impose a list of sanctions against China.¹⁵⁸ However, not surprisingly, there was soon restlessness over the issue. There was considerable pressure from the business lobby of Germany and Italy, promoting a normalisation of EU-China relations. The European Council did not entertain any policy changes suggested from any group within Europe until the Italian President firmly demanded the re-start of dialogue with China and to lift sanctions gradually, starting in October 1990.¹⁵⁹ The Chinese leaders learned from this experience that they are able to press national

¹⁵⁶ Ibid., p. 13.

¹⁵⁷ Godement, F. (2010). A Global China Policy. European Council on Foreign Relations (ECFR).

¹⁵⁸ EC Bulletin (1989). Vol, 6, p. 17.

¹⁵⁹ Interview with a European Council official: I. (10 July 2009) Brussels.

governments and business lobbies to influence the European Community.¹⁶⁰ This may not result in an immediate change to EU policy, but certainly raise the debate within EU circles. China learnt then how to exploit any disagreements between the European institutions and Member States.¹⁶¹ Moreover, from a Chinese perspective, one can see that China not just as a beneficiary of EU divisions but as a victim, given that it makes EU policy towards China so inconsistent.¹⁶²

Hitherto, the European Parliament exerts rather less influence, while displaying a protectionist orientation. This is a rational point considering the elected members of Parliament arrive there frequently having expounded protectionist manifestoes. Despite the limited function of the European Parliament (EP) in the Common Foreign and Security Policy (CFSP), it had certain influence on the process of decision-making. According to Article 192 of the Treaty on European Union, the EP: *“may, acting by a majority of its members, request the Commission to submit any appropriate proposal on matters on which it considers that a Community act is required for the purpose of implementing this treaty.”*¹⁶³ It seems that the democratic legitimacy of the EP is being increasingly emphasised. As it has the power to approve a budget, it would be difficult for both the Council and the Commission to ignore its requests.¹⁶⁴ The Parliament has active subcommittees on security, defence, and human rights. It frequently engages in overseas fact-finding. The positions adopted by the European Parliament, particularly in the area of human rights, are more pro-active than those taken by other institutions of EU.

The European Parliament (EP) is often regarded as a rather marginal actor, due to a lack of power in the Common Foreign and Security Policy (CFSP). The Parliament has to concentrate on human rights issues in the Community

¹⁶⁰ Both European and Chinese diplomats: J. & L. express this perspective. (12, 16 July 2009). Brussels.

¹⁶¹ Interview with a European Commission official: J. (12 July 2009). Brussels.

¹⁶² Interview with Xining Song, Ibid; and Chinese diplomat: L. (16 July 2009) Brussels.

¹⁶³ The Treaty on European Union (1992). Europa, accessed on 09 January 2010, <http://eur-lex.europa.eu/en/treaties/dat/11992M/htm/11992M.html>

¹⁶⁴ Bache, I. and S. George (2006). *Politics in the European Union*, Oxford, p. 233.

sector. Even though the Parliament regularly stresses the importance of improving the human rights dimension in EU-China relations, its influence is insufficient to significantly change the political direction of EU policy towards China.¹⁶⁵ Despite the fact that a united Council would have remained largely unaffected by the EP's action, the EP has significant influence towards the European public and media.¹⁶⁶ By basing its opposition to the lifting of the ban due to the human rights of China, the EP commanded the attention of Europe's media and the support of national governments.

A 2003 European Parliament Resolution confirmed that the decision to oppose any lifting of the ban was related, not only to the issue of human rights, but the Chinese threat to Taiwan.¹⁶⁷ According to the EP's Resolution 2008/2031, it claimed that since the EU had not received any explanation about the 'Tiananmen massacre' there was no motive to lift the embargo.¹⁶⁸ While the EP has no role in the CFSP decision-making process, however Members' national parliaments can channel their foreign ministers to influence the decision-making in the European Council. Hence, the EP's refusal to support the lifting of the ban has highlighted the divisions between Member States and the European institutions.¹⁶⁹

The European Parliament has concluded a resolution to the European Commission on the co-sponsorship of the China Resolution from 1997 to

¹⁶⁵ Algieri, F. (2008). It's the system that matters: institutionalization and making of EU policy toward China. IN Shambaugh, D., Eberhard Sandschneider, Hong Zhou (Ed.) *China-Europe Relations: Perceptions, Policies and Prospects*, p. 80.

¹⁶⁶ Although the EP has a significant growth in the power after the Lisbon treaty, it is not changed the incoherence of the EU's foreign policy. See: House of Lords (2008). *The Authority of the House of Lords. The Treaty of Lisbon: An impact assessment*, European Union Committee, 10th Report of Session 2007-08, pp. 80-81.

¹⁶⁷ Official Journal of the European Union (18 December 2003). Removal of the EU embargo on arms sales to China: European Parliament resolution on arms sales to China. P5_TA(2003)0599.

¹⁶⁸ Official Journal of the European Union (4 September 2008). European Parliament resolution of 4 September 2008 on the evaluation of EU sanctions as part of the EU's actions and policies in the area of human rights (2008/2031(INI)). C 295 E/49.

¹⁶⁹ Stumbaum, M.-B.U. (2010). *The European Union and China : decision making in EU foreign and security policy towards the People's Republic of China*, Nomos, Berlin, p. 183.

2000.¹⁷⁰ Although the principle of a common EU position firmly resolved, opposition to the resolution has carried on. For example, on the side of supporting a resolution, France, Germany, and Italy argue if the EU takes what Beijing considers to be a confrontational stance, they will lose commercial opportunities. Hence, these divisions between Member States and the European Institutions have led to an incoherent foreign policy.

3.3. The division between Member States and the European Commission

According to the treaty of the European Union, the European Commission follows the Council's decision making to execute European policy. However, the Commission has the power to influence a China policy because it has the ability to initiate legislation and draft proposals.¹⁷¹ The starting point of a legislative proposal is when a European institution decides EU action is required in a particular area. Before producing a proposal, the Commission consults the relevant bodies, such as interest groups, external organisations, regional and local authorities, etc.¹⁷²

There is a China Unit in the fourth sublevel of the Commission under Directorate H Asia, under DGA-3 Asia and Latin America, and under European Commission DG External Relations.¹⁷³ Theoretically, this unit is in charge of Chinese affairs within the Commission, and yet, they are not. This unit is in fact only responsible for the aid programs with China.¹⁷⁴ Overseeing trade, which is the main issue between the EU and China, is positioned at another division: DG external Trade.¹⁷⁵

¹⁷⁰ European Parliament (2000). European Parliament Resolution on the Human Rights Situation in China, 1999-2000. B5-0050, 0064, 0079, and 0083.

¹⁷¹ Interview with Michael Emerson (3 July 2009). Brussels.

¹⁷² SPICe Briefing (July 2002) Guide to EU Policy-Making Processes. The Information centre, the Scottish Parliament.

¹⁷³ Algieri, Franco (2008). It's the system that matters: institutionalization and making of EU policy toward China. in Shambaugh, D., Eberhard Sandschneider, Hong Zhou (Ed.) *China-Europe Relations: Perceptions, Policies and Prospects*.

¹⁷⁴ Interview with a European Commission Official: M (23 July 2009). Brussels.

¹⁷⁵ Interview with a European Commission Official: F (8 July 2009). Brussels.

The divisions within the EU level have caused the difficult decision-making process in the European Commission. Theoretically, if the EU could reach a common position, the European Commission has strong economic leverage in the negotiations with China, which could pressure China considerably.¹⁷⁶ However, when the European Council fails to find a common position, it has weakened the Commission's mandate, because their officials have suffered the inconsistent proposals of the Council. Also, coordination between Member States' activities and European Commission programs still appear to be weak.¹⁷⁷ For example, southern European states including France strongly supported the Commission to impose provisional duties on Chinese imports of cotton in 1994 and 1998. Additionally, businesses across Europe fear that rivalry between their governments weakens the EU's hand in commercial negotiations with China. An official of the Commission argued that a unified EU could press more heavily on the Chinese to reduce market barriers, protect intellectual property rights and get rid of senseless regulations.¹⁷⁸

Although the Commission has acted pro-actively with a large number of meetings, conferences and seminars, the preparations presented the traditional predisposition of the Commission in favour of commercial defence in textile industry.¹⁷⁹ This is due to the French led coalition promoting protectionism in addition to French influence with domestic policy networks in the textile industry. Under this circumstances, a strong connection between the central government of France and the Commission ensured national preferences were extended to the European Institutions.

¹⁷⁶ Elgström, Ole, Bjurulf, Bo, Johansson, Jonas & Sannerstedt, Anders. (2001). Coalitions in EU negotiations. *Scandinavian Political Studies*, 24 (2); Zimmermann, H (2004). Governance by Negotiation: The EU, the United States and China's Integration into the World Trade System. In Schirm, S. (Ed.) *New Rules for Global Markets. Public and Private Governance in the World Economy* New York, Palgrave.

¹⁷⁷ Stumbaum, M-B. (2007) Engaging China-Uniting Europe? EU foreign policy towards China. In: N. Casarini and C. Musu (eds.), *European foreign policy in an evolving international system: the road towards convergence*, Basingstoke, Palgrave.

¹⁷⁸ Interview with a Commission official: J. (12 July 2009). In Brussels.

¹⁷⁹ Peterson, J. & Sjurson, H. (Eds.) (1998). *A Common Foreign Policy for Europe?: Competing Visions of the CFSP* Routledge, p.114.

The division is also reflected in the formation of a High Level Group, which gave recommendations on how the EU Member States could overcome the challenge from cheap imported goods.¹⁸⁰ Thirty representatives from the exporting and producing industries and four representatives from the importing and retailers industries made up this group. Moreover, there are three countries from the protectionist coalition and only one country from the free traders coalition represented.¹⁸¹ Therefore, when the High Level Group published a paper with its recommendations; the Commission's decision-making was more influenced by the protectionists' arguments.¹⁸² According to this paper, the Commission adopted a set of guidelines to decide what measures should be put in place to safeguard against Chinese imports.¹⁸³ In other words, it is all about protecting the European textile industry. Moreover, a surveillance mechanism for monitoring newly liberalised textile imports, specifically from China was established by Council Regulation 2200/2004.¹⁸⁴ Again, the EU trade policy towards China ignored the demands of retailers, forcing more internal division over trade.¹⁸⁵

3.4. The division between the European Council, Commission and Parliament

The EU is geared to support the direction of Member States, yet at the same time promotes the role of the European Council as the decision-making entity. However, no EU institution makes foreign policy on its own. The European Council is responsible for defining the general political direction and the priorities of the EU, thus it is concerned about the political relationship with China. The Commission has significant influence on foreign policy as it is

¹⁸⁰ Stumbaum 2009. *The European Union and China: decision making in EU foreign and security policy towards the People's Republic of China*, Berlin, Nomos.

¹⁸¹ Ibid.

¹⁸² Commission of the European Communities (2003b). *The Future of the Textiles and clothing Sector in the Enlarged European Union: Recommendation of the High Level Group on Textiles*. Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the committee of the Regions, COM (2003) 668 final, Brussels, 5 November.

¹⁸³ Ibid.

¹⁸⁴ Council of the European Union (2004a). Council Regulation (EC) No 2200/2004, amending Council Regulations (EEC) No 3030/93 and (EC) No 3285/94 as regards the common rules for imports of certain textile products from third countries, Brussels, 13 December.

¹⁸⁵ Interview with the Commission official: P. (31 July 2009). In Brussels.

responsible for proposing legislation, implementing decisions, upholding the Union's treaties and the general day-to-day running of the Union. However, although the EU Commission represents the 27 Member States in trade and economic policy, the Commission still does not have enough power to formulate and execute a unified policy towards China. The European Parliament shares equal legislative and budgetary powers as the Council.¹⁸⁶

Moreover, the European Council, the Council of Ministers and the Commission, as well as the governments of the EU Member States, have persistently adhered to the 'one China policy'.¹⁸⁷ The most recent EU-China Summit Joint Statement points out that: 'the European Union reaffirmed its commitment to the one-China policy and expressed its hope for a peaceful resolution of the Taiwan issue through constructive dialogue.'¹⁸⁸ The EU reiterated concern over the intended UN membership of Taiwan, as this could lead to a unilateral change of the status quo across the Taiwan straits, to which the EU is opposed.¹⁸⁹ This is despite the European Parliaments support for Taiwan's accession to international organizations.¹⁹⁰ The European Parliament on several occasions, through general debate, remarks to the media, expressed support for official visits to Europe by Taiwan's top leaders and attempts of Taiwan to accede to the UN, WHO and other international organisations. It even used its budget powers to press the Commission and Council to set up the EU official delegation in Taipei.¹⁹¹

Therefore, as these three institutions of the EU lack a systemically coordinated mechanism, it delays the speed of the European Union's overall policy-making and any firm action. Lack of agreement and dialogue between the

¹⁸⁶ Except a few areas where the special legislative procedures apply.

¹⁸⁷ Colin, B. (2010). Obstacles in Upgrading the 1985 Trade and Economic Cooperation Agreement between the EU and China. *EU-China Observer*, 3, p. 11.

¹⁸⁸ The Tenth EU-China Summit Joint Statement, Point 3, available at <http://news.sina.com.cn/c/2007-12-03/231113013047s.shtml>.

¹⁸⁹ Ibid.

¹⁹⁰ EP resolution of 10 March 2010 on the annual report of CFSP in 2008 (2009). 2057, Paragraph 68.

¹⁹¹ Lan, Y. (2004). The European Parliament and the China-Taiwan Issue: An Empirical Approach. *European Foreign Affairs Review* 9 Lan, Y. (2004). The European Parliament and the China-Taiwan Issue: An Empirical Approach. *European Foreign Affairs Review* 9, p. 115.

three bodies typically happens when the issue of security, trade interests and human rights are brought forward. Wacker argues that as the EU is represented by the Commission, Council and rotating Presidency deriving at any common strategy, even on paper, would be a cumbersome process.¹⁹² A good example of this is the European Parliament awarding the 2008 Sakharov prize for human rights to jailed Chinese dissident Hu Jia, while simultaneously the Commission is struggling to complete a 'Partnership and Cooperation Agreement' (PCA) with China.

From the perspective of Beijing, the EU Parliament is trying to send a signal to Chinese dissidents and to intervene Chinese domestic politics. The Chinese expressed their anger by slowing down the PCA negotiations. In addition, when the Commission considers adopting an anti-dumping policy towards China, it needs to be approved by the European Council. Yet, not all Member States welcome an adoption of the anti-dumping policy against Chinese products as the above discussed.

During a Council meeting in 2003, it was decided that a re-examination of the arms embargo was needed. As a consequence, the Commission President expressed that China's request for the lifting of the embargo had a great chance of success.¹⁹³ Unsurprisingly, voting in the European Parliament on 18 December 2003, illustrated the opposite view. The results against lifting the ban were 373 to 32 for lifting it. A repeated poll on the 17th November 2004 arrived at the same result.¹⁹⁴

The EU needed to bridge the gap between the community and the inter-governmental area of external policy, headed by the Commissioner for External Relations in the Commission and the High Representative for the Common Foreign and Security Policy. The Lisbon Treaty merged these two

¹⁹² House of Lords (2010). *Stars and Dragons: The EU and China*. European Union Committee, Published by the Authority of the House of Lords, p. 26.

¹⁹³ Kreutz, J. (2004). Reviewing the EU arms embargo on China. *Perspectives* 22, p. 44.

¹⁹⁴ *Ibid.*, p. 53.

roles to a single 'High Representative of the Union for Foreign Affairs and Security Policy,' now the main coordinator and representative of the Common Foreign and Security Policy (CFSP) within the European Union.¹⁹⁵ However, the new arrangement of High Representative will not be able to reduce the divisions between the Council and the Commission at least in the short term after the treaty ratified. This arrangement might cause 'institutional complexity,'¹⁹⁶ yet more importantly it will not alter the fact that Member States will inevitably follow their best interests, which will cause further division and ineffectual foreign policy.

4. Conclusion

The Commission's evaluation report argues that most of the Member States, when responding to the Paris Declaration¹⁹⁷ which called for improved donor coordination and harmonisation, have failed to meet these high hopes; especially when the problem is as acute as China.¹⁹⁸ As this chapter examined, EU internal divisions originating from different national interest within the Member States have led to poor coordination within the EU. The divisions between Member States have facilitated further divisions between Member States and European Institutions. Firstly, in the example of trade policy, division was caused by the row between free trade and protectionism. Secondly, the EU internal divisions surrounded the lifting of the arms embargo was caused by the intervention of the US. These divisions were not merely based on different national preferences or interpretations of the

¹⁹⁵ House of Lords (2008). The Authority of the House of Lords The Treaty of Lisbon: An impact assessment, European Union Committee, 10th Report of Session 2007-08.

¹⁹⁶ Blom, Tannelie, Radulova, Elissaveta & Arnold, Christine (2008). Theorizing Modes of Governance in the EU: Institutional Design and Informational Complexity. European Governance papers, No. C-08-04.

¹⁹⁷ The Paris Declaration adopted in February 2005, international community came together at the Paris High Level Forum on Aid Effectiveness, hosted by the French government and organised by the OECD. It lays down principles and procedures for enhancing the effectiveness of aid and specifies them in twelve targets supplied with monitorable indicators and to be achieved by 2010.

<http://capacity4dev.ec.europa.eu/event/implementation-paris-declaration-aid-effectiveness-where-do-we-stand-and-how-move-forward>

¹⁹⁸ (The European Commission (April 2007). Evaluation of the European Commission's Co-operation and Partnership with the People's Republic of China: Country Level Evaluation, Final Synthesis Report, p. 51.

impact of Chinese economic power on the region. Moreover, when Member States became divided over issues, China put great pressure on the Big Three and the European Council. Although the EU finally decided to postpone the lifting of the arms embargo, it has not satisfied any party, but remains a sour reflection of the credibility of EU foreign policy.

Shambaugh criticised the EU by arguing that: “*the powerful processes of pooled sovereignty and economic integration in Europe have not been matched by similar coherence of policy on the global stage.*”¹⁹⁹ Algieri explains this incoherent European policy as a structural problem of the European integration process and an expression of the gap between intergovernmental and communitarian forces.²⁰⁰ Algieri argues that this situation can be resolved by balancing external economic and political relations. However, this thesis argues that it is not a structural problem but a weakness of international institutions. As long as China is able to press Member States to alter their attitude in the European Council, incoherent European policy will continue to be exercised. Therefore, the Chinese policy makers continually expressed that European companies and national governments will gain an advantage from China if they can separate trade policy and the human rights issue.²⁰¹

The issue of the EU’s textile dispute with China illustrates the division of the EU in external matters was conspicuously manifested in this case. There are many indications from studying the reports from the Council and Commission meetings that demonstrate the preferences of the EU and its Member States. There appears to be a greater degree of support for mercantilist concerns, predicted by the realist approach than by purely commercial concerns. Furthermore, the issue of the EU arms embargo presents a turning point in EU-China relations. It is as if the honeymoon is over.

¹⁹⁹ Shambaugh, D. (2005). The New Strategic Triangle: U.S. and European Reactions to China’s Rise. *The Washington Quarterly*, 28(3), pp. 13.

²⁰⁰ Algieri, F. (2002). EU Economic Relations with China: An Institutional Perspective. *The China Quarterly*, p. 77.

²⁰¹ Interview with a Chinese diplomat: L. (16 July 2009). Brussels.

From a Chinese perspective, Beijing has realised that EU-China relations are limited by the US factor. So long as the EU relies on US military collaboration, China will find it hard to ally with the EU and ultimately balance against the US. Moreover, Chinese leaders shifted their attitude towards the EU because they perceived that the EU is not an independent actor in security. Thus, China would not put too much effort on building a genuine strategic relationship with the EU. Instead of strengthening bilateral relations with Brussels, Beijing prefers to promote its relationship with London, Paris, and Berlin.²⁰²

The EU leaders are aware that their internal divisions undermine the effectiveness of EU foreign policy. This situation ensures that the US can remain close to the EU over issues of trade and political direction. The transatlantic convergence has come about as a result of improved sensitivity and communication on both sides of the Atlantic. Shambaugh notes: "*this development [incoherent EU foreign policy] offers perhaps an unprecedented opportunity to coordinate, cooperate, and maximise respective transatlantic policies towards China.*"²⁰³ This convergence has added pressure on China over the issue of trade and security and has contributed to Beijing's anxiety about the West uniting against its rise.²⁰⁴

Overall, the examples in this chapter demonstrate that the European Union is still a long way from conducting foreign policy as a state, particularly as it suffers from influence from external powers. China is able to utilise diplomatic relations with major European countries to pressurise the position of the EU. If China decides that it has been offended, as Sandschneider

²⁰² Interview with Yinhong Shi (17 June 2009). Brussels.

²⁰³ Shambaugh, D. & Wacker, G. (Eds.) (2008). *American and European Relations with China*, SWP Research Paper, p. 8.

²⁰⁴ Shi, Y. (2008) US-Europe close, Sino-Europe estranged and China's strategic demand. *Contemporary International Relations*, (5) 9-11; Crossick (2008b) *China, EU & US: Holy Trinity or Ménage à Trois?* 18 June 2008, accessed on 13 Feb, 2009.

<http://crossick.blogactiv.eu/2008/06/18/china-eu-us-holy-trinity-or-menage-a-trois/#comment>.

observed, almost all European countries experience fear of Chinese sanction measures.²⁰⁵ Moreover, the Lisbon Treaty has not resolved the difficulties of EU internal divisions. Spain, as holder of the first presidency of the rotating system, used its position to gain momentum in an attempt to lift the arms embargo on China.²⁰⁶

In essence, Spain was ignoring the 'spirit of Lisbon'. Why is this the case given the promise of a unified European voice in Lisbon? This chapter argues that significant challenges to Europe come from both within the institution and from outside. There are divisions between Member States and divisions within the EU. These divisions make it very difficult for the EU to speak with one voice and produce a coherent foreign policy. Thus, other great powers can exploit, even deepen these divisions to take advantage. This challenges the credibility of EU foreign policy and undermines its attempts to deal with global crises such as international terrorism and the growing proliferation of nuclear arms. Although the EU has been consolidating and strengthening its common China policy,²⁰⁷ different and important national foreign policies still exist. Therefore, China can adopt active policy of trade-offs with different European partners, notably the strategy of divide-and-rule, which will be examined in chapter 5.

²⁰⁵ Sandschneider, E. (2002). China's Diplomatic Relations with the States of Europe. *The China Quarterly*, 169, p. 43.

²⁰⁶ Charlemagne (1 February 2010). The EU and arms for China. *Economist*; Oklestkova, I. & Bondiguel, T. (2st February 2010). Lifting the EU arms embargo on China: cui bono? *Euobserve.com*, <http://euobserver.com/7/29389>

²⁰⁷ Wong, R. (2005). Towards a Common European Policy on China? Economic, Diplomatic and Human Rights Trends since 1985, University of Victoria Publications. *University of Victoria Publications*, <http://web.uvic.ca/europe/ipsa-rc3/rwong.pdf>.

Chapter 4

The US factor in EU-China relations:

Case study of Arms Embargo and Strategic Partnership

Introduction

The purpose of this chapter is to address the argument of US intervention over EU-China relations, which causes EU foreign policy on China not able to achieve its stated objectives. Global politics look very different today than they did 30 years ago. Nevertheless the fundamental factor remains that the United States continues to play a pivotal role in the world. Thus, when the EU begins to engage with China, it has to consider whether EU China policy would affect its transatlantic relationship. On the Chinese perspective, Beijing's biggest challenge to its authority in East Asia is the United States. The EU and China recognise that a good relationship with the US is a priority. Therefore, this situation offers the US a role to intervene EU foreign policy towards China if Washington regarded it necessary. As Yahuda contended in 1995, EU-China relations have long been a 'secondary relationship' yet still valid,¹ although both sides insisted to claim that their bilateral relations are independent.

However, in 2003, the essential motivation of attempting to establish EU-China strategic partnership was a response of American unilateral foreign policy in the initial term of the Bush administration. It tended to follow a unilateralist path,² thus causing the EU and China to seek multilateral policies to soft balance the US. The meaning of 'soft' is that the EU does not want to betray the US by assisting China with military equipment or form a war-fighting alliance. The EU is inclined to rely on non-military tools such as the use of diplomacy, act through international institutions and international law to constrain and condemn illegitimate US action.³ To achieve this goal, the EU needed to align with other powers to press the superpower. Therefore, it was

¹ Yahuda, M. (1995). China and Europe: The Significance of a Secondary Relationship, in T.W. Robinson & D. Shambaugh (eds), *Chinese Foreign Policy: Theory & Practice* Clarendon Press, Oxford.

² Foot, R. (2010). Strategy, Politics, and World Order Perspective: Comparing the EU and US Approaches to China's Resurgence in R.S. Ross, Ø. Tunsjø & Z. Tuosheng (eds), *US-China-EU relations: managing the new world order*, Routledge, London.

³ Casarini, N. (2009). *Remaking Global Order: The Evolution of Europe-China Relations and its Implications for East Asia and the United States*, Oxford, Oxford University Press, p. 11.

a reasonable strategy to assist China in narrowing the economic and technology gap with the US.

In Bush's second term, Washington swung back towards a more multilateralist end of the spectrum, indirectly ensuring the end of the 'EU-China honeymoon'. The US is capable of undermining the relationship between the EU and China, especially if it threatens its own interests. The best example was when the EU attempted to lift the arms embargo on China but the US opposed it. The US opposition was stemming from that transatlantic view security differently, which Washington regarded that lifting the ban would benefit on Chinese military modernisation and this would make China capable to challenge US interest in East Asia.⁴ Therefore, the first section of this chapter will illustrate the transatlantic divergence towards China, which is the background of why the US intervened in EU policy towards China.

The second section continues to analyse the detail of why and how did the US oppose the EU lifting the arms embargo on China. It will also include why the EU and China wanted the arms embargo lifted. In the third section, it will go on to analyse the US's policy towards EU-China relations: it repaired bilateral relations with both China and the EU. This shifted US policy has therefore caused the attempt of EU-China strategic relationship to be largely over, because the EU was not able to lift the arms embargo and China recognised that the EU was not an independent actor in security issues. Although the EU and China both mentioned the importance of their strategic partnership published in official policy papers, both sides cannot overcome the obstacles of US intervention.⁵ Finally, this chapter argues the US interventions in this relationship and ultimately that EU foreign policy towards China has not achieved its stated objectives.

⁴ Shambaugh & Wacker (eds.) 2008. *American and European Relations with China*: SWP Research Paper.

1. Transatlantic Divergence towards China

Approaches to cope with the rising China have never been congruent between the US and the EU. The topic of China is an ongoing challenge for transatlantic coordination; how does one engage with non-democratic but powerful countries? American policymakers did not notice the rapid development of EU-China relations before the issue of arms embargo. Nor does it seem there was much attention to the ever growing political, economic and security-related importance of China and Europe to the world combined with a steadily improving relationship.⁶ However, the attempt of EU-China strategic cooperation attracted Washington's attention eventually. The 2003 EU-China strategic partnership statement and the proposal to lift the EU arms embargo on China were the two issues that arised from American's awareness that the EU-China alliance might challenge the United States strategic interest.

The emergence of China as a major economic and trade power has made it a real challenge for policymakers in both the United States and the 27-member European Union. On the one hand, their firms have invested billions of dollars in the enormous Chinese market to take advantage of the economies of scale and cheap input (such as labour, land and material) cost. On the other hand, they are finding it exceedingly difficult to successfully face competition from their Chinese counterparts at home. Both the EU and the US have seen their trade deficit with China double during the last half-decade.⁷

⁵ The European Commission (2003). *A maturing partnership - shared interests and challenges in EU-China relations*; Ministry of Foreign Affairs (2003). *China's EU Policy Paper*, the People's Republic of China, October.

⁶ As Gill criticised: 'Washington's policy elite remains largely unaware of the remarkable scope and nature of China-Europe ties and their implications for U.S. political, diplomatic, and economic interests for the years ahead.' Gill, B. and M. Murphy (2008). *China-Europe Relations: Implications and Policy Responses for the United States*, A Report of the CSIS Freeman Chair in China Studies, CSIS, p. 2.

⁷ Zaidi, H. (2009). China factor in global economy. Accessed in 15 October 2009, from <http://www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/in-paper-magazine/encounter/china+factor+in+global+economy>

From an American perspective, the most significant element of transatlantic divergence over China was that Europe still did not have much security concern about China. China is not viewed as a military threat by most European Member States, not least because Europe does not have something similar to a Taiwan Relations Act, which could possibly bring about direct military involvement. As Gill argued that: 'To the degree European policymakers see 'threats' emanating from China, they tend to be either on questions of 'soft security,' such as economic competition, illegal immigration, transnational crime, smuggling of drugs and contraband, environmental issues, and human rights, or on 'hard security' issues that have only an indirect impact on European security, such as Chinese nuclear proliferation.'⁸ Hyde-Price also contended that the EU Member States might be tempted to leave the USA to deal with security threats in Asian security issues on its own, allowing them to focus on trade and economic issues.⁹ Moreover, the most fundamental differences between the US and Europe is that Europe, unlike the US, is not a global actor in security issues or a regional actor in East Asia. Therefore China's military rise has been identified as one of the most important future challenges for US forces, but not for the EU Member States.

In Washington opinion is divided on how to deal with China's rise: engagement or containment. The majority of US commentators and policy makers believe that a policy of engagement should continue in some form while press for change in 'critical areas.'¹⁰ However, this dual-oriental strategy, engaging and containing China, complicates cooperation with Europe. America's recent foreign policy has made it difficult for European governments to gauge the intentions of their Atlantic alliance. On the one hand, the US encourages China as a responsible stakeholder. On the other hand, it fervently advocates a containment policy towards China.¹¹ This

⁸ Gill, B. and M. Murphy (2008), p. VIII.

⁹ Hyde-Price, Adrian (2006). 'Normative' power Europe: a realist critique. *Journal of European Public Policy*, 13, 224.

¹⁰ *Transatlantic Dialogue on China: Final Report* (February 2003), Henry Stimson Centre and German Council on Foreign Relations, p. 18.

¹¹ Among the Republican right wing claimed the policy of Containment toward China in the

situation produces the divisions within the legislative and executive branches of the US government. In Congress the political opinion is split over China. The government departments and agencies involved with formulating policy on China are similarly divided. No surprises then that the EU voices its confusion regarding US intentions.

Nonetheless, a similar situation happened within the EU. The Member States have established a joint approach to China, guided by belief in 'effective multilateralism.' Europeans have adopted a more engaging strategy towards China. However the EU's Common Foreign and Security Policy (CFSP) ensures that member state governments continue to be in charge of China policy respectively.¹² In reality gathering support for a coordinated approach to deal with China is very difficult. Even when the EU Member States can agree on a common policy or approach, cooperation with non-EU countries is difficult. The need to preserve unity among the 15 Member States¹³ made it difficult for the Union to adjust to new circumstances in bilateral or multilateral talks.¹⁴ Thus, in return, the United States also faces the serious challenge of dealing with 'many voices' from Europe.

However, the US still expects that the agreement of transatlantic China policy 'would have to be based on the US prerogative that the EU should adopt core US perspectives.'¹⁵ Obviously, the EU does not welcome this expectation, which produces the transatlantic divergence over China. More precisely, a transatlantic divergence is because of an imbalance in focus and interest. As Sandschneider pointed out that: "*any attempt 'to manage the rise of China' would*

Bush administration, which did not believe in engagement with China. They believe that China's economic development will translate directly into more military power and therefore repression at home; Mochizuki, M. (14 May 2001). US Foreign Policy toward East Asia. RIETI, Tokyo; Sandschneider, E. (2008). Transatlantic Divergences on the Rise of China IN Shambaugh, D. & Wacker, G. (Eds.) *American and European Relations with China*. SWP Research Paper, p. 26.

¹² Duke, S. & Vanhoonacker, S. (2006). Administrative Governance in the CFSP: Development and Practice. *European Foreign Affairs Review*, 11(2), p. 163.

¹³ In 2003, the EU had 15 member states, but now has 27.

¹⁴ (February 2003). Transatlantic Dialogue on China: Final Report. DGAP-Analyse, Henry Stimson Centre and German Council on Foreign Relations, p. 18.

almost immediately lead to a clash of interests, which would be difficult for us to overcome and easy for China's government to see."¹⁶ Therefore, the interest conflict on both sides' China policy is the fundamental factor of the transatlantic divergences towards China.

Moreover, the United States response to the September 11 terrorist attack acted as a catalyst for further disagreements. When the Bush administration focused on combating global terrorism, Europe's political, economic, and military support for the US-led war on terrorism began to wane after a year.¹⁷ After the Iraq War, the EU and many of its Member States appeared to put their interests solely on the future stability and prosperity of Europe. Most importantly, the EU wanted constructive and influential role in global affairs, which attempts to act as a normative power. Therefore, incompatible US and EU priorities, such as over security in East Asia, make it difficult to establish a common approach towards China's evolution and role in East Asia.

The Bush administration viewed China as a strategic competitor, especially from an economic point of view, as well as over Taiwan, missile defence, and regional security in East Asia.¹⁸ The US could not tolerate the prospect of the EU aligning with China to soft balance. The tension between the two sides caused all the negative rhetoric. The EU complained of American unilateralism and what they saw as an arrogant and self-serving notion of national interest that accommodated little room for allied interests or concerns.¹⁹ Therefore, the EU was distrustful of American policies and approaches and increasingly concerned that foreign policy priorities were clouding common philosophy and principles. The European leaders feared involvement in conflicts due to misguided U.S. policies. On the one hand, US officials criticised the Europeans for insufficient investment in defence

¹⁵ Sandschneider, E. (2008). p. 27.

¹⁶ Ibid.

¹⁷ Scott, D. (2007a). China and the EU: A Strategic Axis for the Twenty-First Century? *International Relations*, 21, p. 34.

¹⁸ Shambaugh, D. (2005b) 'The New Strategic Triangle: U.S. and European Reactions to China's Rise', *The Washington Quarterly*, vol. 28:3, pp. 22.

capabilities, which to them demonstrated Europe's incapacity to partner the US sufficiently outside of Europe.²⁰ This sort of critique has prompted some within the EU to call for the firm establishment of the Union as an independent global actor in security affairs. Allying with China is an opportunity, which will help the EU reach this goal. Admittedly, expectations are too high for some European leaders such as Jacques Chirac and Gerhard Schröder.²¹ They were eager to ally with China to soft counterbalance US unilateral path, which attempt to lift the arms embargo on China as an exchange for the bilateral strategic partnership in 2003. This action led the US to publicly intervene in EU foreign policy towards China.

2. The US against the EU Lifting the Arms Embargo on China

2.1. The background

The EC/EU banned the sale of arms to China in response to the Tiananmen tragedy of 1989 when the China's People's Liberation Army (PLA) attacked students and labourers in Tiananmen Square.²² The United States, the European Community (EC) with other Western countries, and Japan condemned the massacre and imposed a number of sanctions. The EC imposed the sanction of arms embargo on China, on the basis of one sentence in a political declaration issued on 27th June 1989, by the 12 Member States of European Community.²³ The declaration made a condemnation towards China: 'brutal repression taking place in China, requests that the Chinese authorities cease executions and respect human rights, and contains measures agreed by the Member States.'²⁴ Moreover, these sanctions included the suspension of military cooperation and high-level contacts, reduction of

¹⁹ Kagan, R. (26 May 2002) The U.S.-Europe Divide, *Washington Post*.

²⁰ Gedmin, J. (20 May 2002) The Alliance is Doomer, *Washington Post*.

²¹ Chirac was the President of France from 17 May 1995 until 16 May 2007; Schröder was Chancellor of Germany from 1998 to 2005.

²² Bajoria, Jayshree (2 June 2009). Tiananmen Square and Two Chinas, the Council on Foreign Relations.

²³ Archick, K., Grimmett, R. F. & Kan, S. (2005). European Union's Arms Embargo on China: Implications and Options for U.S. policy. *CRS Report for Congress*. Congressional Research Service, The Library of Congress.

²⁴ See the Madrid European Council, Presidency Conclusions, June 27, 1989, available at <http://www.eurunion.org/legislat/Sanctions.htm>

cultural, scientific and technical cooperation programs, and the prolongation of visas to Chinese students. The declaration made it clear on the arms restrictions on China calls for 'interruption by the Member States of the Community of military cooperation and an embargo on trade in arms with China.'²⁵

After 14 years of the sanction and following the development of EU-China relations, military exchange and joint manoeuvres with China's PLA has already commenced with some European states. The UK has undertaken an annual strategic security dialogue with China and has been training PLA officers.²⁶ France has followed suit, setting up its own a strategic dialogue and held annual consultations on defence and security issues.²⁷ Germany too has held numerous rounds of high-level consultations with the Chinese military. Chinese defence Minister Chi Haotian visited Germany and Greece, and high-level military delegations from France, Sweden, Denmark and Belgium have visited China.²⁸ It was in this climate of growing EU-China political and military connection that the proposal to lift the arms embargo initiated to be discussed.

2.2. Why does the EU want to lift the arms embargo on China?

It is understandable then why the EU began to re-examine the proposal of lifting the arms embargo in early 2004.²⁹ It claimed that the embargo hindered the development of a 'strategic partnership' with China.³⁰ In autumn 2003, the former French President Jacques Chirac and German Chancellor Gerhard

²⁵ Ibid.

²⁶ UK breaks EU rule, trains Chinese officer (2008, September 7). *UPI.com*, Accessed on 27 October 2009, www.upi.com/Top_News/2008/2009/2007/UK_breaks_EU_rule_trains_Chinese_officer/PI-82381220793189.

²⁷ Mengin, F. Hiding the Sino-Taiwanese Dispute? France-China Global Partnership and the Taiwan Issue, *The Role of France and Germany in Sino-European Relations*, Hong Kong.

²⁸ Chinese Defense Minister Starts Four-Nation Tour (18 March 2002). *Xinhua News Agency*.

²⁹ *EU Business*, December 12, 2003; Smith, C. (27 January 27 2004). France Makes Headway in Push to Permit Arms Sales to China. *New York Times*.

³⁰ Stumbaum, M.-B. U. (2009). *The European Union and China : decision making in EU foreign and security policy towards the People's Republic of China* Berlin, Nomos, pp. 174-175; Interview with Professor Xinning Song(10 April 2009). Brugge, Belgium.

Schröder promised their Chinese counterparts to start negotiations, thinking that it could improve EU-China relations.³¹

There are a number of considerations and arguments that explain the EU's intention to lift the ban.³² First, it will help a genuine strategic partnership between the EU and China. Some scholars criticise the notion that a EU-China strategic partnership, heralded in the 2003 Commission policy paper did not really exist.³³ Again, many European policymakers view the arms embargo on China as a hindrance to develop a genuine EU-China link. The Financial Times outlined that the reasoning behind this policy was a due to strategic considerations; engage Beijing as a crucial counterweight to US predominance in the world.³⁴ The decision to lift the ban would be an: 'historic shift in global allegiances, with the EU choosing for the first time to give preference to the strategic interests of the looming superpower China over the interests of its oldest ally, the United States'.³⁵

From an EU perspective, establishing a strategic partnership with China is essential to raise its profile in East Asia, a region where there is massive potential for economic growth. Since the East Asian countries view Europe as even less relevant than in the Middle East, the EU needs China to increase

³¹ Wacker, G. (2005). Lifting the Arms Embargo on China: US and EU Positions, in B. Gill & G. Wacker (eds), *China's Rise: Diverging U.S.-EU Perceptions and Approaches*, SWP, Berlin, p. 30.

³² The following debate is to analyse the related literature: Archick, K., Grimmett, R. F. & Kan, S. (2005); Casarini, N. (2007a). The International Politics of the Chinese Arms Embargo Issue. *The International Spectator*, 42, 371 - 389; Gill, B. (2005a). "Lifting of the EU arms embargo to China." Testimony before the Senate Foreign Relations Committee. March 16; Kreutz, J. (2004). Reviewing the EU arms embargo on China. *Perspectives* 22, 43-58; Shambaugh, D. (2005a). Lifting the EU Arms Embargo on China: An American Perspective. in Gill, B. & Wacker, G. (Eds.) *China's Rise: Diverging U.S.-EU Perceptions and Approaches*. Berlin: SWP;

³³ Commission Policy Paper (2003). A maturing partnership - shared interests and challenges in EU-China relations; Berkofsky, A. (2006b). The EU-China strategic partnership: rhetoric versus reality. *Facing China's Rise: Guidelines for an EU Strategy*, Chaillot Paper No 94; Callahan, W. A. (2007). Future Imperfect: The European Union's Encounter with China *The Journal of Strategic Studies*, 30; Shi, Y. (2008). US-Europe close, Sino-Europe estranged and China's strategic demand. *Contemporary International Relations*, 5, 9-11; Song, X. (2006). Strategic Elements of EU-China Economic Relations. IN Defraigne, P. (Ed.) *The EU, China and the quest for a multilateral world*, China Institute of International Studies. China Institute of International Studies & ifri.

³⁴ *Financial Times* (21 May 2004). Keep a common front on arms sales to China.

³⁵ *The Times* (22 February 2005). British arms firm will spurn China if embargo ends.

European weight in East Asia.³⁶ Furthermore, some European leaders such as German Chancellor Gerhard Schröder, French President Jacques Chirac and Italy's Prime Minister Silvio Berlusconi consider delaying an end to the ban will damage current opportunities to increase exports to China.³⁷ Several commentators argue that trade in the technology, transport and engineering sectors, as well as the aviation industry, would be facilitated by lifting the embargo.³⁸ From the Chinese perspective, the EU arms embargo on China was a key contradiction of a strategic partnership with China, and was based on cold war ideology, which was injurious to further bilateral economic cooperation.³⁹

Although there is a ban to export weapon to China, ironically, there has been a clear trend of increasing arms exports from EU Member States to China since 1989. According to a report by the US Congressional Research Service (CRS), Europe's exports of military equipment to China multiplied from approximately €55 million at the beginning of the 1990s to €400 million in 2003. In comparison, Russia arms exports to China doubled between the 1990s and the early 2000s, to roughly \$2.5 billion.⁴⁰ These figures are contrary to Frank Umbach's research in the US-China Economic and Security Review Commission, which claimed that eighty% of Chinese imports are coming from Russia.⁴¹ As it is not possible that the US will export arms to China, EU is the best alternative for Beijing. The Europeans have some of the most sophisticated weaponry in the world. Crucially, this is an important industry to increase EU exports.

³⁶ Kagan, R. (2003). *Paradise and Power: America and Europe in the New World Order*, London Atlantic Books, p. 31.

³⁷ Hellström, J. The EU Arms Embargo on China: a Swedish Perspective. *FOI, Swedish Defence Research Agency*. Department of Defence Analysis.

³⁸ Soto, A. (1 December 2004). *China's military modernisation and the possible end to the EU arms embargo*. *Real Instituto Elcano*.

³⁹ Interview with a Chinese diplomat: A. (15 October 2008). Beijing.

⁴⁰ Due to significant difficulties surrounding the collection of data on the arms trade, these numbers should be regarded as estimates rather than official statistics; Archick, Kristin et al. (2005) *European Union's Arms Embargo on China: Implications and Options for U.S. Policy*, CRS Report for Congress, 27 May 2005, p. 14

The second argument to defend the EU's intention for the lifting is that the ban is getting harder to maintain and lacks strict enforcement mechanisms. The current EU Code of Conduct (CoC) on Arms Exports and export controls need to be strengthened to make it more effective.⁴² The Maastricht Treaty that came into effect in November 1993 introduced the Common Foreign and Security Policy (CFSP) and altered the procedural basis for the EU embargo. However, the sanction of the arms embargo on China was adopted in 1989.

It is important to point out that from a legal perspective, it is not an 'EU arms embargo' against China but a series of national arms embargoes established under national laws and regulations.⁴³ The EU Code of Conduct on Arms Exports is adopted in 1998 that arms embargo is ruled by EU standards on arms exports. But the official position of the European Council is that Member States can adopt their own national arms export policies. Subsequently, EU members are expected to maintain the restrictions on arms trade on China, which follow the EU requirements on arms exports to prevent abuses of EU law on China.⁴⁴ However, in the implementation of the arms embargo on China, the different Member States may view the embargo content differently. Therefore, the current EU Code on Arms Exports is not legally binding on the EU Member States, which has become an obstacle to control arms exports to China.

In addition, all the other 1989 sanctions implemented as a result of the Tiananmen massacre were lifted, with the exception of the arms embargo. To many, maintaining this seems an outdated policy. However to other more observant commentators, the EU clearly uses the prospect of lifting the ban in exchange for China's ratification in the National People's Congress (NPC) of

⁴¹ Symposia on Transatlantic Perspectives on Economic and Security Relations with China (2004). U.S.-China Economic and Security Review Commission, U.S. Government Printing Office, p. 80.

⁴² The European Union's Code of Conduct on Arms Exports, with additional modifications, would be a more effective control device than the existing embargo on arms exports to China.

⁴³ Kreutz, J. (2004). Reviewing the EU arms embargo on China. *Perspectives* 22, pp. 43-58.

⁴⁴ Government Offices of Sweden (2005). *Government Communication 2004/05:114 Strategic Export Control in 2004 – Military Equipment and Dual-Use Products*.

the UN Covenant on Civil and Political Rights that was signed by Beijing in 1998. This is a long-term goal of the EU.⁴⁵ On the eve of the EU-China summit in December 2004, China acknowledged that it was still considering ratification of the covenant.⁴⁶

According to above considerations, as the central decision-making unit in the area of CFSP, the Council of the European Union and its working Group on conventional Arms Export (COARM) prepared a sufficient form for the lifting ban at the demand of the Member States.⁴⁷ The form included a 'post-embargo toolbox' which is referred to the nature and scope of 'the revised Code of Conduct, and the new instrument on measures pertaining to arms exports to post-embargo countries.⁴⁸ In other words, the toolbox is designed for a kind of regime, which will actually govern and regulate the arms exports after lifting arms the embargo.

Also, the toolbox is a kind of arrangement, which will enable the EU to manage exports and to see whether there is a balance which might be contributing to the peaceful resolution and which will not contribute to the temptation for unilateral actions in this respect.⁴⁹ From the EU viewpoint, the arms embargo is not only exporting military weapon to China, but also a new regulation to control the arms exports of EU Member States.⁵⁰ However, this strong argument did not convince the US. Obviously, the US's consideration is more than arms exports to China.

⁴⁵ Department of State, "State Department Hosts Bilateral Human Rights Dialogue with China," January 11, 1999.

PRC Ministry of Foreign Affairs, press conference, December 7, 2004

⁴⁶ Archick, K., Grimmett, R. F. & Kan, S. (2005). *European Union's Arms Embargo on China: Implications and Options for U.S. policy*. p. 8.

⁴⁷ Grimmett, R.F. & Papademetriou, T. (2005). *European Union's Arms Control Regime and Arms Exports to China: Background and Legal Analysis*, pp. 12-13.

⁴⁸ Ibid.

⁴⁹ Statement of Jiri Schneider (2004). *Symposia on Transatlantic Perspectives on Economic and Security Relations with China*. IN Commission, U.S.-China Economic and Security review Commission, U.S. Government Printing Office, p. 151; Stumbaum, M.-B. U. (2009). *The European Union and China: decision making in EU foreign and security policy towards the People's Republic of China* Berlin, Nomos, p. 166.

2.3. Why does China want the ban to be lifted?

China issued its Policy Paper on the EU, urging the EU to “*lift its arms embargo in order to remove barriers to greater bilateral cooperation in defence industries and technology.*”⁵¹ There are three arguments to explain China’s reasoning. Firstly, importing sophisticated European weaponry can instantly repair and modernise the Chinese arms industry. As the above section stated, eighty% of Chinese weaponry originates from Russia. This was the case despite former President Putin’s additional restraints on Russian exports to China, and the establishment of a strategic relationship with China’s neighbour India.⁵² Unfortunately for China, India is also a strategic partner of the EU and the US, and both helped modernise the Indian navy.⁵³ Considering China’s border is shared with Russia and India, and the nation has not enjoyed the best of relationships with either, dependence on Russian arms is not an ideal solution for its defence. Modern European weapons, rather than from their aloof neighbour, is a critical factor behind Chinese insistence on the EU to lift the arms ban.

Secondly, China attempted to ally the EU against US unilateralist foreign policy. From a Chinese perspective, an unchecked America could block China’s emergence and influence in Asia, intervening where China has critical interests such as Korea, Southeast Asia, and Taiwan. Therefore, to build a genuine strategic partnership with the EU, with access to their weaponry, is a good strategy to contain American hegemony. Thus, China has used the name of strategic partnership to ask the EU lifting the arms embargo. For the implementation of an EU-China strategic partnership, Beijing and Brussels-based Chinese diplomats and scholars argued that was hardly

⁵⁰ Interview with a British diplomat to the EU: K (14 July 2009). Brussels.

⁵¹ China’s EU Policy Paper (13 October 2003). Ministry of Foreign Affairs, the People’s Republic of China.

⁵² Statement of Frank Umbach (2004). Symposia on Transatlantic Perspectives on Economic and Security Relations with China. IN Commission, U.S.-China Economic and Security Review Commission, U.S. Government Printing Office, p. 179.

⁵³ Feng, G. (2006). Perspectives on EU-India Relations. *CEPS Working Document*.

possible with an arms embargo imposed.⁵⁴ Thirdly, Chinese leaders consider the ban as a national humiliation, which lumps China together with pariah states such as Sudan, Zimbabwe, Myanmar, and North Korea.⁵⁵ It would be a significant symbolic victory to China if they become fully accredited by Western countries.

Therefore, China had steadily increased the pressure on the EU to pursue for lifting the ban within bilateral exchange in 2002. Beijing pressured Brussels and the Big Three capitals in particular in the gestation period to the General Affairs and External Relations Council (GAERC) meeting in Luxembourg on 26 April 2004.⁵⁶ However, because of some Member States such as Sweden, Denmark, Holland and the UK were still hesitating, the lifting decision could not be reached.⁵⁷ Since then, Beijing began to learn the lesson that a divided EU would be a serious obstacle to engage with the EU.⁵⁸ Consequently, Beijing was threatening the EU and the Big Three that without lifting the ban of arms embargo might cause diplomatic consequences before the December 2004 European Council meeting.⁵⁹

Moreover, to show its goodwill over the lifting, Beijing decided to sign a Joint Declaration on Non-Proliferation and Arms Control during the 2004 EU-China Summit.⁶⁰ Notwithstanding this, the Chinese policymakers ignored that the European CFSP process was still affected by the divisions of the Iraq row. Also, the Chinese diplomats had overestimated the transatlantic rift, which the European would satisfy Chinese demand even it is against American strategic interest.⁶¹ In the end, China failed to persuade the EU to

⁵⁴ Interviews with Xining Song and a Chinese EU diplomat: L. (10 April, 16 July 2009). Brussels.

⁵⁵ Casarini, N. (2007a); Ching, Frank (2004) *Changing Dynamic*.

⁵⁶ Beatty, Andrew (03.12.2004). China steps up pressure to lift arms embargo EUOBSERVER.

⁵⁷ Interview with a French diplomat: N. (24 July 2009). Brussels.

⁵⁸ Interview with a Chinese diplomat, C. (14 November 2008). Beijing.

⁵⁹ Stumbaum, May-Britt U (2009). *The European Union and China: decision making in EU foreign and security policy towards the People's Republic of China*, Berlin, Nomos

⁶⁰ Council of the European Union (8 December 2004). *Joint Statement: 7th EU-China Summit*.

⁶¹ Interview with the CASS fellow: Ling Jin (18 June 2009). Brussels.

lift the embargo ban and, under the pressure from the US, the EU decided to postpone the proposal of lifting the ban.

2.4. Why does the US oppose the lifting of arms embargo on China?

There are a number of reasons to explain why the United States opposes the proposal to lift the arms embargo on China.

2.4.1 To maintain its strategic predominance in East Asia.

The first prerequisite of America's 'great strategy in East Asia' is to maintain American superiority. Griffin and Pantucci's argument clearly presents this:

*"The ongoing arms embargo controversy points to a deeper tension: Washington fears that Europe will be an irresponsible actor in Asia, while Brussels suspects that Washington won't accept any European role at all. Bridging this gap is not simply a matter of overcoming mutual suspicion, for Washington and Europe have vastly different interests in Asia both in terms of scope and scale. And the rapid growth of Sino-European ties indicates that those interests will continue to diverge in the absence of a strong countervailing effort."*⁶²

Gill argues American policymakers oppose lifting the arms embargo due to their belief that such action would threaten US security interest in Asia and unduly and dangerously contribute to modernising the Chinese military.⁶³ East Asia is a hot spot for potential unrest and economic advancement. Maintaining the current stable Cross-Strait relations between China and Taiwan are a priority for the US. It is no surprise then that the prospect of Chinese soldiers using European weaponry in a potential military conflict

⁶² Griffin, C. and R. Pantucci (2007). A Treacherous Triangle? China and the Transatlantic Alliance. *SAIS Review* 27(1)

⁶³ Gill, B. (2008). The United States and the China-Europe relationship, in D. Shambaugh, Eberhard Sandschneider, Hong Zhou (ed.), *China-Europe Relations*, Routledge, p. 271.

with Taiwan worries the US.⁶⁴ After all, the US is linked to Taiwan by the Taiwan Relations Act.⁶⁵

There is continual cause for tension between North and South Korea, such as the North's construction of nuclear weapons and the unresolved territorial claims over the Spratly Islands in the South China Sea. Washington is certain that due to an American presence in the region they can police the situation. Perhaps this will cease to be the case if China can present itself as a credible military authority. American political leaders and scholars often argue that if Europe had any significant strategic interest or military presence in East Asia, or was committed to Taiwan's security, European leaders would probably be much less tempted to lift the arms embargo. Overall, the US naturally expects the EU to align with the US, not China, when coping with security-related issues and can coordinate with US priorities.⁶⁶ Thus, if the EU was inclined to strengthen its military link with China, which might challenge US's predominance in East Asia, the US would be against it.

2.4.2 *Contain China's military modernisation*

The United States is concerned that China will become a significant security problem to them, while Europe in general addresses political and commercial relations.⁶⁷ China's gradual military build-up, combined with a steep rise in its economic development, has caught the keen attention of the US. In only a decade, the official military budget has almost quadrupled from about US\$ 8.9 billion in 1996 to US\$ 35 billion in 2006. The Chinese military budget is about a third of the US, and the second highest in the world.⁶⁸ Most importantly, the above numbers are expressing that China is willing, capable,

⁶⁴ Sandschneider, E. (2008). p. 25.

⁶⁵ This Act was passed through congress in 1979 after the establishment of diplomatic relations with the People's Republic of China (PRC) and the breaking of sole relations between the United States and the Republic of China (ROC) by US President Jimmy Carter. It clearly defines the American position on Taiwan and its cross-strait relationship with Beijing.

⁶⁶ Stumbaum (2009). p. 176.

⁶⁷ Weinrod, W.B. (2006). US and European Approaches to China, *Mediterranean Quarterly*, vol. Spring, p. 17.

⁶⁸ Cordesman, A.H. & Kleiber, M. (2006). *Chinese Military Modernization and Force Development*, Center for Strategic and International Studies, p. 22.

and enacting military modernisation. Moreover, as Sandscheider argues: “Western experts assumed that the real amount could well be estimated at somewhere between US\$ 35 and 90 billion.”⁶⁹ The point is not arguing what is actually the Chinese People’s Liberation Army (PLA) budget. Instead, this amount of Chinese military budget has caused concern to the US and views the PLA as a potential challenger.

In 2005, President George W. Bush commented on a tour of Europe: ‘there is deep concern that the transfer of weapons would be the transfer of technology to China, which would change the balance of relations between China and Taiwan.’⁷⁰ The US is very concerned about the EU transferring sensitive military technology such as dual-use weaponry.⁷¹ The dual-use technologies⁷² is not addressed in the Code of Conduct in advance, which might generate room for leaking those dual-use technologies to China, which have found the way from Europe to China.⁷³ Certainly, the US concerns that China obtains the dual-use technologies weaponry. In early 2005, Senator Richard Lugar warned that: “the technology the US shares with European allies could be in jeopardy if allies were sharing that through these commercial sales with the Chinese.”⁷⁴ The increasing military budget and gaining military technology are the two key symbols for the US that China is modernising its military. From an American perspective, it can be linked to the potential risk that China’s military modernisation will cause military imbalance in East Asia. The US may not be able to thwart China’s will to modernise its military, but, at least it will not help China to achieve this goal.

⁶⁹ Sandschneider, E. (2006) Is China’s military modernization a concern for the EU, in M. Zaborowski (ed.), *Facing China’s rise: Guidelines for an EU strategy*, EU Institute for Security Studies, Paris, p. 40.

⁷⁰ Bumiller, E. (22 February 2005). Bush Voices Concern on Plan to Lift China Arms Embargo, *New York Times*.

⁷¹ Statement of Frank Umbach (2004). Symposia on Transatlantic Perspectives on Economic and Security Relations with China. U.S.-China Economic and Security Review Commission, U.S. Government Printing Office, p. 79.

⁷² Dual-use is a term that often refers to the proliferation of nuclear weapons, but that of bioweapons is a major issue.

⁷³ Statement of Frank Umbach (2004). p. 79.

⁷⁴ Alden, E. & Sevastopulo, D. (21 February 2005). Lugar Threat on EU Arms Sales to China. *Financial Time*.

2.4.3 Human Rights

A concern about China's human rights record was a prominent reason to adopt the arms embargo on China. Washington argues that the lifting of the ban should depend on China's current human rights records. Unfortunately, after the Tiananmen crackdown hundreds of dissidents remain imprisoned and there is still an unwillingness to examine that tragedy in a critical light.⁷⁵ Therefore, the US contends that the lifting will send the wrong signals to other repressive regimes.⁷⁶ Also, the embargo symbolizes continued discontent with China's human rights record and concern over its military modernization program might threaten a peaceful resolution of Taiwan and other Asian issues.⁷⁷ As the US Deputy Assistant Secretary of State Randall G. Schriver pointed out the arms embargo had been imposed due to grave human rights violations and that the human rights situations had not improved in the United States' view.⁷⁸ In fact, China refused to re-examine the Tiananmen Crackdown and ratified in March 2005 an Anti-Secession Law, stating the use of force against Taiwan's independent movement if successful. Moreover, the US government has accused Beijing of suppressing political, social and religious groups, because they are an apparent threat to national stability and likely to cause unrest on the scale of Tiananmen.⁷⁹ The US Under Secretary of State for Political Affairs, Nicholas Burs stated that:

"As our relationship with China develops, however, we remain concerned by its human rights record. The United States and EU embargos were imposed in

⁷⁵ US Department of State (17 March 2005). Daily Press Briefing; Jim Yardley (18 March 2005). China Frees Muslim Woman Days Ahead of Rice's Visit. *New York Times*.

⁷⁶ Brookes, Peter 2005. The Lifting of the EU Arms Embargo on China: An American Perspective. The Rise of China with Special Reference to Arms Supplies-European Security Forum/A Joint Initiative of CEPS and the IISS.

⁷⁷ Shambaugh, D. (2005a). Lifting the EU Arms Embargo on China: An American Perspective. IN Gill, B. & Wacker, G. (Eds.) *China's Rise: Diverging U.S.-EU Perceptions and Approaches*. Berlin: SWP, p. 24; Gill, B. (2008). The United States and the China-Europe relationship, in D. Shambaugh, Eberhard Sandschneider, Hong Zhou (ed.), *China-Europe Relations*, Routledge, p. 271.

⁷⁸ Lawless, R. and Sebriver, R. (2004) 'Administration Views on US-China-Taiwan Relations', testimony before the US China Economic and Security Review Commission, 6 Februar5.

⁷⁹ Archick, K., Grimmett, R. F. & Kan, S. (2005). European Union's Arms Embargo on China: Implications and Options for U.S. policy. *CRS Report for Congress*. Congressional Research Service, The Library of Congress, p. 8.

response to the Tiananmen massacre in 1989. The U.S. Government has stated repeatedly that we view our embargos as complementary, and that the underlying reason for their imposition remains valid.”⁸⁰

For instance, in a State Department press conference on 25 January 2005, a spokesman argued that China’s human rights situation has suffered negative developments in some instances.⁸¹ One month later, the State Department published its report on human rights in 2004, which reported that China’s human rights record remained poor. According to US observers, Beijing utilised terrorism as an excuse for cracking down on suspected Uighur separatists and on independent Muslim religious leaders.⁸² The US has emphasised that due to the lack of substantial improvement, the ban should not be lifted. There continues to be deficiencies and violations compared to global norms. The US does not want the EU sending the wrong signal to China and the world that the West has turned a blind eye on the human rights issue.

2.5. How did the US oppose it

The European leaders did not anticipate opposition from Washington to be so fierce. However, all senior politicians within the Bush Administration opposed this course of action in various speeches addressed to Europeans during 2004 to 2005. Even non-governmental opinion across the political spectrum from conservative or neo-conservative to leading American observers share this opinion on lifting the embargo. After the European Council had the decision to review the arms embargo in December 2003, the Bush Administration started to make public statements and send intelligence

⁸⁰ Burns, R. N. (14 April 2005). The National Security and Foreign Policy Implications for the United States of Arms Exports to the People’s Republic of China by Member States of the European Union. Testimony before the House International Relations Committee and the House Armed Services Committee.

⁸¹ Department of State (25 January 2005). press briefing.

⁸² Department of State, “Country Reports on Human Rights Practices in 2004,” February 28 2005.

officials to bilaterally explain to EU Member States the negative implication of a lifting on the strategic balance in the East Asia region.⁸³

In early 2004, President Bush appointed envoys to directly communicate US fears about the effect European weaponry would have on Chinese military modernisation. Bush visited Europe the following year and again warned European leaders about the consequences of transferring high technology to China's military.⁸⁴ Condoleezza Rice repeatedly warned that lifting the arms embargo would send the wrong signals about human rights.⁸⁵ Moreover, high-ranking American administrators continued to press their counterparts within the EU. Under Secretary for Political Affairs Nicholas Burns testified in the House International Relations Committee that the US strongly opposed lifting the embargo.⁸⁶ Robert Zoellick, a former Deputy Secretary of State, also warned that the proposal: 'could come at a stiff price in terms of transatlantic defence ties.'⁸⁷ A crucial point for the United States, after all, between 2000-2003 the US concluded government-to-government arms sale agreements with Poland for \$3.7 billion, Greece for \$3.3 billion, the United Kingdom \$1.8 billion, and Italy \$1.3 billion.⁸⁸ The Ministry of Defence in the United Kingdom estimated that in the coming years the value of American defence contracts could approach \$13 billion. This would be in addition to the defence supplies or programs for which American firms currently hold contracts.⁸⁹

⁸³ A number of these statements are available via the website of the United States Mission to the European Union, URL:

http://useu.usmission.gov/Dossiers/Chinese_Arms_Embargo/default.asp

⁸⁴ Bumiller, E. (22 February 2005). Bush Voices Concern on Plan to Lift China Arms Embargo, *New York Times*.

⁸⁵ US Department of State (02 February 2005). Press Release: Tim Receveur, Lifting Arms Embargo Against China Would Send 'Wrong Signal.' Accessed 19 October 2009,

<http://www.america.gov/st/washfile-english/2005/February/20050202181354btruevecer0.3888513.html>

⁸⁶ Burns, R.N. (14 April 2005). *The National Security and Foreign Policy Implications for the United States of Arms Exports to the People's Republic of China by Member States of the European Union*, testimony before the House International Relations Committee and the House Armed Services Committee, Accessed on 20 May 2009,

<http://armedservices.house.gov/comdocs/schedules/Burns41405.pdf>.

⁸⁷ Chanda, A. (15 April 2005). US and EU officials Indicate Continuation of European Weapons Ban on China, *WMRC Daily Analysis*.

⁸⁸ Grimmett, R. F. (2003). *U.S. Arms Sales: Agreements with and Deliveries to Major Clients, 1996-2003*, CRS Report RL32689.

⁸⁹ Archick, K., Grimmett, R. F. & Kan, S. (2005). European Union's Arms Embargo on China:

This threat to the EU was genuine, as American defence firms voiced their concerns about the implication to their businesses if the European market was restricted.⁹⁰ When choosing between weapons sales to China and losing defence industry ties in the US, most European Member States chose to keep the Americans on board.

On 28th January 2004, the US government and the EU held senior-level discussions about the issue of lifting the arms embargo on China. A US State Department spokesman stated that: 'certainly for the United States, our statutes and regulations prohibit sales of defence items to China. We believe that others should maintain their current arms embargoes as well. We believe that the U.S. and European prohibitions on arms sales are complementary, were imposed for the same reasons, specifically serious human rights abuses, and that those reasons remain valid today.'⁹¹ The US encouraged Japan to press the EU, prompting them to argue that lifting the ban would unbalance the military stalemate in the Taiwan Strait.⁹² Japanese Foreign Minister Nobutaka Machimura told the EU's top foreign policy official, Javier Solana, on 8 February 2005 that Japan opposes the lifting of the arms embargo, arguing that it would have: 'a negative effect on security not only in Japan, but also in East Asia.'⁹³

The EU faced pressure from the Pentagon and the White House, yet also suffered threats from Capitol Hill, who threatened that lifting the embargo would postpone all exports of US military technology to Europe.⁹⁴ The US Senator John Kyle, who chaired the US Senate Republican Policy Committee,

Implications and Options for U.S. policy. *CRS Report for Congress*. Congressional Research Service, The Library of Congress, p27.

⁹⁰ Matthews, W. (14 March 2005). *As Congress Threatens EU Over China, U.S. Firms Wonder: Who'll Get Hurt?* *Defense News*.

⁹¹ Richard Boucher (28 January 2004). Press briefing. Department of State.

⁹² Archick, K., Grimmett, R.F. & Kan, S. (2005). *European Union's Arms Embargo on China: Implications and Options for U.S. policy*, Congressional Research Service, The Library of Congress.

⁹³ *Tokyo Shimbun*, February 9, 2005, via FBIS.

⁹⁴ Svenska Dagbladet (11 April 2005). *Plan by EU countries to lift the embargo this spring seems to be delayed*.

was instructed to focus on the possible measures to discourage the lifting of the ban in Congress.⁹⁵ Congress would have likely passed legislation restricting arms procurement with European partners.⁹⁶ At a hearing of the Senate Foreign Relations Committee on March 16, 2005, Senator Lugar proclaimed that if Europe transfers military equipment to China the US would 'reassess sales to Europe of our most critical military technology.'⁹⁷

The US House of Representatives voted overwhelmingly, 411 to 3, in support of a non-binding resolution condemning the EU decision to consider lifting the embargo.⁹⁸ The current Vice-President of the United States and former US Senator and chairman of the Foreign Relations Committee, Joseph Biden, warned that the US Congress would retaliate if the arms embargo was lifted.⁹⁹ He urged the Europeans to maintain the embargo as well as strengthen the 'Code of Conduct' on arms sales, particularly given the timing when the Bush Administration had: 'reached out to try to begin to mend our frayed relationships with our European allies.'¹⁰⁰ Moreover, Biden was joined by Republican Senator Gordon Smith in sponsoring a non-binding Senator resolution. It passed unanimously on 17 March 2005, which urged the EU to maintain its arms embargo on China.¹⁰¹

2.6. The reaction of the EU on US intervention

In the early stage of US moves over the lifting of arms embargo on China, the EU did not shift its position of supporting the lifting. Instead, the EU adopted a firmer attitude over cancelling the ban. Javier Solana, High Representative

⁹⁵ United States Senate, Republican Policy Committee (22 February 2005). *US Generosity Leads the World: The Truth about US Foreign Assistance*, John Kyl, Chairman.

⁹⁶ Gill, B. (2008). The United States and the China-Europe relationship, in D. Shambaugh, Eberhard Sandschneider, Hong Zhou (ed.), *China-Europe Relations*, Routledge, p. 271.

⁹⁷ Lugar, R. G. (16 March 2005). Opening Statement for Hearing On The Lifting of the EU Arms Embargo on China Senate Committee on Foreign Relations.

⁹⁸ United States House of Representatives (2 February 2005). 109th Congress House of Representatives.

⁹⁹ Joseph R. Biden (29 March 2005). Opening Statement for Hearing on Lifting the EU Arms Embargo on China, Accessed on 27 July 2009, www.senate.gov/foreign/hearing/2005.hrg05316p2.html

¹⁰⁰ Senate Foreign Relations Committee (16 March 2005). Hearing on Lifting the EU Arms embargo on China.

for Common Foreign and Security Policy of the European Union (CFSP), EU president Silvio Berlusconi, Commission president Romano Prodi publicly claimed to consider lifting the ban.¹⁰² Furthermore, most European analysts assumed that a lift was inevitable and would be concluded by the summer of 2004 when the EU began considering lifting the embargo.¹⁰³ In December 2004, the EU Member States collectively stated that they would move on the lifting of the arms embargo. Furthermore, since the European Council has already stated its “political will to continue to work towards lifting the arms embargo,” it brought an optimistic view that the ban would be lifted soon.¹⁰⁴

However, in order to reduce the suspicion from the US and American’s Asia allies, the EU channelled the platform of EU-China Summit to shed light on lifting the ban would not increase the amount of arms exports to China, whether in quantitative or in qualitative terms.¹⁰⁵ Meanwhile, the EU Member States went ahead to discuss the adoption of a ‘toolbox,’ that would implement a ‘Code of Conduct’ on arms exports, in the event of the ban being lifted.¹⁰⁶ Meanwhile, the European diplomats have recognised the necessity of seeking support from the US on the issue of arms embargo. As Jiří Schneider, the political director of the Foreign Ministry of the Czech Republic, stated that:

“We will be able to overcome the structural problems, especially across the Atlantic. And I think there is a growing awareness in Europe that we need to talk more to the U.S. Congress to actually – to deliver information about how Europe is operating, what are the decisions made in Europe, and what are the European policies, also not only to the U.S. administrator but to the U.S.

¹⁰¹ United States Senate, Republican Policy Committee (217 February 1999).

¹⁰² Stumbaum, M.-B. U. (2009). *The European Union and China : decision making in EU foreign and security policy towards the People's Republic of China* Berlin, Nomos, p. 177.

¹⁰³ Arms Exports to the People’s Republic of China by Member States of the European Union (2006). Joint Hearing before the Committee on armed services meeting jointly with Committee on International Relations: Hearing held 14 April 2005.

¹⁰⁴ Council of the European Union (February 2005). *Presidency Conclusions – Brussels, 16/17 December 004, 16238/1/04 REV 1*, p. 19.

¹⁰⁵ Council of the European Union (2004). *7th EU-China Summit; Joint Statement*, 8 December 2004; Council of the European Union (February 2005). *Presidency Conclusions – Brussels, 16/17 December 004, 16238/1/04 REV 1*.

¹⁰⁶ European Parliament (2005). Report on the Council's Sixth Annual Report according to Operative Provision 8 of the European Union Code of Conduct on Arms Exports.

Congress, maybe to have relations between European Parliament and U.S. Congress as well, and national parliaments, because this is important.”¹⁰⁷

His perspective showed that the EU was aware of US pressure on the lifting of the ban and optimistically regarded that the US would support EU's arms embargo policy. Furthermore, since the European Council has already stated its “political will to continue to work towards lifting the arms embargo,” it brought an optimistic view that the ban would be lifted soon.¹⁰⁸ However, after the US escalated the pressure to EU and EU Member States, many of Member States such as the UK and Germany, changed their attitude towards the lifting policy.¹⁰⁹ Moreover, the European Commission expressed the issue of lifting the ban as a technical challenge and underestimated the political complication.¹¹⁰ EU Commissioner Christopher Patten portrayed understanding for both the transatlantic sides' arguments and attempted to maintain a neutral position.¹¹¹

In addition, the divided Member States seeking help from the High Representative on CFSP and Security General of the Council in March 2005, attempted to explore ways of breaking the dilemma with the US. Brussels was trying to coordinate its arms embargo policy with Washington in the EU-US Strategic Dialogue in 2005.¹¹² In the end, due to the pressure not only from the US but also from China, the Council and Member States decided to postpone, instead of maintain, lifting the ban. Notwithstanding, the Member States reiterated the decision of the

¹⁰⁷ U.S.-China Economic and Security Review Commission (2004). U.S. Government Printing Office Symposia on Transatlantic Perspectives on Economic and Security Relations with China, p. 152.

¹⁰⁸ Council of the European Union (February 2005). *Presidency Conclusions – Brussels, 16/17 December 004, 16238/1/04 REV 1*, p. 19.

¹⁰⁹ Interview with a Chinese diplomat: C. (14 November 2008). Beijing.

¹¹⁰ Interview with a Commission officer, (12 July 2009)

¹¹¹ Parten, C. (2004). Lifting isf the Arms Embargo on China: The Rueda Report on Arms Exports', speech by the Rr Hon Chris Patten, CH, to the European Parliament, SPEECK/04/483, Strasbourg, 16 November.

¹¹² Archick, K., Grimmett, R. F. & Kan, S. (2005). p. 25.

European Council of December 2004 in the June 2005 Presidency Conclusions.¹¹³ This situation shows that under the contending among China, the EU and the US, the lifting of arms embargo has become an unsolved issue.

2.7. The reaction of China on US intervention

On 14 March 2005, the Chinese National People's Congress ratified the Anti-Secession Law (ASL) which went into effect immediately.¹¹⁴ It reiterated the duty for the People's Liberation Army (PLA) to take military action against Taiwan, which formalised the long-standing policy of the People's Republic of China to adopt 'non-peaceful means' against the 'Taiwan independence movement' in the event of a declaration of Taiwan independence. Some scholars argue that the ASL has caused the EU to postpone *sine die* any such decision to lift the ban of arms embargo.¹¹⁵ In June 2005, EU Member States officially made a decision to postpone the proposal.¹¹⁶ Thus, it can be referred that after the American intervention on the issue of arms embargo, Beijing concerns the linkage between arms embargo and Taiwan issue which it regards that is a signal to encourage the consciousness of Taiwan independence. Moreover, Beijing rushed ahead Brussels postponed the ban to ratify the ASL which it claims to own Taiwan's sovereignty and desalinate the implication of failure on the lifting of arms ban.

Consequently, the EU changed its foreign policy towards China and attempts to align on the position of the United States. A return of close transatlantic relations guided the relationship between the EU and China from

¹¹³ Brussels European Council (16 and 17 June 2005). Presidency Conclusions. Accessed at 11 July 2009.

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/85349.pdf

¹¹⁴ China's Anti-Secession Law and Developments across the Taiwan Strait, *HEARING before the Subcommittee on Asia and the Pacific of the Committee on International Relations* (6 April 2005), in H.o. Representatives (ed.). Serial No. 109-30, p40.

¹¹⁵ Cabestan, J.-P. (2006). European Union-China Relations and the United States. *Asian Perspective*, 30, 11-38; Casarini, N. (2006). The evolution of the EU-China relationship: from constructive engagement to strategic partnership, Occasional Paper. *Occasional Paper*. The European Union Institute for security studies.

collaboration to potential rivals for aerospace industry, security and technology. For example, the Western commentators increasingly argue why the EU should aid China which possesses US \$1.5 trillion in foreign exchange reserves, is modernising a world-class military, sends astronauts into space and has a moon landing program.¹¹⁷ Most importantly, US intervention on arms embargo represents a great meaning that the Chinese leaders adjusted their view of the EU from a global actor to an actor dependent on the US.¹¹⁸ Since then, Beijing addresses its relationship with the EU as more focused on the trade and economic issues and less on political and security issues.

3. Why does the US Intervene in the EU-China Strategic Partnership?

The United States views China's rise as the biggest challenge to its power in the region of Asia Pacific and the world. Since 2003, both sides of the EU and China have used the phrase 'strategic partnership' to express a more controversial phrase which is open to question, a phrase suggesting recognizable convergence, collaboration and coordination, generally shared perceptions and interests.¹¹⁹ Thus, this was an explicit signal to the US that the EU-China alliance is a significant challenge to US primacy. The transition of US foreign policy also reflects the changing nature of EU-China relations. According to a report from the Centre for Strategic and International Studies (CSIS), the most intensive period of tightening Europe-China relations has been since 2001, precisely the period where the US adopted unilateralist policy against terrorism.¹²⁰ That is to say, from late 2001, with the 'global war on terror,' the invasion of Iraq in 2003, and other US moves on the international stage, many EU Member States found common cause with China in opposing US 'unilateralism.'

¹¹⁶ Casarini, N. (2009) *Remaking Global Order: The Evolution of Europe-China Relations and its Implications for East Asia and the United States*, Oxford University Press, Oxford, p. 138.

¹¹⁷ Shambaugh, D. (2008). Seeing the "Big Picture" in American and European Relations with China: Past, Present, Future. IN Shambaugh, D. & Wacker, G. (Eds.) *American and European Relations with China*. SWP Research Paper, p. 17.

¹¹⁸ Junbo, J. (November 02 2009). China sizes up EU's new face. *Asia Times*.

¹¹⁹ Scott, D. (2007a). China and the EU: A Strategic Axis for the Twenty-First Century? *International Relations*, 21, p. 23.

¹²⁰ Gill, B. & Murphy, M. (2008). China-Europe Relations: Implications and Policy Responses for the United States. A Report of the CSIS Freeman Chair in China Studies, CSIS, p. 2.

3.1. The EU and China attempt to balance US unilateralism

The end of the Cold War changed the structure of International Relations, in particularly the Chinese-European relationship. In the last twenty years of the Cold War, their bilateral relationship was derivative of each side's relationships with Washington and Moscow.¹²¹ For Europe, the security threat from the Soviet Union and European integration were the most important issues. For China, security threats existed mainly from both the United States and the Soviet Union. Thus, Beijing was devoted to establishing formal diplomatic relations with the United States in 1970's and re-building Sino-Soviet relations in the 1980's.¹²² From a Chinese perspective, Beijing tended to use relations with Western Europe in the 1990's as part of a standard policy to expand China's strategic advantage to balance the US and the Soviet Union.¹²³ Therefore, the European Community and China did not regard each other with much interest directly. That is to say the "Cold War factor" limited the development of Europe-China relations in the Cold War era.

In the aftermath of the Cold War, Europe and China rapidly established a more official relationship.¹²⁴ In the beginning of the 21st century, the EU-China bilateral trade had reached US \$ 71,513.8 billion.¹²⁵ Both sides want to transfer the great economic relations to a potential political partnership. Thus, ever closer relations between China and Europe in the last decade have sparked speculation about an emerging axis or swinging balance of power against the United States. China, the European Union and its key Member States have expressed a preference for a more balanced international order based on multilateral institutions.¹²⁶

¹²¹ Shambaugh, D. (2004). China and Europe: the emerging axis. *Current History*, 103(674), 245.

¹²² The formal Sino-US relations has began on 1 January 1979; Gong, L., Liu, D., Liu, J. & Wang, H. (2007). *Paramount Peace: The history and Reality of China's Foreign Strategies*, Beijing, Jiuzhou press.

¹²³ Ding, H. and Zhang, B. (1987) *Opportunity, Policy and Role: On Western Europe's Role in Present Day World*, Beijing: China Institute of Contemporary International Relations; Yuanlun Qiu & Yan-nan Shen (ed) (1998) *Europe and the World (歐洲與世界)*, CSS Press, p. 168

¹²⁴ Yahuda, M. (1983). *Towards the End of Isolationism: China's Foreign Policy After Mao*, London, Macmillan.

¹²⁵ International Monetary Fund (IMF) (2006).

¹²⁶ Interview with a Chinese diplomat, C. (14 November 2008). Beijing.

The US-led war in Iraq acted as a catalyst for the Chinese and some European leaders to challenge US dominance in the defence and aerospace industries.¹²⁷ The EU attempts to seek a more independent role in security issues but the US continued to oppose it. As Vaisse argues: 'European allies are expected to conform without having a say, sometimes without proper information and discussion. Automatic support is required, and dissent is not tolerated. In other words, there is no more agreement to disagree and minimize spill over into other issues and in the public domain.'¹²⁸ This unilateral approach became an obstacle for the EU in its attempt at gaining greater autonomy in security policy with the US.

From a Chinese perspective, Watts argued that Beijing "*now identifies with Europe as fellow travellers on the road to containment of American power ... a multipolar world with Beijing and Brussels looking to check American power.*"¹²⁹ The strategic partnership with the EU might grant access to the high-technology weaponry and reduce the percentage of imported arms from Russia. Most importantly, if EU military influence and power could be projected to East Asia, it can balance American hegemony in this region. Eventually, this could form a reasonable strategy in which both sides can limit some of the more unilateral approaches of US foreign policy.

3.2. What is the driving force behind the EU to align with China?

The puzzle that is worth investigating is why the EU, with similar values and interest to the US, attempts to align China to soft balance the US? One of the answers is that the EU does not want to become another Japan, an economic giant but a political dwarf. Thus, it needs to rid the title of 'American lap-dog.' More importantly, the EU needs to influence other great powers. To do this the EU needs to speak with one voice. It moved towards a Common Foreign

¹²⁷ Casarini, N. (2009). *Remaking Global Order: The Evolution of Europe-China Relations and its Implications for East Asia and the United States*, Oxford, Oxford University Press, p. 10.

¹²⁸ Vaisse, J. (2003) 'From Transatlanticism to Post-Atlanticism', *the National Interest*, vol. 2, no. 27, pp. 15.

¹²⁹ David Watts (June 2005) EU-China Policy Needs to Cut it Free from its American Apron Strings. *Asian Affairs*, available at: <http://asianaffairs.com/june2005/europe.htm> (accessed 1

and Security Policy (CFSP) in 1992 with the Maastricht Treaty, which was subsequently strengthened in 1997 by the Treaty of Amsterdam. The latter treaty emphasized the desire of European politicians to promote the European Union as: 'a global political player, capable of mobilising all the resources available - economic, commercial, humanitarian, diplomatic, and of course military - to act in a coherent and above all effective manner over the whole of its international environment.'¹³⁰ With ambitions like this, the EU needs China to act as more than just a trade partner. The EU's publication '*A Maturing Partnership*'¹³¹ stated that China is one of the EU's major strategic partners and as the EU is as a global player on the international scene, it shares China's concerns for a more balanced international order. It contained the implication that the EU's collective power would be willing to act as a collective counterweight to American power.¹³²

These statements emanating from China and the EU reflected the thinly veiled concerns with American 'unilateralism' and muscle flexing. They emphasized the need for a more 'multipolar world' with an enhanced role for the United Nations to address international security challenges.¹³³ Shambaugh claimed that the EU-China strategic partnership addressed to resolve the soft security problems such as illegal immigration, international crime, contagious diseases, energy, environment, and problems related to poor governance.¹³⁴ The EU realises that the 'hard' security issues need to be resolved through the North Atlantic Treaty Organization (NATO). Thus, the soft security issues and techno-political linkage are the parts that EU Member States and China can cooperate. Moreover, the EU believes that space and satellite navigation cooperation, advance technology transfers, and arms sales,

June 2006).

¹³⁰ Javier Solana (2004) 'Preface', in N. Gnesotto (ed.), *EU Security and Defence Policy. The First Five Years (1999-2004)*, Paris: Institute for Security Studies, p. 6.

¹³¹ European Commission (2003). *A maturing partnership - shared interests and challenges in EU-China relations*. Commission Policy Paper, pp. 3, 23, 6.

¹³² Kupchan, C. A. (2003). *The Rise of Europe, America's Changing Internationalism, and the End of U.S. Primacy*. *Political Science Quarterly*, 118, p. 207.

¹³³ Gill, B. & Murphy, M. (2008b). *China-Europe Relations: Implications and Policy Responses for the United States, A Report of the CSIS*, CSIS, pp. 4-5.

¹³⁴ Shambaugh, D. (2005b). p. 15.

were the carrots to attract the Chinese to collaborate with the EU on soft security issues.

It can be argued that establishing an effective multilateralist approach to foreign policy will soft balance the US. The EU cannot accomplish it by itself as it needs a partner who is big enough, willing and capable to soft balance the US. Buzan argues that the present global power structure is a mixture of one superpower (US) plus four great powers (China, the EU, Japan, Russia), China occupies an irreplaceable position in cooperating with the EU.¹³⁵ Russia has leverage in some areas, but it lacks China's economic importance and still has a great dispute with the EU in Eastern Europe. India is developing in economy rapidly, but is still far from matching China's impact on the United States and the rest of the world.¹³⁶

China does however need Europe (the EU, France and Germany) to soft balance the US. For Beijing, developing the strategic EU-China relationship has been central to its broader efforts to diversify its sources of economic growth, security, and international legitimacy.¹³⁷ From a Chinese perspective, since 1950's the US has been the largest obstacle to effective relations with the EU. Although China and Europe have an improving (and independent relationship from the US) relationship since the Cold War, we cannot detract from the fact that the United States has a leading role in international politics.¹³⁸ In other words, the US is still capable of intervening in EU-China affairs if the developments are too sensitive to the US. The case of the lifting of EU arms embargo on China sheds light on that the EU finds it hard to take the opposite position against the US on arms control.

¹³⁵ Buzan, B. (2004). *The United States and the Great Powers: World Politics in the Twenty-first Century* Polity Press.

¹³⁶ Foot, R. (2009). China and the United States: Between Cold and Warm Peace. *Survival*, p. 133.

¹³⁷ Medeiros, Evan S. (2009). China's international behavior: activism, opportunism, and diversification, Project Air force, RAND.

¹³⁸ Xige Liu (2004). The diplomacy and Security cooperation in Sino-EU part ship. in Zhou, H (eds) *Symmetry and Asymmetry in the China-EU Partnership*, pp. 63-64.

Although American interventionism has let China feeling that ties with the EU were close, they were in reality vulnerable. For example, if the US cooperated closely with China in the Taiwan Strait and the Korea Peninsula, it would lead Beijing to consider that they may no longer need the EU to counter-balance the United States. Beijing could act on its own.¹³⁹ In the end, China might only remain a temporary strategic partner with the EU. As long as the EU relies on the military cooperation with the US, the EU will not challenge American Asia-Pacific strategic interest. Most of the time, the EU even follows US strategy, such as helping India to modernize its navy to contain the Chinese navy.¹⁴⁰ Therefore, China is aware of the limitation of EU-China strategic partnership.

4. The US mending the relations with the EU and China

4.1. The EU

To prevent the Europeans and the Chinese clubbing together to balance against the US again, Washington recognised that, it was not enough if they merely pushed the EU to keep the arms embargo on China or excluded Chinese contractors to join the Galileo plan in 2008.¹⁴¹ Moreover, it needed to adjust its unilateralist foreign policy. Thus, the US attempted to mend and strengthen bilateral relations with the EU and China.

To the EU, the US began to sympathise with the EU's primary interests and concerns about China. The specific practice was to hold a number of transatlantic meetings, which were intended to promote a conservative transatlantic dialogue concerning China without the attendance of Chinese scholars and decision makers.¹⁴² The first meeting was held in May 2005 in Brussels. At the meeting, Washington attempted to shift from the specific issue of the arms embargo to broader Chinese matters. As Daniel Fried,

¹³⁹ Eyal, J. (2009). EU-China Relations: A chess game with 28 players.

<http://readingpad.blogspot.com/2009/05/eu-china-relations-chess-game-with-28.html>.

¹⁴⁰ Feng, G. (2006). Perspectives on EU-India Relations, *CEPS Working Document*, No. 253, Centre for European Policy Studies.

¹⁴¹ Galileo is a Global Navigation Satellite System (GNSS) that will offer both civilian and military applications once it operated.

Assistant Secretary of State for European and Eurasian Affairs, stated in the dialogue:

“We decided with our European colleagues that we were simply putting this debate in the wrong order; we should not be debating the arms embargo, we should be having a deeper strategic discussion about Asia and about China and about how Europe and the United States will work with China to make sure that its development contributes to international security and prosperity.”¹⁴³

After the Iraq war, the US and the EU strengthened their corporation through NATO and started to deal with previous disagreements on policy over China.¹⁴⁴ They have established semi-annual dialogue on China between the European Commission and US Government.¹⁴⁵ As a result the two sides have started to align their views towards China. This official dialogue has improved communication and coordination at the inter-governmental level.¹⁴⁶ It has shown that the US coordinates its foreign policy with the EU on the agenda of Iran, Darfur, Israel-Palestine, North Korea, Africa broadly, non-proliferation and a broad range of non-traditional security issues. As a result, transatlantic relations have stabilized and improved since 2005 during the second Bush term.¹⁴⁷

Moreover, the emergence of Atlanticist leaders such as President Nicolas Sarkozy of France, Prime Minister Gordon Brown and Chancellor Angela Merkel of Germany, has improved an atmosphere of rapprochement. Their views on China are not like their predecessors (except Tony Blair) and are more in line with the spirit of cooperation promoted in George Bush's

¹⁴² Sandschneider, E. (2008). p. 25.

¹⁴³ Fried, D. (9 September 2006). The United States and Europe: Addressing Global Challenges Together. Foreign Press Center Briefing, New York.

¹⁴⁴ Gill, B. and M. Murphy (2008b). China-Europe Relations: Implications and Policy Responses for the United States, A Report of the CSIS Freeman Chair in China Studies, CSIS.

¹⁴⁵ Shambaugh, D. and G. Wacker, Eds. (2008b). American and European Relations with China, SWP Research Paper.

¹⁴⁶ Gill, B. (2008a). The United States and the China-Europe relationship. China-Europe Relations. D. Shambaugh, Eberhard Sandschneider, Hong Zhou, Routledge.

¹⁴⁷ Shambaugh, D. & Wacker, G. (Eds.) (2008). *American and European Relations with China*, SWP Research Paper, p. 6.

administration. Transatlantic relations continue effectively to deal with differences in opinion and promote common values and policies.¹⁴⁸ It is difficult to judge whether a shifted US foreign policy or the new European leaders that are causing the rapprochement between the EU and the US. But both of the above factors have impelled the end of the honeymoon period of EU-China relations.

There were a series of non-official dialogues between 'China specialists' on both sides of the Atlantic as a result of the rapprochement in transatlantic relations.¹⁴⁹ Their aim was to find a means to promote Western values on China. This task became increasingly more difficult. There was a growing awareness of the challenges faced from a rising China among the European public and governments and within the NGO community. Chinese policy did little to please the Europeans, specifically the Anti-Secession Law in 2005, the massive growth in its trade surpluses with the EU, Chinese not progressing on Intellectual Property Rights (IPR) issues, its growing military budget, policy in Tibet and against the Dalai Lama and unpopular human rights records. As a result, the European Commission changed its perspectives on China, as embodied in its October 2006 twin Communications on China policy.¹⁵⁰

The high-level transatlantic meetings on China have identified mutual interest concerning China, including: human rights, NGO development, IPR, political pluralisation improving military transparency i.e. the 'One China

¹⁴⁸ Anderson, J., Ikenberr, G. J. & Risse, T. (Eds.) (2008). *The End of the West? Crisis and Change in the Atlantic Order*, Ithaca: Cornell University Press.

¹⁴⁹ There are including the George Washington University China Policy Program-Asia Centre (Science Po) "American-European Dialogue on China"; the Stockholm China Forum; the "U.S.-EU Strategic Dialogue on China," of The Brookings Institution Center on the United States and Europe in collaboration with the SWP (Berlin), Center for European Reform (London), and the European Union Institute for Strategic Studies (Paris); the DGAP-Henry L. Stimson Center Dialogue on China; the trans- atlantic dialogue organized jointly by SWP and the Center for Strategic and International Studies (CSIS); and the "U.S.-EU-China Trilateral Dialogue," administered by the Konrad Adenauer Stiftung, Atlantic Council of the United States, and the European Policy Center (Brussels).

Policy' plus stability between China and Taiwan, energy security, resettlement of North Korean refugees, decreasing 'economic nationalism' and protected industries, maintaining economic standards according to global criteria, Renminbi (Chinese currency) liberalisation, Chinese Official Development Assistance (ODA) and investment policies, environmental protection (particularly encouraging clean coal technology and reducing greenhouse gases), climate change, China's contributions to United Nations peacekeeping operations, counter-terrorism and strong corporate governance standards.¹⁵¹ Overall, Washington viewed these dialogues and meetings as a positive approach to coordinate transatlantic divergences on China. Dennis Wilder, Senior Director for East Asian Affairs on the National Security Council expressed his optimistic about the shared interests and common values in transatlantic approaches towards China in a meeting held in Brussels, May 2005.¹⁵²

However, the outcome of transatlantic debates have established scheduled dialogue on China but still does not have a firm agreement on how to develop a common approach, and a common policy towards Asia's major rising power. Therefore, Washington needs to mend relations with Beijing. Such a course of action is an alternative method of countering EU-China soft balancing and European influence in East Asia.

4.2. China

Even before the disagreements on the arms embargo, Sino-American relations have experienced intense strain. The bombing of the Chinese Embassy in Belgrade by an American B-2 bomber in 1999 during NATO's offensive in

¹⁵⁰ European Commission (2006). *China-Europe: Closer Partners, Growing Responsibilities; and Competition and Partnership: A Policy for EU-China Trade and Investment*. Communication from the Commission to the Council and the European Parliament.

¹⁵¹ Report to the Trans-atlantic Economic Council (October 2008). U.S.-EU high-level Regulatory Cooperation Forum. Washington DC.

¹⁵² US Department of State Press Release (23 May 2005). *State's Hill Urges Greater European Involvement in East Asia*.

Kosovo is a clear example.¹⁵³ The already complex relationship Washington endures with Beijing has become even more complex in recent years with the EU becoming a factor.¹⁵⁴ Relations set to become even more intricate. Dr. Kissinger argues:

*"In our age, the rise of China as a potential superpower is of even great historical significance, marking as it does a shift in the centre of gravity of world affairs the Atlantic to the Pacific. America's long-term relationship with China should not be driven by expectations of a strategic showdown."*¹⁵⁵

As the first person who represented the US to orchestrate the opening of relations with China, Kissinger points out the necessity of interdependent relations between China and the US. For example, China held more than half of the US national debt in treasury bonds and other financial instruments in 2006. Moreover, Chinese companies are gradually buying estate in the US. China's trade with the United States exceeds \$200 billion since 2004.¹⁵⁶ American businessmen now operate across China, and have a substantial presence and market share. U.S. investment banks, equity funds, and venture capital are also increasingly penetrating the Chinese market.¹⁵⁷ Significantly, these rapid developments have led Washington to reconsider its China policy in Bush's second presidency term.

This situation has actuated the second term of the Bush Administration to shift its perspective on China from strategic competitor to a responsible stakeholder. Defence Secretary Donald Rumsfeld, Deputy Secretary Paul Wolfowitz, and Vice President Dick Cheney expressed very different views on China during the second term of Bush's time in office. Deputy Secretary of

¹⁵³ Moore, G. J. (2010). Not Very Material but Hardly Immaterial: China's Bombed Embassy and Sino-American Relations. *Foreign Policy Analysis*

¹⁵⁴ Shambaugh, D. (December 2006) The New Strategic Triangle and U.S. Relations with China, *Artical for the event "The New Strategic Triangle: China, Europe, The USA in an International Changing System"*, Beijing.

¹⁵⁵ Kissinger (8 November 2004). America's Assignment, *Newsweek*.

¹⁵⁶ The US-China Business Council, accessed 18 February 2010, <http://www.uschina.org/statistics/tradetable.html>

¹⁵⁷ Weinrod, W.B. (2006). US and European Approaches to China. *Mediterranean Quarterly*, vol. Spring, p. 19.

State Robert Zoellick described the modern Sino-US relationship before the National Committee on U.S.-China Relations in September 2005, as new fangled; dissimilar to that of the Cold War and as some commentators suggest, different from a nineteenth century European balance-of-power model.¹⁵⁸ Zoellick has articulated a constructive 'engagement policy' for the administration that paved the foundation for cooperative US-China relations. He called on China to become a 'responsible stakeholder' in the international system:

*"The United States welcomes a confident, peaceful, and prosperous China, one that appreciates that its growth and development depends on constructive connections with the rest of the world. Indeed, we hope to intensify work with a China that not only adjusts to the international rules developed over the last century, but also joins us and others to address the challenges of the new century."*¹⁵⁹

Following this good atmosphere, Washington and Beijing held the Strategic Economic Dialogue (SED) in 2006. Due to the joint efforts of President George W. Bush and President Hu Jintao this meeting would take place twice a year, alternating between China and the US.¹⁶⁰ The SED was a framework for the United States and the People's Republic of China to mutually discuss topics related to joint economic priorities. It set a clear agenda with an examination of the progress every half year.¹⁶¹ Moreover, the SED supplemented the existing mechanism of the Joint Economic Commission and Joint Commission in Commerce and Trade. Overall, the Sino-US channels of communication have become very extensive; the two presidents are seen together regularly

¹⁵⁸ Robert Zoellick (25 November 2005). Whither China: From Membership to Responsibility, remarks to the National Committee on U.S.-China Relations, U.S. Department of State, www.state.gov.com

¹⁵⁹ Michael Rice (19 January 2006). Bridging the Gap. *Beijing Review* 49(3), pp. 12-13; U.S. Department of State (8 December 2005). Robert B. Zoellick, Statement on Conclusion of the Second U.S.-China Senior Dialogue. Office of the Spokesman, Media Note. <http://seoul.usembassy.gov/china20051208.html>

¹⁶⁰ Department of The Treasury (2006). The China-U.S. Strategic Economic Dialogue. The United States, <http://www.ustreas.gov/initiatives/us-china>

¹⁶¹ Dreyer, I. (2009). The Current Economic Crisis and Prospects for EU-China Commercial Negotiations *BICCS conference - "EU China Cooperation in Times of Economic Turbulence"*. Brussels.

and according to inside sources telephone once a month.¹⁶² Military relations are in the process of being renormalized after several years of interruption. The bilateral military exchange was an unprecedented achievement, which was between the US Strategic Command (STRACOM) and the People's Liberation Army's Second Artillery command in 2006.¹⁶³

These interchanges have promoted a closer relationship between the US and China. The Six Party Talks addressing the North Korea nuclear crisis and Taiwan issue, are two ongoing topics which Beijing and Washington are working closely together on.¹⁶⁴ The US needs China's cooperation in stemming proliferation of nuclear weaponry and promoting stability on the Korean peninsula. For Beijing it is crucial in reinforcing the regional status quo by setting up and hosting the Six-Party talks to negotiate an attempted containment of North Korea's nuclear weapons project.¹⁶⁵ China helped broker the September 2005 Joint Statement, committing North Korea to denuclearization. In a huge statement of China's outlook, Beijing voted for UN Security Council Resolution No. 1695, an important resolution that condemned North Korea explicitly for its missile tests. China also called on UN members to be cautious and to prevent certain transactions that might assist North Korea's missile and weapons of mass destruction programs.¹⁶⁶ Thus, it can be regarded that China's Korean policy demonstrates its willingness to partner the US when dealing with East Asian security issues.¹⁶⁷

¹⁶² Interview with a Chinese diplomat, Beijing 11 October 2008.

¹⁶³ Shambaugh, D. (December 2006). *The New Strategic Triangle and U.S. Relations with China. Artical for the event "The New Strategic Triangle: China, Europe, The USA in an International Changing System"*. Beijing.

¹⁶⁴ Zhao, Q. (2007). *Managed Great Power Relations: Do We See 'One Up and One Down'?* *Journal of Strategic Studies*, 30, pp. 609-637.

¹⁶⁵ Dittmer, L. (2005). *Bush, China, Taiwan: A Triangular Analysis.* *Journal of Chinese Political Science*, 10(2). p. 33.

¹⁶⁶ United States-China Economic and Security Review Commission (3-4 August 2006). *China's Role in the World: Is China a Responsible Stakeholder?* Hearing before the U.S.-China Economic and Security Review Commission, p. 21.

¹⁶⁷ Hiebert, M. & Lawrence, S. V. (2003). *China Talks on Korea.* *Far Eastern Economic Review*, pp. 18-19.

American policy towards the Cross-Strait issue is one of the most longstanding, sensitive and volatile problems that have plagued Washington since World War II.¹⁶⁸ However, contrary to popular opinion, the US and China have a history of working together over Taiwan for mutual benefit.¹⁶⁹ Since Taipei's Democratic Progressive Party (DPP) came to power in 2000, China moved to work closer with the US and pressed Taipei, through Washington, to emphasize the status quo in the Taiwan Strait. Beijing has long considered the Taiwan issue as its own internal affair, which is very attentive to any signs of involvement by major powers on the issue.¹⁷⁰ However, Beijing has learned that playing the 'American card' is the best strategy to prevent Taiwan's independent movement. From an American's perspective, the status quo in Cross-Strait relations fits their strategic interest.

However, the Taiwan problem remains a very difficult obstacle for Sino-US relations. In 1996 Beijing conducted military exercises in the Taiwan Strait in an apparent effort to threaten the Taiwanese electorate before the pending presidential elections.¹⁷¹ In response the United States dispatched two aircraft carrier battle groups to the region. This triggered the third Taiwan straits crisis. Once the situation calmed down, relations between the US and China improved. Both sides agreed that they needed to communicate more efficiently. Increased presidential communication enabled swift progress on numerous bilateral issues such as human rights, non-proliferation, and trade. President Jiang Zemin visited the United States in the fall of 1997; the first state visit to the US by a Chinese president since 1985. The visit resulted in a common consensus for the implementation of their 1985 agreement for Peaceful Nuclear Cooperation and the China-U.S. Joint Statement October 29, 1997.

¹⁶⁸ Dittmer, L. (2005). p. 21.

¹⁶⁹ Zhao, Quansheng (2007). Managed Great Power Relations: Do We See 'One Up and One Down'? *Journal of Strategic Studies*, 30, p. 610.

¹⁷⁰ The further research, see: Bush, Richard C. (2005). *Untying the Knot: Making Peace in the Taiwan Strait*, Washington, D.C.: Brookings Institution Press.

During this period of negotiation and cooperation, the United States pushed China to adopt a more responsible position on numerous key international issues. A very significant gain for the US was Chinese support against Iran. In 2005 the P5 Plus One (the five permanent members of the UN Security Council plus Germany) package called for Iran to stop nuclear weapons related activity, specifically the enrichment of uranium. China also supported UN Security Council Resolution 1696, which pressured Iran to respond positively to that P5 Plus One package by August 31 2006. With Sudan, the Chinese agreed to deploy peacekeeping forces to the south of the country, despite Chinese support for the regime in Khartoum. China has offered conditional support for the deployment of African Union troops in assisting UN peacekeeping forces in Darfur.¹⁷²

There is evidence that the US and China have learnt the wisdom of altering their approach to one another. They believe engagement is more valuable than competition. Obviously, despite improving bilateral relations, problems remain such as IPR, currency issues, and additional security concerns. The rapprochement of Sino-US relations caused the European policy makers a growing sense of anxiety that Europe may marginalise to the so call 'G 2'. As David Miliband, British Secretary of State for Foreign and Commonwealth Affairs, argued that if the EU could not strengthen its unity, it will eventually be marginalized by China and the US.¹⁷³ His anxiety expressed EU's concern on a closer China-US relationship. Indeed, China needs a good relationship with the US and it devotes a lot of attention to the US. However, the anxiety did not bring the unity to the EU. Instead, most of the Member States of the EU strengthen their bilateral relations with China, which offer China more leverage to play the divide-and-rule strategy towards the EU when it accused China on trade imbalance, human rights record and Tibet issue.

¹⁷¹ Scobell, Andrew (1999). Show of Force: The PLA and the 1995-1996 Taiwan Strait Crisis. Working Paper. Shorenstein APARC, page(s): 24.

¹⁷² United States-China Economic and Security Review Commission (3-4 August 2006). China's Role in the World: Is China a Responsible Stakeholder? Hearing before the U.S.-China Economic and Security Review Commission, p. 22.

5. Conclusion

The US intervention in EU foreign policy towards China is characterised by a powerful state: “*enjoying wider margins of safety in dealing with the less powerful and have more to say about which games will be played and how.*”¹⁷⁴ That is why even the American policy elites were largely unaware of the remarkable scope and nature of China-Europe relations and their implications for US political, diplomatic, and economic interests.¹⁷⁵ Washington can successfully press the EU to postpone the decision of lifting the EU arms embargo on China even the European Council almost ratified to lift the ban.

With regard to the argument of transatlantic divergence over China, it becomes clear that the EU and the US are more aligned on their opinions on China. Nevertheless, the US does not support the growing partnership between the EU and China fearing it would damage the maintenance of America’s maritime supremacy in East Asia. If China could get advanced weaponry from the EU that would increase the military cooperation between the EU and China. In this situation, it will reduce US weight in East Asia and will increase the need for Europe to maintain close military ties. The best strategy for the US is the EU as a loyal follower of the US’s East Asia policy.

Therefore, the US forced the EU to postpone the lifting of arms embargo, and in the same instance, mended the bilateral relations with both the EU and China. Washington made the EU recognises American strategic interest in East Asia, and the interest Europe has in NATO. In addition, China’s top foreign policy priorities are served in its own domestic modernisation drive and in Asia. On the other hand, US foreign policy focuses on anti-terrorism and the war in Iraq and Afghanistan, whereas Asia has been relegated to secondary importance. Although the US could defeat China in a maritime conflict, police the sea lanes in the area and protect Taiwan from Chinese

¹⁷³ Miliband, David (26 October 2009). *Strong Britain in a Strong Europe*, Speech at the International Institute for Strategic Studies.

¹⁷⁴ Waltz, K. (1979) *Theory of International Politics*, New York: McGraw-Hill, p. 195.

¹⁷⁵ Gill, B. & Murphy, M. (2008b). *Ibid.*, p. 2.

political and military coercion,¹⁷⁶ maintaining the amicable relations with China serves US global strategic goals.

To summarise, due to US intervention, as demonstrated in the case study of the Chinese arms embargo, the European Union is still far from finding an efficient foreign policy towards China. For China, Prof. Chen Zhimin from the Fudan University in Shanghai argues that: *“the EU still has to develop an operational strategy on hard security issues, to avail itself of the necessary resources and effective policy-making mechanisms,”* and thus the EU was not yet a complete strategic actor.¹⁷⁷ As the example of arms embargo showed, the EU still lacks a common voice on crucial strategic topics.

Thus this chapter has shown that the US, the principal actor in the international system, has assured ineffective EU policy towards China. Pressure from the United States has highlighted the fragile European consensus on the issue of China as argued above that each and every EU Member State has its own China strategy. They compete economically and politically with those of other EU members. This is the second argument to cause the ineffective EU foreign policy towards China: internal divisions within the EU. The subsequent chapter will examine how the Member States are unprepared and divided over this issue and have diverging priorities.

America can restrict and promote EU-China relations. Wu is critical of the United States, suggesting its military superiority creates uncertainty in the international system and China-EU relations.¹⁷⁸ The US is capable of intervening in EU policy on arms to China. Crucially, when the Americans

¹⁷⁶ Art, R. (2010). The United States and the Future Global Order IN Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Eds.) *US-China-EU relations: managing the new world order*, p. 18.

¹⁷⁷ See the discussion in Chen Zhimin, *Sino-European Strategic Partnership: Retrospect, Vision and Suggestions from a Chinese perspective, paper presented at the Fifth Shanghai Workshop on Global Governance: “Current Situation and Future Prospects of Asia-Europe Security Cooperation,”* the Friedrich Ebert Foundation and her partner, the Shanghai Institute for International Studies, Shanghai, January 23– 24, 2007.

¹⁷⁸ Wu, Baiyi (2005). The dynamic of international system and Sino-Europe relations in Post-Cold War, *European Studies* (Ou Zhou Yanjiu), 5, p. 8.

adopt a unilateralist approach in international affairs, it promotes the EU to align with China to soft-balance against them. In other words, the three bilateral relations among EU-China, EU-US, and Sino-US, have formed an important factor in EU foreign policy towards China, as a sole superpower, the US occupies the pivotal position within the three.

Chapter 5

Challenge from Chinese Skilful Diplomacy towards the EU

Introduction

Based on the concept outlined in chapter one, this chapter aims to trace how Chinese skilful diplomacy causes EU foreign policy to be ineffective towards China. It will address Chinese economic diplomacy and the divide-and-rule strategy against EU foreign policy towards China. Thereby, the Chinese policy approach towards the EU will be analysed at two levels: the EU level and the bilateral level. The latter refers to the Chinese diplomatic approach to channel EU Member States, notably the Big Three (France, Germany and the UK), to influence EU policy.

In contrast to the literature on the EU's policies towards China, studies of China's EU policy are rare. Consequently, little material and evidence of Chinese EU policy is available. Chinese scholars examine EU's China policy, but rarely examine China's EU policy. One of the possible reasons is that the Chinese academic environment does not welcome papers criticising the government's policy.¹ Compared to seven official papers of the EU's policy towards China, there is only one Chinese official policy paper towards the EU.² Therefore, this chapter will utilise the limited available materials and interviews to explore how China responds to the EU's Chinese policy when its interests are challenged.

When the bilateral issues involving European arms sales to Taiwan, Chinese human rights records and Tibet conflict, Beijing exerts its economic power as a tool to divide-and-rule the EU and its Member States. For example, China strengthens its bilateral relations with EU Member States, particularly with the Big Three, which it can exploit the EU's inability to coordinate its Member States' respective foreign policy towards China. For Chinese policy makers, their European counterparts are easy to read, easy to manipulate and hard to be taken seriously in the long run.³ Eventually, this divide-and-rule strategy

¹ Interviews with Professor Mei, Ran (06 November 2008). Beijing.

² Chinese Ministry of Foreign Affairs (October 2003). China's EU Policy Paper. the People's Republic of China.

³ Interview with a European Council officer: I. (10 July 2009). Brussels.

has become a primary instrument in Chinese policy towards the EU.

Although figures are bound to have retracted since the financial crisis in 2008, according to statistics of the Commission, in 2007 EU-China trade reached €300 billion, which is more than twice the volume of the previous four years.⁴ Most importantly, the EU's share in China's total trade accounts for 16.6% of China's total trade in 2008, and it had already become China's largest trading partner in 2005.⁵ These data simply show that China strongly needs the EU, especially to support China's ongoing economic development. In examining six areas of EU-China economic relations including trade, investment, technological transfer, hi-tech cooperation, government loans, and EU-China cooperation programs, Song argues that EU-China economic ties are quite special and very important for China's economic development.⁶

Even though it is true that in the area of military and security the EU is not as important as the US, in the area of economic and trade the EU is definitely as important as the US. Thus, it needs to be asked why China is tolerating the US more than the EU, which can be seen in two issues. First, China acquiesces the US to sell arms to Taiwan but does not allow European countries to do the same. Second, China has cancelled the EU-China summit as a response to Sarkozy's meeting with the Dalai Lama, whilst keeping relatively silent when the US president acts as the same.⁷ As the title of this dissertation, 'International institutions and States', suggests, the answers lies in the attempt to explore how an asymmetry between an international institution and its member states causes a great conflict that enable to divide-and-rule the institution. The following section will illustrate how China exerts its economic diplomacy to divide-and-rule the EU.

⁴ European Commission: trade, accessed 19 February 2010, <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/china/>

⁵ China Customs Statistical Yearbook (2008).

⁶ Song, X. (2006). Strategic Elements of EU-China Economic Relations. IN Defraigne, P. (Ed.) *The EU, China and the quest for a multilateral world*, China Institute of International Studies. China Institute of International Studies & ifri, p. 48.

1. The Background of China's EU policy: Peaceful Rising

Since the 1990s Chinese IR scholars have frequently emphasised the multipolar nature of the world and the necessity of establishing a new international order that is compatible with such a world; the new order would place greater reliance on multilateral cooperation.⁸ The concept of multipolarity has become prominent in China's foreign policy approach and has been included or mentioned in most of the official declarations and statements from the mid-1990s to the present. However, Chinese leaders were anxious to see that international security has not shifted towards a more multipolar balance of great powers.⁹

Prior to the NATO bombing,¹⁰ some Chinese analysts had pointed out contradictions between the Chinese official policy and the desired ends. Most notably, they questioned whether China's official line of promoting multipolarisation was consistent with the late Deng Xiaoping's 'Tao Guang Yang Hui, You Suo Zuo Wei' policy.¹¹ They argued that promoting multipolarisation entailed to undermine the US dominant position, which would put China directly against the United States and thereby create a situation that the lie-low strategy was designed to avoid. Some Chinese

⁷ BBC (7 December 2008). China protest at EU-Dalai meeting, accessed in 17 February 2009.

⁸ Liang Shoude, "Qianyan (Preface)," in Mianxiang Ershiyi Shiji de Zhongguo Guoji Zhanlue (Chinese international strategy facing the 21st century), ed. Liang Shoude (Beijing: Zhongguo Shehui Kexue Chubanshe, 1998), pp. 1-6; 冯仲平, Feng, Zhongping (2007). 中欧关系: 机遇与挑战共存 (Sino-Europe relations: co-existence of opportunities and challenges). 时事报告 (Current report), 15; 吴白乙, Wu, Baiyi (2005). 后冷战国际体系变动与中欧关系 (The Post-Cold War System Change and Sino-EU Relations). 欧洲研究 (Chinese Journal of European Studies), 5; 邢骅, Xing, Hua (2003). 论国际格局变化中的中欧关系 (On China-EU relations in the Changing international situation Pattern). 国际關係專論 (International Studies), 1.

⁹ Gill, B. (2007). *Rising Star: China's New Security Diplomacy*, Washington, Brookings Institution Press, p. 3.

¹⁰ On May 7, 1999, during the NATO Bombing of Yugoslavia (Operation Allied Force), five US JDAM bombs hit the People's Republic of China Embassy in the Belgrade district of New Belgrade, killing three PRC citizens and outraging the Chinese public.

¹¹ Tao Guang Yang Hui, You Suo Zuo Wei (韬光养晦, 有所作为), Hide brightness and nourish obscurity, also accomplish some things; Shirk, Susan L. (2007). *China: Fragile Superpower: How China's Internal Politics Could Derail Its Peaceful Rise*, Oxford University Press; 时殷弘, Shi, Yinhong (2006). 国际政治与国家方略 (International Politics and Statecraft), Peking University Press; 时殷弘, Shi, Yinhong (2008). 美欧接近, 中欧疏离与中国的战略需要 (US-Europe close, Sino-Europe estranged and China's strategic demand). 现代国际关系 (Contemporary

analysts also drew attention to the inconsistencies in the leadership's call for multipolarisation and its depiction of globalisation as the world reality.¹² They argued that, if globalisation highlights the need for China to integrate itself into the mainstream of an increasingly homogenised world, then promoting multipolarisation also means to promote disintegration and to retreat from the same globalisation so approvingly embraced by the leadership.¹³

Although China has many schools offering different approaches to restore China's traditional status as a great power, none of them opposes that China should rise peacefully. 2003 was the year that Beijing began to speak of the concept of China's peaceful rise (中国和平崛起). It was the same year that Beijing published its EU policy. China's peaceful rise is a phrase that has been used by officials and scholars in the People's Republic of China to describe the country's foreign policy approach in the early 21st century. This concept seeks to characterise China as a responsible world leader, to emphasis soft power, and to pledge that China is committed to its own internal issues and improving the welfare of its own people before interfering with world affairs. The term suggests that China seeks to avoid unnecessary international confrontation. Overall, this 'peaceful rise' has become the fundamental principle of Chinese foreign policy, at least rhetorically. This chapter attempts to adopt it as a starting point to review China's strategy towards the EU. However, this chapter will not examine whether China is genuinely adherent to rise peacefully. Still, it is also necessary to look back at the factors that drive China's shift from its 'Tao Guang Yang Hui, You Suo Zuo Wei' (韬光养晦, 有

International Relations), 5; 阎学通, Yan, Xuetong & 孙学峰, Sun, Xuefeng (2005). 中国崛起及其战略 (*The Rise of China and its Strategy*), Beijing, Peking University Press.

¹² Ibid; also: 火正德, Huo, Zhengde (2005). 论中欧战略关系 (*The China - EU Strategic Relations*). 国际问题研究 (*International Studies*), 2; 王军伟, Wang, Junwei (2007). 当前中欧关系发展中的美国因素 (*The U.S. factor in the current China-EU relations*). 兰州学刊 (*Lanzhou Academic Journal*), 11; 陈玉刚, Chen, Yugang (2003). 体系秩序与中欧关系 (*System Order and Sino-EU Relations*). 国际观察 (*International Observation*), 4; 赵银亮, Zhao, Yinliang (2007). 嬗变中的欧亚战略与中国外交取向 (*The Changing Eurasian Strategy and Chinese Diplomacy Approach*). 东北亚论坛 (*Northeast Asia Forum*), 16.

所作為 Hide brightness and nourish obscurity, also *accomplish* some things) to 'Peaceful Rise'.¹⁴ This shift also involves the transformation of Chinese policy towards the EU from a multilateral to a bilateral approach, which is a greater matter to European capitals than to the EU.

Firstly, China has actively developed its relations with the EU since 1995 over the period of the 'Tao Guang Yang Hui' policy.¹⁵ Secondly, with the end of the 'EU-China honeymoon period' in 2005, China's European policy enters into the period of the 'You Suo Zuo Wei' policy. The context of that time is crucial to understand China's EU policy. Postponing the lift of the arms embargo on China in 2005 has been a wake-up-call for Beijing, which 'Tao Guang Yang Hui' policy will not induce the EU in lifting the ban. Thus, it is necessary through its growing economic power to conduct its 'You Suo Zuo Wei' policy to pursue goals. Before the US intervened in the decision on the arms embargo, Chinese policy makers had believed that Europe would emerge as an important global partner in the construction of a multipolar world. However, their attitude shifted due to the disappointment of the EU which has been compromised under US pressure. Beijing believes that this is partly because of Europe's closeness to the US, partly because the EU does not represent a major power vis-à-vis the US.

With regard to the 'Tao Guang Yang Hui' policy, Pillsbury suggests that: "*the existence of a dangerous and predatory hegemon is the context of Deng Xiaoping's advice, which employs expressions from the Warring States and other ancient texts to guide future Chinese leaders on strategy.*"¹⁶ Moreover, this strategy was also created to deal with the crisis of Tiananmen Tragedy. China was experiencing

¹³ Also see: 李永辉, Li, Yonghui (2008). 欧亚大陆的地缘政治震荡与大国关系调整 (Geopolitical Shocks in Eurasia and the adjustment of Great Powers Relations). 现代国际关系 (Contemporary International Relations), 5.

¹⁴ A precisely translation to English can be: Bide our time and build up our capabilities; Bonnie S. Glaser (16 Jan 2008). "Ensuring the 'Go Abroad' Policy Serves China's Domestic Priorities", Association for Asia Research, at <<http://www.asianresearch.org/articles/3010.html>>

¹⁵ Pillsbury, M. (2000). *China Debates the Future Security Environment*, National Defense University Press, p. 33.

diplomatic isolation as well as an economic and arms embargo from major Western countries and Japan in the aftermath of the Tiananmen Tragedy in June 1989. Clearly, such international sanctions would destroy the basis of China's economic development and growth. Therefore, in March 1990 Deng adopted the policies of 'anti-hegemonism' and 'multipolar international order'. Both policies aimed to pursue anti-hegemonism and to establish a new multipolar international order of politics and economics.¹⁷ Deng summarised these two policies into the principle of 'Tao Guang Yang Hui, You Suo Zuo Wei.' Even though China is rising peacefully, 'Tao Guang Yang Hui' has become the mainstream of Chinese foreign policy, this approach to political and economic inter-state relations remains the lodestar of Chinese foreign policy.¹⁸ The policy of 'Tao Guang Yang Hui' has contributed to reconcile most of the economic sanctions towards China since the Tiananmen Tragedy.¹⁹

As China's national comprehensive power increases, Beijing has decided to continue addressing the 'You Suo Zuo Wei' policy, which contains the strategy of multipolar international order. Chinese leaders link the 'You Suo Zuo Wei' to Chinese peaceful rise, which contains the new security concept. Originally, the term itself was used in a speech given by the former Vice Principal of Party School of the Central Committee of Communist Party of China (C.P.C), Zheng Bijian, in late 2003 during the Boao Forum for Asia.²⁰ It was then reiterated by PRC premier Wen Jiabao in an ASEAN meeting, as well as during his visit to the United States. Significantly, it appears to be one of the early initiatives by the fourth generation of the leadership of the PRC, headed by Hu Jintao and Wen Jiabao. Zheng quoted Mearsheimer's argument

¹⁶ Ibid., p.47.

¹⁷ Pan, G. & Wang, Y. (2001). *Dui lengzhanhou Zhongguo waijiao xinzhuanlue deshikao*" (Thoughts on China's Post-cold War New Foreign Policy Strategy),. *Guoji zhengzhi yanjiu* (Studies of International Politics), Vol. 1. p. 6.

¹⁸ Chung, C. (2009). The "Good Neighbour Policy" in the context of China's foreign relations. *China: An International Journal*.

¹⁹ Xuetong, Y. (2005). *The Rise of China and its Strategy*, Beijing, Peking University Press, p. 4.

²⁰ Chinese State Council (22 December 2002). China's Peaceful Development Road. Available at:http://english.peopledaily.com.cn/200512/22/eng20051222_230059.html

that in the past the rise of a new power often led to drastic changes of global political structures and even war (i.e. the hegemonic stability theory in international relations).²¹ For Zheng this was the case when new powers "chose the road of aggression and expansion, which will ultimately fail."²² Further, he stated that in today's new world, the PRC should instead develop peaceably, and thereby help to promote a peaceful international environment.

The discourse of China's peaceful rise helps the Chinese government to gain a positive reputation and to alleviate the image of the 'Chinese Threat.' According to Deng, the Chinese leadership is aware that China's reputation in other countries can be a major factor in their assessments of the Chinese intentions and in their corresponding response to China's rising capabilities.²³ Indeed, perceptions of a 'Chinese threat' can encourage some EU Member States to adopt containment policies towards China, which in turn may disrupt Beijing's ability to focus on economic development and to enhance Chinese security in a peaceful international environment. Thus, Chinese diplomacy has actively tried to neutralise the perception of China being a threat. As Deng explains, China develops the discourse of a peaceful rise in order to undermine the argument of a Chinese threat.²⁴

Such foreign policy approach also serves the demands of economic growth. As former Chinese Foreign Minister Qian Qichen noted: "*Diplomacy is the extension of internal affairs...A Stable political situation and growing economy creates favourable conditions for diplomatic work.*"²⁵ It is important to understand that the main source of CCP ruling legitimacy builds on continuing economic development. Compared to European countries where a legitimacy of governments derives from general elections and less obviously from

²¹ Mearsheimer, John (2001). *The Tragedy of Great Power Politics*, Norton.

²² Zheng, Bijian 2005. Ten Views on China's Development Road of Peaceful Rise and Sino-European Relations. China Reform Forum.

²³ Deng, Y. (2006). Reputation and the Security Dilemma: China Reacts to the China Threat Theory. IN Johnston, A. I. & Ross, R. S. (Eds.) *New Directions in the Study of China's Foreign Policy*. Stanford University Press, p. 186.

²⁴ *Ibid.*, p. 189.

²⁵ Qichen, Q. (October 1990). China's Important Role in World Affairs. *Beijing Review*.

economic growth, this is rather different understanding of legitimacy. Currently, China is suffering from the difficulties of three serious gaps: between rich and poor, between city and rural areas, and between the East and West (costal area and interior area).²⁶ In order to deal with these gaps, China cannot afford to lose its biggest trade partner: the EU. Export is still the main driving force of Chinese economic growth, which would suffer from a decline of the trade relations between the EU and China.²⁷

Thus, open markets towards the European and foreign investments are essential for China's economic growth. The rise of Chinese economy, exports, and foreign investment in China has made the country being a winner in economic globalisation.²⁸ Unlike in 1990s when China perceived globalisation as a threat to its sovereignty and domestic stability, current Chinese leaders have acknowledged that both domestic stability and China's international security required the country to participate in the globalisation process.²⁹ Although China is a stakeholder of globalisation, in its perception the current rules of globalisation game neither exactly suit Chinese interests nor reduce the global anxiety of 'China threat.' From a Chinese perspective, the engagement with the EU does therefore not only mean to benefit from globalisation as it is today, but also to stimulate the EU to alter the rules of global game.

2. China's EU Policy

At the centre of Beijing's foreign policy are its relations with the US and the EU. In public the Chinese leaders tend to express that Sino-US and Sino-EU relations are equally important. In private, however, the power of America's economy and military and the fact that it is a huge debtor to China make Chinese scholars and policy makers rather prioritise the US. The mainstream

²⁶ Interview with Quansheng Zhao (28 March 2009). Leiden University, Holland.

²⁷ Interviews with Ling Jin and a Chinese diplomat: L (18 June, 16 July 2009). Brussels.

²⁸ Kim, S. (2006). Chinese Foreign Policy Faces Globalization Challenges. IN Johnston, A. I. & Ross, R. S. (Eds.) *New Directions in the Study of China's Foreign Policy*. Stanford University Press, p. 280.

²⁹ Ibid., p. 278.

perspective of China's academic literature highlights, firstly, that in many respects China has more in common with the EU and therefore is willing to learn from the European experience; secondly, both do not want an unipolar world; thirdly, China would encourage the EU as a counterbalance to the US, but that requires Brussels to speak with a single voice.³⁰

This chapter argues, firstly, that compared to EU-US relations China does not have more in common with the EU than with the US, and secondly, that China neither wants a unipolar world, nor a multilateralist world. Currently, China is not willing to challenge the US's strategic and military predominance in Asia-Pacific, but can encourage the EU to influence the US. Beijing cannot foster disagreement between the US Council of the States or any federated state over US foreign policy, but it is able to divide the European Commission and its Member States, as well as the Member States among each other. Although the EU represents the biggest trading bloc in the world with the Big Three being middle sized economic powers, individual Member States can hardly afford to reject Beijing's economic charm. Furthermore, the idea that China wants to see an unified Europe as a counterbalance to the US is not up to date anymore, as Beijing has woken up from its dream of an alliance with the EU to balance the US. When the EU acts as a single actor, it only counterbalances the US for the sake of its own interests, not for China's sake. European norms, values, culture, political system and interests are much closer to those in the US than in China. When the EU manages to speak with a

³⁰ Chen, Zhimin 23-24 January 2007. Sino-European Strategic Partnership: Retrospect, Vision and Suggestions from a Chinese perspective. paper presented at the Fifth Shanghai Workshop on Global Governance: "Current Situation and Future Prospects of Asia-Europe Security Cooperation; Dai, Xiudian (2006). Understanding EU-China Relations: An Uncertain Partnership in the Making Centre for European Union Studies. The university of Hull; Feng, Zhongping (2006). How to promote Sino-EU relations going to depth development? (Chinese). *Foreign Affairs Review*; Feng, Z (2007b). Europe: China's "foe"? *World Knowledge (Chinese)*, 5, 22; Li, Shaojun (2007). Key Elements of China's Foreign Strategy. in Kerr, D. F., L. (Ed.) *The International Politics of EU-China Relations*. British Academy Occasional Papers. The British Academy; Liu, Xige (2004). The Diplomatic and Security Cooperation in the China-EU Partnership. in Hong, Z. & Baiyi, W. (Eds.) *China-EU Partnership: Possibilities ad Limits*. Beijing, CASS.63; Men, Jing (2006). Chinese Perceptions of the European Union: A Review of Leading Chinese Journals. *European Law Journal*, 12, 788-806; Pang, Zhongying (2007). On the Sino-Europe "strategic partnership. *International Review*, 46; Shi, Yinhong (2008). US-Europe close, Sino-Europe estranged and China's strategic demand. *Contemporary Internal Relations*, 5, 9-11.

single voice, it challenges China's Tibet and trade policy rather than the US's Afghanistan policy or its financial measures. Thus, even a unified European Union with the potential to challenge the US, is unlikely to serve China's interests against the US.

Interestingly, Beijing tends to pursue strategic partnerships that address its own concerns about America's hegemony without alienating the US.³¹ Accordingly, China establishes strategic partnerships with the EU and its large Member States, which is seen in Beijing as a move to enhance China's international status, as well as to foster the emergence of a multipolar world order.³² Chinese leaders have stated that the strategic partnership with the EU should serve to promote 'global multilateralism' and the 'democratisation of international relations.'³³ Thus, Chinese leaders hope that the EU becomes one of the emerging poles to work together with Beijing towards a multilateral environment and subsequently towards the decline of America's unilateral approach in world affairs.³⁴ The perspective of Chinese multipolarity has been supported by French and German political elites during the governances of the former French president Jacques René Chirac and former German Chancellor Gerhard Schroeder. Although American intervention has stopped the common strategic desire to limit the US's predominance, a range of developing and undeveloped countries seeks to ally with China to counterbalance the US primacy.

Not only are the relations between China and the EU disturbed by US intervention, for Chinese policy-makers the EU's normative policy towards China seems to be unrealistic, because China can largely afford to ignore

³¹ 宋新宁, Song, Xining (2001). 国际政治格局与欧洲联盟 (International Politics Pattern and the European Union). 中国人民大学学报 (*Journal of the Renmin University of China*), 5.

³² However, it has being flexible enough to enable China to change direction if circumstances change.

³³ Cameron, Fraser & Yongnian, Zheng (2007). Key Elements of a Strategic Partnership. in Crossick, S. & Reuter, E. (Eds.) *CHINA-EU: A Common Future*. World Scientific Publishing, p. 4.

³⁴ Interview with a Chinese diplomat: C. (14 November 2008). Beijing.

European pressure and critique on its human rights policy and its political system.³⁵ Shi takes a philosophical perspective to criticise EU normative power. For him the EU and its large Member States regard themselves as being 'teachers of values' based on the self-perception that their values are superior according to 'the concern of post-modern' and 'the experiment of post-modern'.³⁶ Shi contends that Europe has a traditional perspective to look at China both in 'modern world' and 'modern values' and gradually has an ambition to take a leading role at the global stage.³⁷ However, Shi argues often than their policies within Europe and the Middle East the EU and individual European leaders are not capable of handling the substantial security issues. Indeed, Shi's perspective represents the predominant attitude of Chinese leaders and scholars, who believe that "Europeans do not understand China and Chinese culture." However, as outlined in chapter two, the intention of the EU being a normative power is based on liberalism, that the EU diffuses norms and values to all 'others', not just China. Most importantly, from a Chinese perspective, the EU's foreign policy with the principles of normative power is regarded as an obstacle in the EU-China relations; the Chinese policy-makers have strongly rejected these principles.³⁸

2.1. Chinese foreign policy making towards the EU

Chapter three has shown that the EU's foreign policy lacks coherency. In contrast to the EU, China's political system is determined by its central government, which is responsible for three major operational characteristics within China's foreign policy: firstly, the consistency of a strategic vision; secondly, the ability to enforce sacrifices upon certain institutions and individuals; and lastly, the ability to change the course dramatically without negotiating with other domestic power centres.³⁹ Consequently, China has a

³⁵ Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Eds.) (2010). *US-China-EU relations: Managing the New World order*, London, Routledge, p. 116.

³⁶ Shi, Y. (2008). US-Europe close, Sino-Europe estranged and China's strategic demand. *Contemporary Internal Relations*, vol. 5, (Chinese Edition) p.10.

³⁷ Ibid.

³⁸ Interview with a Chinese diplomat: B. (20 October 2008). Beijing.

³⁹ Nathan, A. J. & Ross, R. S. (1998). *The Great Wall and the Empty Fortress: China's Search for Security*, WW Norton & Co., p. 123.

clear advantage compared to the EU's rather ineffective foreign policy approach that is characterised by the mismatch between its centre and its members. Clearly, China's authoritarian political system is able to produce a more coherent strategic foreign policy, whereby the confusion and inconsistency within the EU's foreign policy can be exploited by China. EU diplomats often criticised the EU for its lack of a strategic view towards China,⁴⁰ whereas China's consistent strategic vision allows its professional diplomats to spend much of their attention on issues below the level of grand strategy.⁴¹

Two major tasks are part of the Chinese grand strategy towards the EU. The first challenge is to maintain Chinese sovereignty and the integrity of territory, notably in the Taiwan and Tibet issues. The second is to shape the emerging system of international treaties and agreements which increasingly constrains the autonomy of states in areas as diverse as arms export, arms control, human rights, environmental policies, air and sea navigation, and international economic relations.⁴² China's focus on security differs from that of the EU. Although China has gradually adopted a comprehensive security approach, its core concern still prioritises political and military security. The EU, in contrast, has surpassed the traditional understanding of security and extended its notion of security. More and more European leaders tend to emphasise human and social security including elements, such as humanitarian intervention, in which China does not agree.⁴³

Compared to East Asia and the US, some Chinese analysts' see a decline of the EU's importance for China's economic growth and its scientific and

⁴⁰ Interview with BICCS China director Jonathan Holslag (27 July 2009). Brussels.

⁴¹ Nathan, A. J. & Ross, R. S. (1998). *Ibid.*, p. 133.

⁴² *Ibid.*, p. 134.

⁴³ Zhu, L. (2008). Chinese Perspective of the EU and the China-Europe Relationship. IN Shambaugh, D., Sandschneider, E. & Hong, Z. (Eds.) *China-Europe Relations: Perceptions, Policies, and Prospects*. Routledge; Liu, X. (2003). Qianxi Zhonggou tong Qumeng de Waijiao yu Anauan Hezuo <An Analysis on Sino-EU Foreign and Security Cooperation>. *Guoji Wenti Yanju*<*Journal of International Studies*>, 6, p. 28.

technological advancement,⁴⁴ particularly since the EU postponed to lift the arms embargo in 2005 and excluded Chinese contractors from joining the Galileo plan in 2008.⁴⁵ One Chinese official argues that in cases where military and security issues are involved, the EU acts according to the US.⁴⁶ Although in terms of security the EU's weight is not as heavy as that of the US or China's neighbouring countries, such as Russia, Japan, Korea, Taiwan, Vietnam, Myanmar, India and Pakistan, instead of traditional security concerns economic growth is the main object of the Chinese foreign policy. Nonetheless, since the EU hardly manages to pool its weight in order to challenge China, the latter does not hesitate to act hostile, if the EU or its Member States offend it.

In terms of policy-making, China's foreign policy is decided by the Politburo of the Chinese Communist Party, which is best able to coordinate policy across the whole spectrum of government. Most importantly, unlike in the EU, the Politburo is the level at which foreign policy decisions are closest linked to domestic policy decisions. Thus, the Chinese foreign policy can rapidly respond to the demands of domestic developments. For example, in 2008 when Nicolas Sarkozy met the Dalai Lama at a gathering of the Nobel Peace Prize laureates in the city of Gdansk, the Politburo decided to cancel the EU-China summit.⁴⁷

⁴⁴ Junbo, J. (November 02 2009). China sizes up EU's new face. *Asia Times*.

⁴⁵ On 30 October 2003, China reached an agreement with the EU promising cooperation and commitment to provide €200 million for Galileo project. This project is designed to encircle the globe with 30 satellites in medium earth orbit comprising 27 operational satellites and three reserves, plus two control centres on the ground. It allowed Chinese companies (i.e. the National Remote Sensing Centre of China) to acquire know-how and advanced space technology. From the American point of view, China's participation brought several risks to transatlantic relations particularly with regard to security and economics. Before the US intervention, around 35 million euros had been contracted to China for the development of different applications of the Galileo project in China by July 2008. See: European Commission, *Communication from the Commission to the European Parliament and the Council: Progressing GALILEO: re-profiling the European GNSS Programmes*, COM (2007) 534 final, Brussels, 19 September 2007; Nicola Casarini (2009). *Ibid.*, Chapter 5.

⁴⁶ Interview with a Chinese diplomat: B. (20 October 2008). Beijing.

⁴⁷ Interview with a Chinese EU diplomat: L. (16 July 2009). Brussels.

Further evidence of the importance of foreign policy is the position of the Foreign Affairs Office (FAO) in the State Council system, which is on top of power structure. The FAO coordinates the work of four Ministries involved in foreign affairs, for example, the Ministry of Foreign Affairs controls diplomacy, staffs embassies and consulates overseas; the Ministry of Foreign Trade and Economic Cooperation manages trade issues, such as conflicts regarding EU's anti-dumping measures towards China and protection of intellectual property rights (IPR); the Ministry of State Security deals with border control, diplomatic security, and counterespionage.⁴⁸

For the Chinese government its foreign policy is strongly linked to its domestic policy, which is centred around the objectives of fast economic development and social stability, as well as to cope with the economic crisis. According to Scobell the three most important motives driving Beijing's diplomacy are: ensuring domestic stability, maintaining good relations with Washington, and promoting China's international position, whereby particularly domestic stability is given a high priority.⁴⁹

With respect to the EU these objectives can be articulated as: enhancing China's domestic development through strengthened trade ties with the EU, gaining access to natural resources through cooperation with the EU in Africa, increasing its international status, and ensuring EU support for China's Taiwan policy. China's interests are clearly defined by the pursued of economic development, sovereignty, and territorial integrity, for which it needs the EU as much as the EU needs China. Thus, China's intentions to turn from a regional to a global player require keeping the relations with the EU balanced between cooperation and competition.

⁴⁸ Bachman, David (1998). *Structure and Process in the Making of Chinese Foreign Policy*. in Kim, S. S. (Ed.) *China And The World: Chinese Foreign Policy Faces the New Millennium*, Westview Press; 4 edition.

⁴⁹ Scobell, A. (18 March 2008). *Chinese Diplomacy Goes Global: Motives, Methods, and Mechanisms.*, Testimony before the U.S.-China Economic and Security Review Commission, Panel on Tools of China's Statecraft: Diplomacy.

2.2. Chinese policy paper towards the EU

In 2003 China published its first and only official policy towards the EU,⁵⁰ on which Cabestan commented: "On the one hand, China 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. Conversely, 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 favour, than on the enduring reality."⁵¹ Cabestan's view suggests that Beijing's glorifying rhetoric aims on diminishing European concerns about a potential Chinese threat, while in fact it does not promise any clear measures within the bilateral relations. Further examples of such a behaviour is given by Fox and Godement, who examined China's European policy starting from 2003 and concluded that China channels EU pressure on controversial issues, such as human rights, by accepting formal dialogues which are turned into inconclusive talking shops.⁵² Moreover, they criticise China for exploiting and occasionally even fostering divisions between EU Member States.⁵³ However, although their critique is justified, Fox and Godement ignore that China is not the only country exploiting the EU's inner conflicts. Disagreement within the Union over political and diplomatic interests allows not China, but also countries like the US and Russia, to divide the EU over its foreign policy.⁵⁴ Even though that might not be 'fair' to take advantage of the EU's shortfall, it is still reasonable to exploit it in the bilateral relations with European countries.⁵⁵

Chinese scholars generally agree that China needs to maintain relations with the EU, as well as directly with each Member State.⁵⁶ When China follows a dual diplomacy approach towards the EU as an entity and towards the

⁵⁰ Chinese Ministry of Foreign Affairs (13 October 2003). China's EU Policy Paper, the People's Republic of China.

⁵¹ Cabestan, J.-P. (2006). European Union-China Relations and the United States. *Asian Perspective*, 30, p. 11.

⁵² Fox, J. & Godement, F. (2009). A Power Audit of EU-China Relations The European Council on Foreign Relations, pp. 8-9.

⁵³ Ibid.

⁵⁴ Ibid., p. 32-37.

⁵⁵ Global Times (November 30 2009). A united EU: bad deal for China?

⁵⁶ Interview with Xining Song (10 April 2009). Bruges, Belgium.

individual members, it is best able to engage within European affairs effectively and efficiently.⁵⁷ How does Beijing's dual diplomacy approach work in practise? The following sections show how China adopts economic diplomacy as a tool to divide-and-rule the EU and its Member States, especially how the individual interests of the Big Three can be used to undermine a common normative policy approach towards China.

3. China's Economic Diplomacy towards the EU

China is the fastest growing economy and the world's largest single market.⁵⁸ China's rising economic clout builds both opportunities and challenges for its bilateral relations with the EU. China accounted for around 7% of world trade in 2006. By 2030 it is expected to rise to 15%.⁵⁹ A world record of 10% annual growth for more than twenty years has worried other countries. As China sucks up more foreign direct investment than any other country, it has begun to encourage its national companies to invest in foreign countries. But it also needs to point out that over 53.21% of China's exports in electrical productions are currently capitalised by either foreign companies or joint ventures.⁶⁰

Although in the 1980's China and Europe traded almost nothing, bilateral trade has grown by around 15.86% per year from 1995 to 2002.⁶¹ (table 5.1) In 2006, China exported €194 billion worth of goods to the EU. The EU is China's biggest source of manufactured exports. Thus, in this perspective, China views trade ties with the EU more importantly than with the US and Japan.⁶²

⁵⁷ It is a popular perspective for Chinese scholars and policy makers, which they are not intended to divide Europe, but the EU's workless forced China has no choice. Song, X. speech in the conference of "The impact for Europe and the world in Chinese peaceful development(25 April 2009).

⁵⁸ Peel, J. (May 2009). Inquiry into the EU and China: Submission of evidence to the House of Lords. European Union Committee - Sub-Committee C, p. 2.

⁵⁹ <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/375&format=HTML&aged=0&language=EN>

⁶⁰ 王国安, Wang, Guoan & 范昌子, Fan, Changzi (2006). 中欧贸易互补性研究 (The research of Sino-EU trade complementarities). 国际贸易问题 (*International Trade Issue*), 3, p. 63.

⁶¹ Chinese Custom Statistic.

⁶² Song, X. (2006). Strategic Elements of EU-China Economic Relations. IN Defraigne, P. (Ed.) *The EU, China and the quest for a multilateral world*, China Institute of International Studies. China

Although China has great power to exert an economic diplomacy effectively, it needs to use it careful or otherwise it might become a force to ally some countries that are attached to the Chinese economic competition.⁶³ Actually, the Chinese leaders are aware that economic relations with the EU are irreplaceable.

Table 5.1. Statistics of China-EU import and export trade Unit: \$Billion

Imports and Exports Year	Imports and Exports (\$Billion)	Growth Rate over the same period last year (%)	Exports (\$Billion)	Growth Rate over the same period last year (%)	Imports (\$Billion)	Growth Rate over the same period last year (%)	Trade surplus/deficit (\$Billion)
1994	339.7		153.9		185.5		-31.9
1995	403.5	18.8	191	24.1	212.5	14.4	-21.5
1996	397.0	-1.6	198.3	3.8	198.7	-6.5	-0.4
1997	430.0	8.3	238.1	20.1	191.9	-3.4	46.2
1998	488.6	13.6	281.5	18.2	207.1	7.9	74.4
1999	556.8	13.9	302.1	7.3	254.7	22.7	47.4
2000	690.4	24.0	381.9	26.4	308.5	21.2	73.4

Source: China Custom Statistics

The rapid economic growth has caused China needing a high volume of natural resources. The voracious demand of the Chinese industry has led to a rise of the world prices of oil, iron, coal and other mineral resources. Currently, China imports more oil than any other country except the US. Thus, the EU is worried that the rising natural resource prices will bring inflationary effect of higher commodity prices. Moreover, the EU concerns that China has forged close links with some rather unstable regimes to source natural resources, including Africa and Central Asia.⁶⁴

Institute of International Studies & ifri.

⁶³ Goldstein, Avery (2005). *Rising to the challenge China's grand strategy and international security*, Stanford University Press, p. 25.

⁶⁴ Beijing claims that the EU also engages with those unsavoury countries for energy concerns.

However, the EU also enjoys the benefit of the inflation-dampening effect of cheap manufactured products imported from China. This situation explains that China's economic growth and its huge domestic market have translated into political and economic leverages that Beijing can place EU trade policy in dilemma. Indeed, Beijing can exert the friendly bilateral relations with Member States against the EU policies that are unwelcomed by China. That is to say China earned a lot of support through its attractive opportunity to European businesses. Chinese leaders have learned that a large economy attracts their European counterparts who are willing to cooperate for the opportunity to trade and invest.⁶⁵ Delegation of the European Union to China and European Union Chamber of Commerce in China work for commercial favour and obtain government approvals for their business ventures. The Chinese governments exerts its purchase of airplanes, insurance licenses, and approvals for large investment projects to the Big Three to try keeping their support of China's interest in the EU.

Furthermore, China has expanded its global economic power and used it as market power to win the support from the EU. Its importance as a trade and investment partner has altered its strategic position in a fundamental way. Currently, China's share of world exports has grown from 1.9% (1990) to 6% (2005).⁶⁶ For most of the European leaders, they incline to view this great economic power as an opportunity rather than a threat. Some others view China as a challenger, believing that Chinese future would depend on overturning the fundamental order of the international system.⁶⁷ In responding to European perception on China, Beijing knew it has to avoid clashes with the EU that could derail economic growth and threaten their ruling legitimacy.

⁶⁵ Interview with a Chinese diplomat: A. (15 October 2008). Beijing.

⁶⁶ International Monetary Fund; World Bank (2005) World Development Indicators, accessed on 7 May 2010.

⁶⁷ Interview with a French diplomat: N. (24 July 2009). Brussels.

The most often used wordings to tell their EU counterparts are “we have neither fundamental conflict of interests, nor unresolved historical issues.”⁶⁸ In fact, this is the political and diplomatic rhetoric that Beijing used on many countries. But for the EU, the ‘unresolved historical issues’ implies that it recognises Beijing’s ‘One China policy’ and Chinese sovereignty over Taiwan. This is inconsistent with the US’s ‘Taiwan Relations Act’ which is the guidebook of American policy in Cross-Strait relations. Furthermore, although without the fundamental conflict of interests, Chinese leaders have exerted at exploiting commercial rivalries for political purposes with the EU.⁶⁹ For example, the spokesman of China’s State of Council often claims that too harsh a mention of human rights could damage not only friendly bilateral relationship but also business interests.⁷⁰

Using economic clout to promote political goal is a usual but effective measure. As the former Chinese prime minister, Li Peng contended that: “*If the Europeans worked with China in all areas, not only economically but also politically and in other areas, I think they would get more contracts with China.*”⁷¹ Li’s language reflects that China is seeking to use business contracts in exchange of political support. Moreover, China exerts the economic rivalries between Member States to undermine the EU’s China Policy. On one hand, Chinese policy makers expressed that the business and political issues are separated; arguing that each follows its own logic.⁷² On the other hand, still, the Chinese government controls the decision of the biggest commercial contracts with foreign companies. As Messerlin and Wang argued that: “*China has a fully-fledged foreign policy, allowing its trade policy to focus on*

⁶⁸ Chinese Ministry of Foreign Affairs (13 October 2003). China’s EU Policy Paper, the People’s Republic of China; Chinese Ministry of Foreign Affairs (6 May 2010). Remarks by H.E. Ambassador Song Zhe at the Reception Celebrating the 35th Anniversary of the Establishment of Diplomatic Relations between China and the European Union.

⁶⁹ Interview with Axel Berkofsky (14 June 2009). Brussels.

⁷⁰ Speech By H.E. Ambassador Song Zhe (13 October 2009). Speech By H.E. Ambassador Song Zhe, Head of the Mission of the People’s Republic of China to the European Union at the Meeting with the Delegation for Relations with China of the European Parliament

⁷¹ Barysch, K., Grant, C. & Leonard, M. (2005). *Embracing the dragon: The EU’s partnership with China*, Centre for European Reform.

⁷² Interview with a Chinese diplomat: B. (20 October 2008). Beijing.

business issues, but also to be occasionally the continuation of its foreign policy."⁷³ By contrast, the EU trade policy is a production of 27 Member States' collectively decision-making by compromises in foreign policy matters,⁷⁴ simply as chapter 3 argues that the EU cannot solve the dilemma of EU internal divisions.

China views that the current world trade rules do not exactly conform to its national interest and it inclines to change it incrementally. For instance, China's policy towards international technology companies shows it knows how to manipulate markets to its advantage and to the disadvantage of others.⁷⁵ Chinese government rebuked the EU severely in the measures in attempting to restrict Chinese textile exports. Rhetorically, Beijing argues that the EU has long been promoting the principle of free trade, but when European interests are affected it adopts protectionist measures and disrespects the norms and regulations of the World Trade Organisation (WTO).⁷⁶ Indeed, after China become WTO member, Chinese exports to the EU increased by 46% in value and 192% in volume.⁷⁷ Thus, when the EU underwent an inquiry on the Chinese textile exports, Chinese trade officer argued that it would lead to special restrictions which were against the rules of the WTO and detrimental to the bilateral trading relationship.⁷⁸

Moreover, a senior Chinese official criticised the EU on resorting to protectionism to keep competitive imports from China out of Europe, as European business representatives working in China gave warning of rising economic nationalism. Cheng Yongru, a senior official at the Chinese Ministry of Commerce, attacked the European Union for its use of 'anti-dumping'

⁷³ Messerlin, Patrick & Wang, Jinghui (2008). Redesigning the EU trade strategy towards China. Joint ECIPE-GEM Working Paper, p. 3.

⁷⁴ Interview with Xining Song (10 April 2009) Bruges, Belgium.

⁷⁵ Editorial (22 February 2010). Beijing tightens technology noose. *Financial Times*.

⁷⁶ Interview with Youfu Xia (20 November 2008). Beijing. University of International Business and Economics

⁷⁷ Comino, A. (2007). A Dragon in Cheap Clothing: What Lessons can be Learned from the EU-China Textile Dispute? . *European Law Journal*, 13, p. 827.

⁷⁸ Ta Kung Pao (27 April 2005). p. A 19.

duties - taxes levied on imports it deems to be priced unfairly low. The use of anti-dumping duties by the EU and some other large trading partners, such as the US, has been rising over the past year, though still remains low by historical standards.⁷⁹

In practice, Beijing is skilled at counterbalancing the pressure from the EU, for example, the Chinese Ministry of Commerce has launched eight measures to moderate the rapid growth of Chinese textile exports including to impose exports duties, to encourage self-discipline within the industry and to direct the export orders.⁸⁰ Subsequently, Chinese government has increased the export tariffs of Chinese textile productions for 74 types of products since 1 June 2005.⁸¹ Notwithstanding, Chinese Minister of Commerce Bo Xilai attacked the EU of adopting double standards, which was hypocritical to talk about free trade when European products have a competitive advantage in developing countries, while restricting Chinese products that have a competitive advantage in the EU Member States.⁸² Thus, Bo Xilai decided to abolish the export tariffs for 81 products on 30 May 2005, which expressed the objection of Chinese government towards the EU's 'double standards.'⁸³ This measure has forced the European Commission to reconsider the investigation on Chinese surging textile exports, suggesting that the Commission saw the need to specify WTO paragraph 242.⁸⁴ Consequently, the resulting negotiation has produced a win-win situation to fulfil the needs of both sides.

Furthermore, some European enterprises in China claim that many of the

⁷⁹ Anderlini, J., Beattie, A. & 2008, S. (9 September 2008). Beijing attacks EU anti-dumping duties. *Financial Times*.

⁸⁰ Ibid.

⁸¹ Ta Kung Pao (21 May 2005). p. A4.

⁸² Ta Kung Pao (7 May 2005). The interview of Bo Xilai, p. A. 11.

⁸³ Ta Kung Pao (31 May 2005). p. A. 1.

⁸⁴ In the event a WTO Member believes that imports of Chinese origin of textiles and apparel products covered by the ATC as of the date the WTO Agreement entered into force, were, due to market disruption, *threatening to impede the orderly development of trade* in these products, such Member could request consultations with China with a view to easing or avoiding such *market disruption*; World Trade Organisation, *Report of the Working Party on the Accession of China* (1 October 2002), available at http://trade.ec.europa.eu/doclib/docs/2003/september/tradoc_113814.doc.

business deals that Chinese leaders promised never come to fruition.⁸⁵ Indeed, although the imagination that Beijing always ‘politics first,’ Chinese government also put commercial considerations first when choosing their business partners: the deal goes to those who offer the best terms, not the nicest words.⁸⁶

To sum up this section, this chapter argues that Beijing exerting its economic diplomacy has benefited its political system, whereby the authoritarian government can effectively order its national companies to obey its political will if need to. For example, when China sends its business delegation to European countries, those who have investments in China are given the priority to be awarded business contracts. This uniquely economic clout gives Beijing the ability to adopt the strategy of ‘divide-and-rule’ effectively. Eventually, Chinese economic power is able to hamper the EU’s progress over foreign policy.

4. China’s Divide-and-Rule Strategy in EU-China Political and Trade Dispute

4.1. The debates

‘Divide-and-rule’ can be defined as a combination of political, military and economic strategy of gaining and maintaining power by breaking up larger concentrations of power into chunks that individually have less power than the one implementing the strategy. Furthermore, from the meaning of Chinese language, the ‘divide-and-rule’ contains the implication of ‘rule them respectively.’ In precise term, China does not manage the EU as a single group, but operate its foreign relations with European capitals with the same weight as with the EU. Therefore, when conflict occurs, Beijing can defeat it one by one. This strategy functions effectively in particular towards the political coalition, when its members’ interests are inconsistent and generate internal division. As a senior officer of the Commission said, "*Because its*

⁸⁵ Interview with the ECIPE Researcher: Iana Dreyer (22 April 2009). Brussels.

⁸⁶ Interview with a Chinese diplomat: C. (14 November 2008). Beijing.

*divisions are so visible, we almost invite our partners to play on the disunity between the EU and Member States. This is a very worrying trend which the EU needs to overcome.*⁸⁷ This situation encourages Beijing in adopting the 'divide-and-rule' strategy towards the EU without any hesitation.

The strategy of 'divide-and-rule' effectively not only undermines the EU's normative intention such as promoting human rights and political reform in China, but also allows China to take advantage in bilateral trade competition. By way of explanation, China benefits from this policy by responding to the pressure of EU's great economic leverage. To analyse the trade relations between China and individual EU Member States, only four out of twenty-seven Member States have a trade surplus.⁸⁸ This asymmetric trade circumstance allows Beijing to channel its economic leverage against the EU's collective economic power by dealing with individual Member States. In the case of the shoe war between China and the EU, China urged the side of free traders, opposing the Commission to impose anti-dumping tariffs on leather shoes from China to counter a sudden flood of imports. The initial anti-dumping charge of 19.4% for all shoes originating from China (except for children's shoes) was introduced in April 2006 after investigations of the Commission suggested that China was exporting footwear at below-cost prices.⁸⁹

The measure was only valid for a six-month period and the Commission needs to satisfy both European manufacturers and importers, while offering an operating room for China to encourage importers to side against the Commission's decision. Free traders such as Britain, Denmark, Germany and Sweden, who strongly opposed the imposition of protectionist tariffs that would harm trade relations with China and raise prices for consumers. The other side of protectionists such as Italy, Spain, France, Poland and Portugal,

⁸⁷ Everts, S. (2002). *Shaping a credible EU foreign policy*. Published by Centre for European Reform (CER).

⁸⁸ Wim, V. D. V. (1 July 2006). China Leopold Achterna in Congo. *De Tijd*.

⁸⁹ Bounds, A. (2006). EU governments reject tariff plan for Chinese Shoes. *Financial Times*.

who were pressuring the Commission to adopt measures after investigations, reflects that Chinese manufacturers are benefiting from low-cost financing and tax breaks to create unfair competition.⁹⁰ This shoes war illustrates that the EU's internal division has enable China to play the divide-and-rule strategy successfully. As a consequence, the EU has not been able to produce a coherent trade policy towards China.

Additionally, China has a long-term history of paying close attention to great powers rather than international institutions. This approach is not only towards the EU, but also to other regional organisations such as the ASEAN. A good example to reflect how Beijing values the large Member States: when the Maastricht Treaty is signed in 1992, Beijing did not change this foreign strategy. When the former President Jiang Zemin visited Europe in September 1994, he illustrated the Four Principles⁹¹ for the development of relationship between China and Western Europe, Beijing chooses Paris to announce these important principles instead of Brussels. Beijing contends that it is frustrated with its failed interactions with the EU in Brussels and has realised that it gains more leverage by working bilaterally, including by playing European capitals off one another.⁹²

Furthermore, China argues that it has difficulty with the political nature of the EU in its decision-making processes and has found that the EU is complex and incomplete as a system of governance.⁹³ Thus, China inclines to claim that it feels more comfortable with the Member States where lines of authority are clearer.⁹⁴ However, it is a perfect excuse for Beijing to shift its attention from Brussels to Europe capitals. As Chinese professor Song testified in House of Lords: *"China liked to work with Germany, its chief trade and economic*

⁹⁰ Euroactive (29 August 2006). EU governments divided over duties on Asian shoes.

⁹¹ Development of relations with a view to the 21st century, mutual respect, mutual benefit, resolution of all international problems through consultation and cooperation

⁹² Medeiros, Evan S. (2009) China's international behavior: activism, opportunism, and diversification, Project Air force, RAND, p. 154.

⁹³ Interview with a Chinese diplomat: B. (20 October 2008). Beijing.

⁹⁴ House of Lords (2010). Stars and Dragons: The EU and China. European Union Committee, Published by the Authority of the House of Lords, p. 20.

partner, because it always followed the rules. Likewise, the Chinese paid more attention to the UK than to others because, although it criticised China, it would honour commitments once made."⁹⁵ Again, Song's testimony illustrates Beijing favours European capitals rather than Brussels.

Thus, when China has achieved solid relationships with the Big Three, not surprisingly, Beijing does not hesitate to take advantage of the obvious competition between EU Member States, notably in the economic sectors and direct investments. Beijing exerts diplomatic isolation and warns the possible loss of big business contracts to EU Member States if their actions are intended to act against Chinese national interests such as arms sales to Taiwan, supporting Tibetan separatist activities through meeting of the spiritual leader the Dalai Lama, and criticising the Chinese human rights record. Most importantly, Beijing's sanction towards the EU is aiming at one Member State at a time; meanwhile, it transfers the big business contract or strengthens the bilateral relations with Member's neighbour countries. Beijing is very careful to avoid provoking the unity of the EU as well as cautious of the European perception of 'China threat'. Beijing has a strong economic power to support the strategy of divide-and-rule, but it might become China's nightmare if China pushes the strategy too hard, then European Member States will be "sharing the same hatred and fighting against a common enemy". Therefore, Beijing has to consider carefully the implication of the divide-and-rule strategy towards the EU and its Member States.

Indeed, China values the Big Three more than the EU.⁹⁶ China argues that EU's policy towards China is vague and incoherent, which China used to take the EU as a whole, but finds it hard to deal with 27 different Member States with one policy.⁹⁷ Therefore, China has no choice but seek to strengthen bilateral relations with the Big Three and other large Member States to

⁹⁵ House of Lords (2010). *Ibid.*, p. 20.

⁹⁶ Interview with Yinhong Shi (17 June 2009). Brussels.

⁹⁷ Interview with Youfu Xia (20 November 2008). Beijing.

supplement the weakness of EU incoherent China policy.⁹⁸ Thus, Beijing engages with the Big Three actively to exploit the weakness of EU internal divisions through the divide-and-rule strategy and it works efficiently and effectively.

China manages the bilateral relations with large EU Member States strongly with long history, particularly with the Big Three. From a Chinese perspective, the main obstacles of its bilateral relations with Member States can be addressed on three issues: arms sales to Taiwan, Tibet issue such as meeting with the Dalai Lama, and criticising Chinese human rights records. For example, those countries that try to improve their economic ties with Taiwan and when it comes to political ties, will usually meet Chinese objection. Because EU Member States regard China as a major partner in helping Europe become more competitive towards both the United States and Japan,⁹⁹ the Taiwan issue for the EU becomes merely second-order concerns.

4.2. EU Member States' arms sales to Taiwan

The report from the Commission to the Council and the European Parliament states that: " During the reporting period, the EU has paid particular attention to the evolution of relations between China and Taiwan."¹⁰⁰ In July 1999, the EU Presidency issued a declaration, on behalf of the EU, recalling the EU's adherence to the 'one China' principle, underlining the need to resolve the question of Taiwan peacefully through constructive dialogue, and urging both sides to avoid taking steps or making statements, which increase tension.¹⁰¹ From the historical perspective, until the 1970s, the government in Taiwan was widely recognised as the formal, legal representative of China in the international community. Following the loss of its seat in the United Nations (1971) and in the wake of Japanese (1972) and US (1978) recognition

⁹⁸ Interview with Xining Song (10 April 2008). Bruges, Belgium.

⁹⁹ Sandschneider, E. (2002). China's Diplomatic Relations with the States of Europe. *The China Quarterly*, 169, p. 43.

¹⁰⁰ European Commission (1998). Building a Comprehensive Partnership with China. *COM (1998) 181*.

of the legal authority of Beijing to represent a single China, international diplomatic support for Taiwan rapidly dwindled. By the end of the 1970s, less than 30 countries continued to recognise the Republic of China, a situation that has barely changed to the present day. Although Taiwan is the 6th largest trade partner of the EU, the Taiwan-Europe axis is still regarded as a 'secondary relationship.'¹⁰²

Beijing's highest concern about Taiwan-EU relations is arms sales, which is the only thing that European Member States attempts to challenge China's strategic interest. In the aftermath of the Tiananmen Tragedy, France developed a close 'non-official relationship' with Taiwan and sold a large amount of weaponry to its armed forces. The French-Taiwanese military cooperation and long-term cooperation were initiated by the sale to the island-state of six La Fayette Frigates and 60 fully equipped Mirage 2000-5 in the years 1990-1992.¹⁰³ After the Mirage sale in December 1992, France was punished by the Chinese Government, which retaliated by excluding French companies from the Chinese market, projects such as the Guangzhou Subway and closing the French Consulate in Guangzhou.¹⁰⁴

After a series of economic and political sanctions, Paris promised in a written accord to Beijing "*not to authorize any more French companies to participate in the armament of Taiwan*" in January 1994.¹⁰⁵ Moreover, it also included the unprecedented recognition that the PRC exercised sovereignty over the island, a commitment that had not been made by de Gaulle in 1964. Since then, Paris

¹⁰¹ European Commission (1998). Building a Comprehensive Partnership with China. COM (1998) 181.

¹⁰² Ash, R. (2002). Economic Relations between Taiwan and Europe. *The China Quarterly*, p. 178.

¹⁰³ Reached in late December 1993, this agreement was made public on 12 January 1994. See China, Ministry of Foreign Affairs website at <<http://www.fmprc.gov.cn/chn/wjw/zjg/xos/gjlb/1842/1843/t23831.htm>> [28 July 2005]; see also Jean-Pierre Cabestan, "France's Taiwan Policy: A Shopkeeper Diplomacy", *East-West Dialogue* (Special Issue: The Role of France and Germany in Sino-European Relations), vol. vi, no. 2/vol. vii, no. 1 (June 2002): 264-91.

¹⁰⁴ Qian, Qichen (2004). *Waijiao shiji (Ten Essays on Foreign Policy Problems)*, World Acknowledge Press, p. 178.

has been prohibiting its cabinet ministers to visit Taiwan, relying on high-level civil servants, retired politicians and parliamentarians to keep open its channels of communication with Taipei.¹⁰⁶ Beijing viewed it as a foreign victory and a great example to other European countries that attempt to sell weapons to Taiwan.

In the case of the Netherlands, when it strained its relations with China in the early 1980s because the government sold two submarines to Taiwan, Beijing retaliated by downgrading the Dutch ambassadorship to charge d'affaires for three years.¹⁰⁷ In fact, if the EU Member States could coordinate well and reach a coherent policy in the issue of arms sale to Taiwan that took the same position towards China, it is possible that the EU can earn huge business contracts from arms sale to Taiwan as the US did.¹⁰⁸ However, because the EU is still far away from conducting foreign policy as a state, China can easily break each respectively by the divide-and-rule strategy. Why the US can successful sell arms to Taiwan but still have a strong relationship with China? This is the point that French politicians always argue with Chinese official. The answer is not because the US has 'Taiwan Relations Act' as a legal foundation, but because the US is united and coherent enough to act against China's economic clout. Or, the US can afford the risk and believes China relies on access to the US market.

4.3. China channels France to divide-and-rule the EU

The trade relations between China and France are growing but imbalance. According to statistics published by China Customs, in 2007, two-way trade

¹⁰⁵ 何中順, He, Zhungshun (2007). 新时期中国经济外交: 理论与实践 (*Research on China's Economic Diplomacy: Theory and Practice*), 时事出版社 (Shishi Press), p. 237.

¹⁰⁶ One of the rare exceptions occurred in June 1998 when Junior Minister of Foreign Trade Jacques Dondoux visited Taiwan. In any case, several factors have contributed to moderating the Socialist leaders' criticism of Chirac's China and Taiwan policies: the growing importance of the China market compared to Taiwan's, the various scandals associated with the arms deals that broke up in the late 1990s, involving some French public firms (e.g., ELF) and close associates of Mitterand (such as Roland Dumas, his Foreign Minister from 1988 to 1993, and his mistress) as well as the political cohabitation context of these years.

¹⁰⁷ Sandschneider, E. (2002). China's Diplomatic Relations with the States of Europe. *The China Quarterly*, 169, p. 34.

between France and China came to \$ 33.7 billions, an increase of 33.7% from previous year.¹⁰⁹ China's export to France reached \$ 20.3 billions, increased by 46.1%; the amount of import from France was \$13.3 billions, increased by 18.3%. France incurred a trade deficit with China of \$ 7 billion.¹¹⁰ Despite late entry, industrial structure of France is the key reason that caused the imbalance trade with China.

Politically, many of the first generation of People's Republic of China's leaders had studied in France that might cause many Chinese elites to have good impression on France.¹¹¹ Consequently, Chinese literature of Sino-French relations is much more than other China's bilateral relations with European countries. Besides, Chinese policy makers are aware that for the French political elites, not only from ex-president Jacques Chirac to current President Nicolas Sarkozy, but also from ex-prime minister Lionel Jospin to the mayor of Paris Bertrand Delanoë, they all view China as opportunities more than challenges.¹¹² Moreover, China can exploit that its rise serves France to alleviate France's deeply rooted uneasiness with Anglo-Saxon domination. Indeed, this attraction for multipolarity is less obvious in Sarkozy's foreign policy than it is was Chirac's policy.¹¹³ Besides, when the French Social Party was ruling the government in 1992, it sold arms to Taiwan, causing China-France relations to drop to the lowest point since the two countries established formal diplomatic relations in 1964.¹¹⁴

¹⁰⁸ Interview with a French Diplomat to the EU: N (24 July 2009). Brussels.

¹⁰⁹ European Commission: trade, accessed 29 February 2010, <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/china/>

¹¹⁰ Ibid.

¹¹¹ 勤工俭学 (gin gong jian xue), for example, 周恩来 Zhou Enlai, 邓小平 Deng Xiaoping, 陈毅 Chen Yi; Interview with a Chinese diplomat: A. (15 October 2008). Beijing.

¹¹² Interview with a Chinese diplomat: C. (14 November 2008). Beijing.

¹¹³ Cabestan, J.-P. (2010). China and European Interests: A French Perspective. IN Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Eds.) *US-China-EU relations: managing the new world order*. Routledge, p. 138.

¹¹⁴ Zhao, Quansheng (1997). Chinese foreign policy in the post-Cold War era. *World Affairs*, 159 (3). P.115; Zhao, Quansheng (1997). *Interpreting Chinese Foreign Policy: The Micro-Macro Linkage Approach*, Oxford University Press, p. 285.

Meanwhile, Germany enjoyed the advantages of deteriorated China-France relations when Beijing transferred its big contracts from France to Germany. This was the context that Francois Mitterrand wanted to change when he became President and Edouard Balladur took the Premier office after he won the general election in 1993.¹¹⁵ Due to the arms sale to Taiwan, Beijing disconnected official interaction and economic cooperation with Paris. Thus, President Mitterrand supported Jacques Chirac, the leader of opposing party, to promote China-France relations by sending a special envoy to Beijing to talk with Chinese leaders.¹¹⁶ Chirac's special relations with Beijing provided a catalyst for re-building a friendly Sino-French relationship after he was elected President in 1995.

4.4. China channels Germany to divide-and-rule the EU

Germany is an important trade partner of China within the EU. In many aspects including imports (from China to Germany \$32,537.00 million in 2005), exports (from Germany to China \$30,668.20 million in 2005), and from Foreign Direct Investment (Germany to China \$1,530.04 million in 2005), Germany occupied the top in all.¹¹⁷ On the other hand, China is Germany's biggest trading partner in Asia. The bilateral trade between China and Germany in 2006 was worth €69.8 billion. By contrast, China-France trade amount was €23.8 billion in 2006, around one third of China-Germany amount.¹¹⁸ These great trade amounts have led to China's intention to channel Germany to influence the EU.

As the economic engine of the EU, Germany has led Europe's shift towards a resolutely commercial approach towards China. Beijing successfully encouraged Germany to spearhead in shifting European economic sanctions to trade first after Tiananmen Tragedy. In November 1993, German

¹¹⁵ Ibid.

¹¹⁶ China Youth Daily (18 February 2009). Former ambassador to France: Tibet issue is not the core of China-France problems.

¹¹⁷ Ministry of Commerce of the People's Republic of China (2007). Foreign Investment Administration website, accessed in 18 May 2009; National Bureau of Statistics (NBS) (2006). Zhongguo Tongji Nianjian,.

Chancellor Kohl visited China in the company of some forty senior business executives.¹¹⁹ During the official visit, Beijing fully exerted its economic diplomacy to offer Germany contracts worth \$2.8 billion. In 1994, the Chinese government assisted Mercedes-Benz to secure a major contract against fierce competition from American and Japanese car manufacturers.¹²⁰ Most importantly, the international environment helped the German to earn China's business contracts in early 1990's: firstly, Sino-US relations were suffering from the dispute of human rights critiques on China; secondly, France was seeking its arms sales to Taiwan; thirdly, the UK was focusing on the issue of Hong Kong returning.¹²¹ Thus, with these huge business contracts, Germany would not follow US's policy to criticise Chinese human rights record, nor supported French and the UK's position on their China policy. Eventually, a coherent and consistent European foreign policy towards China cannot be achieved.

Furthermore, to ensure that Germany maintains its goal as a great trading country in the world, its China policy also focuses on the promotion of bilateral trade ties. However, German foreign policy towards China has intended to takes a great balance between commercial and normative approach. When the Social Democrats were in the power, Germany had divergent approaches towards China between Foreign Secretary Joschka Fischer and Chancellor Gerhard Schröder. The former concentrated on matters such as environmental protection and human rights records, the latter tried to appease his Chinese partners during his two visits to China. Chancellor Schröder is notably friendly with China and put his effort into promoting trade, economic cooperation, and investment. When the Big Three are competing for the leadership of the EU, Beijing esteems the prominent

¹¹⁸ Eurostat, External and intra-European Union trade, 7/2007, p. 166-174.

¹¹⁹ Maull, Hanns W. (1997). Reconciling China with International Order. *The Pacific Review*, 10(4), p. 470

¹²⁰ Ibid., p. 473.

¹²¹ Ibid., p. 477.

role Germany plays within the European Union.¹²² In return, as France and the UK did, Germany has to put its bilateral relations with China in a higher position compared with EU-China relations. It is not just suitable for the German national interest, but also satisfied Chinese demand.

5. China's Divide-and-Rule Strategy towards the EU's Human Rights Policy

Chinese political leaders and some of academic scholars have viewed universalist declarations pertaining to human rights and political freedom as interference in China's domestic affairs. Even some extreme arguments regard the intention of diffusing European norms as an insidious effort to undermine the stability of China, that they aim to prevent the Chinese rise in power or to replace it entirely with a democratic regimes.¹²³ The Chinese discomfort with the EU has usually elicited increasing responses when the necessity of assuaging European public opinion is deemed to be critical. Thus, it cannot be regarded as a victory when China supports the Universal Declaration of Human Rights and the Chinese parliament's ratification of the United Nations Covenant on Civic and Political Rights signed by Beijing, because support from such resolutions bestows benefits in the realm of European opinion, because the declaration itself is unenforceable, and because the language in the statement is loose enough to lend itself comfortably to a variety of political systems and practices.¹²⁴

5.1. China defeats the EU's sanctions of Tiananmen Tragedy

In the case of sanctions of the Tiananmen Tragedy, the European Communities (EC), as well as EU Member States operating at an individual level to impose punitive economic sanctions, froze all government loans to punish the Chinese government.¹²⁵ It was a big strike at the Chinese economy especially when China was just in a phase of economic reform and

¹²² Gottwald, J.-C. (2005). German Foreign Policy in Dialogue-Germany's China-Policy: Trade Promotion, Human Rights and European Disunity. IN Overhaus, M., Maull, H. W. & Harnisch, S. (Eds.) *German-Chinese Relations: Trade Promotion Plus Something Else ?* 6 (16), p. 7.

¹²³ Nathan, A. J. (1994). Human Rights in Chinese Foreign Policy *The China Quarterly*, 139.

¹²⁴ (1998) envoy Comments on Declaration on Human Rights Defbders.

development, which to a large degree was dependent on trade and foreign investment from developed countries. Thus, the Chinese government adopted two steps to reconcile the implication of Tiananmen Tragedy. Firstly, it adopted a political communication with the leaders of developed countries explaining that the crackdown was necessary otherwise Chinese society would be out of control and suffer a second 'cultural revolution'.¹²⁶ Beijing convinced the Western leaders by using examples that the US government also repressed its citizens in protests in 1932 and 1970, proving that China was just doing the same thing as all the others government would do to maintain social stability.¹²⁷ Secondly, Beijing exerted its economic diplomacy to persuade some individual countries that cooperation and engagement with China would be fit for their national interests rather than containing China. Beijing decided that the breaking point was Japan because Japan had competing relations with the European Community in economic terms since Japan overtook West Germany as the second largest economy in 1968.

On 1st August 1989, Chinese foreign minister Qichen Qian met Japanese foreign minister Hiroshi Mitsuzuka in Paris in the Cambodia crisis international conference. They agreed that Japan would restore the third batch of a Japanese loan to China. Most importantly, Qian suggested Beijing invites the Emperor of Japan, Akihito to visit China, based on the strategic considerations that was not only to break the West's sanctions, but also create a mature Sino-Japan relationship forming a certain pressure on the US and Europe.¹²⁸

¹²⁵ Ash, R. (2008). Europe's Commercial Relations with China. in Dave Shambaugh, E. S., Hong Zhou (Ed.) China-Europe Relations. Routledge, p. 192.

¹²⁶ Qian, Qichen (2004). *Waijiao shiji (Ten Essays on Foreign Policy Problems)*, World Acknowledge Press, p. 127.

¹²⁷ Interview with a Chinese diplomat: A. (15 October 2008). Beijing. First, in 1932, *There were more than one hundred dead and wounded, including children and babies, when US troops dispersed a camp of WWI veterans demanding only what had been promised them*; Second, the May 4 massacre or Kent State massacre occurred at Kent State University in the city of Kent, Ohio, and involved the shooting of unarmed college students by members of the Ohio National Guard on Monday, May 4, 1970. The guardsmen fired 67 rounds over a period of 13 seconds, killing four students and wounding nine others, one of whom suffered permanent paralysis.

¹²⁸ The Japanese foreign minister Taro Nakayama was invited to visit China on 5 April 1991 and then Japanese Prime Minister Toshiki Kaifu visited China on 10 August 1991. In return,

The successful Sino-Japan relations had provoked the anxiety of the EC in competing the Chinese market.¹²⁹ Besides, in 1990, the Italian government, after suffering from serious losses in its exports to and investment in China, started to lobby in favour of lifting the sanctions. Thus, the Department of Foreign Affairs of Italy informed the Chinese embassy in Italy that the 1990 Dublin summit of the European Community had decided that European foreign ministers will meet the Chinese foreign minister in the coming meeting of the United Nations. Thus, the Chinese foreign minister Qian met his counterparts Italian foreign minister Gianni De Michelis, Irish foreign minister and Luxembourg foreign minister in New York in 28 September 1990. Italian foreign minister Gianni De Michelis told Qian that as a Chairman of the Council of the European Community, he would propose the rapprochement of Sino-Europe relations in the Council meeting of the EC in October 1990. Indeed, the substantial implication of the New York meeting was the end of the EC ban on the high-level official contacts.

Furthermore, China's strategy worked for Italy as well as Germany. From late 1989 onwards, the German government, under pressure from its industries, had pushed for a loosening of sanctions against China.¹³⁰ As a result, other than maintaining arms embargo, all the other sanctions did not survive for long.¹³¹ The economic sanctions, due to Germany's objections, were made non-binding. Moreover, the ban on visits by heads of European Member States to China was tacitly broken with the Chinese journeys of German

during Kaifu's visit, Beijing announced it would join the Treaty of nuclear non-proliferation principally. Subsequently, China's national leader, Chief Secretary of CCP Jianming Hua visited Japan on 6 April 1992.¹²⁸ All these national visits were to create a good climate to welcome the visit of the Emperor of Japan to China. Emperor Akihito had a national visit to China in 22 October 1992.¹²⁸ Furthermore, Japanese Emperors never visited China before 1992, and his visit has symbolic implication that Sino-Japan relations have consolidated. Also, the ban of national heads visiting China would be broken after the Japanese Emperor's visit to China. In Qian, Qichen (2004). *Waijiao shiji (Ten Essays on Foreign Policy Problems)*, World Acknowledge Press, pp. 130-133.

¹²⁹ Ibid. p. 133.

¹³⁰ Möller, Kay (1996). Germany and China: A Continental Temptation. *China Quarterly*, 147, p. 720.

¹³¹ Casarini, Nicolas (2006). The Evolution of the Eu-China Relationship: From Constructive Engagement to Strategic Partnership, Occasional Paper. *Occasional Paper*. the European Union Institute for security studies, p. 10.

President Roman Herzog in late 1996 and French President Jacques Chirac to China in 1997.¹³² As a consequence, the European Community's economic sanctions were quickly phased out, and there was no visible evidence to show that China caved in and changed its human rights policy immediately after the sanctions. Additionally, Beijing has insisted that the issue of human rights in China should not be judged by the European or Western standards, which involve political rights. Instead, it is more about economic and social rights that are related to China's domestically economic development and cultural and historical background.¹³³

5.2. The Chinese strategy towards Europe

Since China started to support a diplomatic dialogue on human rights and after the first meeting in January 1995,¹³⁴ EU-China human rights discussions have taken place twice a year.¹³⁵ However, due to Beijing's counterattack in responding to the critiques, as Barysch pointed out, politicians from, for example, London, Paris and Berlin, consider carefully whether to criticise Chinese human rights violations or to back 'tough' EU policies.¹³⁶ In 1997, Beijing through its good relationship with former French president Chirac successfully channeled France to abandon joint-action of the European Commission, aimed at discussing the human rights situation in China in the UN Human Rights Council.

In the past, Beijing used Paris to put pressure on the EU and other EU Member States. In 1998, a UN resolution was passed accusing China on its human rights record although that was abandoned earlier in the EU and eventually also defeated in the UN Security Council. In the beginning, France

¹³² Staiger, Brunhild (June 2004). Timeline of Chinese-European Cultural Relations. *China aktuell*, p. 660.

¹³³ Nathan, A. (1986). Sources of Chinese Rights Thinking; Hsiung, J. (Ed.) (1986). *Human Rights in East Asia*.

¹³⁴ Baker, P. (2002). Human Rights, Europe and the People's Republic of China. *The China Quarterly*, 169, 45-63.

¹³⁵ *Ibid.*, 47.

¹³⁶ Barysch, K., Grant, C. & Leonard, M. (2005). *Embracing the dragon: The EU's partnership with China*, Centre for European Reform, p. 14.

played an important role in preventing the adoption of this resolution that was first planned by all EU Member States. However, Beijing negotiated with Paris an Airbus deal, worth several billions euro, under the condition that Paris prevents the adoption of the UN resolution.¹³⁷ In the end, only Denmark and the Netherlands remained their decision to pass the resolution while the other Member States followed France's shift. China also effectively convinced Sarkozy to act along the lines of his predecessor, thus not to exert real pressure on the Chinese government about the progress in the protection of human rights. Although Sarkozy experienced some pressure by the French public to express concerns about China's human rights record in the course of the Tibet crisis in spring 2008, this did not fundamentally change the French government's China policy.

Chinese leaders are aware that the French government is very keen on improving its trade figures with China because their bilateral trade is smaller than trade between China and Germany.¹³⁸ This situation allows Beijing to implement a divide-and-rule strategy towards France and other EU Member States. For example, in September 2007, the German federal chancellor Angela Merkel met the Dalai Lama for a talk in the Chancellery, and followed this by a press conference.¹³⁹ From a Chinese diplomat's perspective, it was a shock because Merkel had a cordial meeting with Premier Wen Jiabao in Beijing a few weeks before she met the Dalai Lama. The reaction from Beijing not only make an official protested from Wen Jiabao, the Chinese premier, suggested Merkel to correct her mistake,¹⁴⁰ but also cancelled several planned visits of German politicians to China.¹⁴¹ Most importantly, Beijing offered considerable business contracts to the new French president Nicolas Sarkozy, in particular a large nuclear plant contract for Areva, when Sarkozy made his first state

¹³⁷ 何中順, He, Zhungshun (2007). *Ibid.*, p. 269.

¹³⁸ Interview with a Chinese diplomat: B. (20 October 2008). Beijing.

¹³⁹ Wacker, G. (2010). Changes and Continuities in EU-China Relations: A German Perspective. IN Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Eds.) *US-China-EU relations: Managing the New World order*. London, Routledge, p. 77.

¹⁴⁰ Dyer, G. (05 June 2008). In China diplomacy, Rudd leads the way. *Financial Times*.

¹⁴¹ Brown, K. & Crossick, S. (2009b). The EU and China: Time for a Change? *Asia Programme Paper: ASP PP 2009/03*, Chatham House, p. 4.

visit to China which is only two months after Merkel's meeting with the Dalai Lama.¹⁴²

Moreover, China has also successively isolated the governments of Denmark and France because of their support for the 1989 Peace Nobel Price Laureate, the Dalai Lama. Beijing punished Paris by postponing 2008 the EU-China Summit to tell the entire EU that the Tibet issue is an untouchable one. The fuse was lit by the Tibet unrest that broke out in mid-March 2008, triggering considerable European public support and sympathy with the Dalai Lama and the Tibet people. Sarkozy intended to establish a unified European position in the Tibet question before France was to take over the six-month EU Presidency. In the beginning of the Tibet unrest, Sarkozy remained silent and let Kouchner, his Foreign Minister, to make a statement that depending on any progress of the human rights situation in China, Sarkozy might not attend the opening ceremony of the Beijing Olympics Games unless China changed tack.

Subsequently, Sarkozy emphasised that there were some conditions for his participation in the opening ceremony. Then, the French Secretary of State for Human Rights under the Minister of Foreign and European Affairs, Rama Yade, stated that there were three conditions that would have to be met for Sarkozy to attend the opening ceremony of Beijing Olympics, amongst which resuming the talks between Beijing and the Dalai Lama's people.¹⁴³ Thus, Sarkozy continuously increased the pressure on Beijing. For this, Beijing was very uncomfortable for Sarkozy's intention that Chinese policy makers regard Sarkozy intended to exploit China's Tibet issue to create his personal leadership in France and Europe.¹⁴⁴ This was the first seed for Beijing's decision to cancel the EU-China summit in Lyon in 2008.

¹⁴² Wacker, G. (2010). *Ibid.*, p. 77; Cabestan, J.-P. (2010). China and European Interests: A French Perspective. IN Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Eds.) *US-China-EU relations: managing the new world order*. Routledge, p. 135.

¹⁴³ Cabestan, J.-P. (2010). *Ibid.*, p. 135.

The second seed was the affair about the Paris Olympic Torch relay on 7 April 2008 when French protests forced officials to repeatedly extinguish the torch.¹⁴⁵ It was a continued affair of severe embarrassment for Beijing following similar protest in London where activists demonstrated against China's crackdown in Tibet unrest. In Paris, a pro-Tibet militant tried to grab the torch from Jin Jing, a wheelchair-bound female fencing athlete. She fiercely defended the Olympic torch during the Paris section of the troubled international relay and was being celebrated on Chinese television talk shows and in newspapers.¹⁴⁶ This affair provoked a wave of anti-French resentment in China. Beijing acquiesced Chinese activists to initiate a campaign¹⁴⁷ to boycott French products and encouraged the Chinese public to put pressure on Paris, for example, Carrefour and other French companies suffered a boycott by angry Chinese consumers who believed that Carrefour had provided financing for Tibetan independence groups.¹⁴⁸ Also, the Chinese official tourism department had instructed Chinese travel agents not to book holiday packages to France in that summer.¹⁴⁹

Consequently, Sarkozy made a compromise to attend the closing ceremony and sent over three envoys to rescue the deteriorated Sino-French relations. The President of the French Senate, Christian Poncelet, expressed his sadness and regret for the disturbance of the Beijing Olympic torch relay in Paris, and his sincere sympathy with the disabled Chinese torch bearer Jin Jing during his trip to China at the invitation of top legislator Wu Bangguo in April 2008. Meanwhile, the former French Prime Minister, Jean-Pierre Raffarin, and presidential diplomatic adviser Jean-David Levitte were dispatched to Beijing to mend the bilateral relationship in a four-day visit.¹⁵⁰

¹⁴⁴ Interview with the CICIR Researcher: Huan Li (10 October 2008). Beijing.

¹⁴⁵ Walker, P. & Batty, D. (7 April 2008). Olympic torch relay cut short amid Paris protests. *Guardian*.

¹⁴⁶ Mail (11 April 2008). China hails wheelchair heroine who fought off protesters trying to grab Olympic torch.

¹⁴⁷ It was the first time the CCP allowed the public protest since 1949.

¹⁴⁸ United Daily News (21 April 2008). France shout up, Chinese edition.

¹⁴⁹ Dyer, G. (05 June 2008). Ibid.

¹⁵⁰ Xinhua (24 April 2008). President Hu: China values ties with France, unwilling to see events hurting Chinese feelings.

The final catalysis was that president Sarkozy met the Tibetan spiritual leader in Gdansk, Poland, in November 2008 despite strong Chinese pressure. Beijing reacted rapidly. It seemed that China prepared to rebuke France but had waited for the opportunity. Beijing's decision shocked France and all European leaders: China cancelled the annual EU-China summit, which has originally been scheduled for 2 December 2008 in Lyon. Beijing was not only very angry with Sarkozy because of his attitude in the Tibet affair as discussed above, but also because Beijing had just offered Sarkozy huge business contracts. Moreover, Beijing expects a special relationship with Sarkozy because China has been helping Sarkozy when he was in most difficult of political times before he became president.¹⁵¹

Although Beijing adopted sanctions towards Paris, it was careful to avoid provoking an anti-Chinese movement in Europe or causing a unified EU position towards China. Thus, China claimed that the punishment only focused on France, and sent a governmental delegation to Europe, which was led by the Chinese Prime Minister Wen Jiabao. Wen not just bypassed France in order to express China's dissatisfaction, but also increased the number of business contracts with Germany and the UK. The Chinese intention obviously was to foster the competition among the Big Three in order to pressure France and to also prevent the other EU Member States from supporting France. Although the latter disagreed with the way China treated France, they did not intervene. Also, Beijing viewed it as a victory that Paris and Beijing published a joint communiqué in which France endorsed China's principle of non-interference and committed itself to refuse to support any forms of Tibetan independence, although Sarkozy did not promise to stop meeting the Dalai Lama and noted that the Tibetan exile leader did not support independence either.¹⁵² This case shows again that Beijing adopted a

¹⁵¹ China Youth Daily (18 February 2009). Former ambassador to France: Tibet issue is not the core of China-France problems.

¹⁵² International Campaign for Tibet (18 May 2009). 11th EU-China Summit: A Revived EU Policy on Tibet. *Policy Paper addressed to the President of the European Council, the President of the European Commission, the High Representative for the EU Common Foreign and Security Policy, the*

successful divide-and-rule strategy towards the EU. Beijing stressed that the punishment focused on France, not the other EU Member States or the EU.¹⁵³

The Tibet issue is also the main dispute between China and Germany. For a long period of time, Beijing successfully persuaded the German government to avoid official contacts with the Dalai Lama. Although the then German Foreign Minister Klaus Kinkel met the religious leader in May 1995, Kinkel respected the Chinese government's concern through refusing to accept the Dalai Lama's traditional gift in the form of a Tibetan scarf.¹⁵⁴ Contrastively, the German public strongly sympathises with Tibet's situation and admires the Dalai Lama.¹⁵⁵ Reacting to public concern and pressure, the German Federal Parliament (Bundestag) unanimously passed a resolution on 20 June 1996.¹⁵⁶ This resolution urged the Chinese Government to open negotiations with the Tibetan Government-in-Exile on Tibet's autonomy, to abandon the policy that led to the destruction of Tibetan culture and to improve the human rights situation in Tibet.

Not surprisingly, Beijing did not accept the German Bundestag's resolution and argued as usual that Germany tried to intervene in Chinese domestic affairs. Thus, the Chinese State Council decided to postpone an official visit of the German Foreign Minister Klaus Kinkel.¹⁵⁷ Subsequently, during a meeting in New York in September 1996, the Chinese representative, Foreign Minister, Qian Qichen, asked his German counterpart Kinkel to agree on four principles to guide their countries' future relations.¹⁵⁸ Although the current

Foreign Affairs Ministers of EU Member States and the President of the European Parliament, Brussels, p. 1.

¹⁵³ Interview with a Chinese diplomat to the EU: L. (16 July 2009). Brussels.

¹⁵⁴ United Daily News (27 May 1995) The Dalai Lama visit Germany.

¹⁵⁵ Interview with a Commission official: G. (8 July 2009). Brussels.

¹⁵⁶ Wacker, Gudrun (2010). Changes and Continuities in EU-China Relations: A German Perspective. in Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Eds.) *US-China-EU relations: Managing the New World order*. London, Routledge, p. 92.

¹⁵⁷ Free Tibet (2008). International Parliamentary action on Tibet, accessed in 15 January 2010, <http://www.freetibet.org/about/international-parliamentary-action-tibet>

¹⁵⁸ Möller, K. (1997). European Strategies vis-à-vis China. Myth and Reality. IN Friedrich-Ebert-Stiftung (Ed.) *China's international Rol: Key Issue, Sommon Interests, Different Approache*. Bonn, p. 73.

chancellor Angela Merkel disagrees with the Chinese government in the Tibet question, she still designated Frank-Walter Steinmeier as the foreign minister, whose Social Democratic party favoured a less confrontational approach to China in 2008. Effectively, Mr. Steinmeier declines seeing the Tibetan leaders since he becomes German foreign minister.¹⁵⁹

The Chinese government is gradually skilful to deal with EU Member States' dual strategy of positive co-operation on one hand and criticism of the human rights situation in China and the treatment of the Dalai Lama on the other. For example, Beijing has adopted an economic boycott to the Danish government in 2009.¹⁶⁰ China's great economic power makes the divide-and rule strategy effective. Moreover, China did not reward the UK for to recognising China's sovereignty over Tibet in 2008.¹⁶¹ When the Heads of Government of the Big Three entered into a dialogue with the Dalai Lama, other Member States did not support the dialogue but tried to take advantage when Beijing took diplomatic action and sanctioned the Big Three. Again, as the other policies in trade and human right, the EU also shows incoherent in its Tibetan policy, which allows China conducting the divide-and-rule strategy effectively.

6. Conclusion

Nathan and Ross argued that it is almost unthinkable that the rest of the world would unite to isolate China as the West did in the era of containment.¹⁶² Moreover, the EU has no interest in isolating China. Instead European countries are expecting to exploit the Chinese economic miracle to reduce their economic crisis.

China has without doubt a more straightforward relationship with the EU than the US. This is because China has no intention of playing a role in

¹⁵⁹ Dyer, G. (05 June 2008). In China diplomacy, Rudd leads the way. *Financial Times*.

¹⁶⁰ Godement, F. (2010). A Global China Policy. European Council on Foreign Relations (ECFR), p. 3.

¹⁶¹ Ibid.

¹⁶² Nathan, Andrew J. & Ross, Robert S. (1998). *The Great Wall and the Empty Fortress: China's Search for Security*, WW Norton & Co, p. 172.

Europe but the US has largely dominated the security situation in East Asia that Beijing is anxious. Hence geopolitical considerations do not affect EU-China relations. The rise of the EU is a model for China in regional economic integration, but not in political innovation of sovereignty transference.¹⁶³ In the eyes of China, it regards that the EU has a number of inherent contradictions in its formation and integration.¹⁶⁴ China does not see the EU as an independent international actor.¹⁶⁵ The EU is aware of this difficulty and all EU Member States agree that the EU needs a more coherent foreign policy. The ratification of the Treaty of Lisbon, which entered into force on 1 December 2009, is regarded as a first step to achieve this. Indeed, a convergent EU will make China's divide-and-rule strategy hardly effective.

European diplomats argue that China will not do what it did to the European Union, such as cancelling the bilateral Summit, to the United States.¹⁶⁶ The EU, with a market of 500 million people, is very interesting for China which inclines to play one country off against the other and benefits a divided EU on trade and political matters. However, this trade bloc, as examined in Chapter three, is divided in itself. China indeed exacerbated this division, but did not create it.

Although trade, arms sales to Taiwan, and human rights are three very different issues for both sides, Beijing finds that the economic power and divide-and-rule are the most efficient instruments. It closely watches the sensitive activities of the individual European countries and whenever possible tries to implement a policy of 'stick and carrot.'¹⁶⁷ In trade, it can provoke the disputes easily between free trade and protectionism. Regarding arms sales to Taiwan, Beijing downgraded the political and economic ties with arms exporting countries and then strengthened the bilaterally economic

¹⁶³ Interview with Professor Ruipu Wang (24 September 2008). Beijing.

¹⁶⁴ Interview with Yongpeng Fan (13 November 2008). Beijing.

¹⁶⁵ Interview with Professor Yinhong Shi (17 June 2009). Brussels.

¹⁶⁶ Interviews with the European diplomats: K. & N. (14, 24 July 2009). Brussels.

¹⁶⁷ Sandschneider, E. (2002). China's Diplomatic Relations with the States of Europe. *The China Quarterly*, 169, p. 34.

ties with their neighbour countries. Concerning human rights issues, China joined the international declaration on the one hand, but established its own concept of human rights to rebut that European norms and values are not suitable for China on the other hand. Moreover, Chinese diplomats incline to criticise their European counterparts that: *"Why was human rights not an issue for Chirac or Schroeder, but now for Merkel and Sarkozy it is?"*¹⁶⁸ As Professor Feng argued that: *"One day Europe will realise that the Chinese human rights issue is improving every day and only China can improve the issue. The EU can't help much in this."*¹⁶⁹

Of course, China's growing economic clout allows it to have the influence in global economy, in particular during the current global financial crisis. Thus, the EU appealed to China to take certain responsibilities in the Doha trade talks and the Copenhagen climate change conference. However, Chinese scholars insist that China is still a developing country, which should not take the same standard and responsibility as the EU and other developed countries.¹⁷⁰ This argument regards that China desires to be respected as a great power by other countries, but is not willing to pay the price of being a great power. Consequently, maintaining the economic growth is still the number one priority for Beijing. Thus, it will continue to strengthen trade ties with the EU but in the issues of Taiwan, human rights and Tibet, China will continue its coherent position.

¹⁶⁸ Interviews with the Chinese diplomats: A, B, & C. (15, 20 October, 14 November 2008). Beijing.

¹⁶⁹ Foster, P. (2007, September 23). *US-China relationship marginalises Europe*. The Telegraph, <http://www.telegraph.co.uk/news/worldnews/europe/6219907/US-China-relationship-marginalises-Europe.html>

¹⁷⁰ Interviews with the CASS research fellow: Ling Jin (18 June 2009). Brussels.

Chapter 6

Conclusion and Recommendations

Introduction

This thesis has sought to explore the dynamic relationship between the European Union and China, with an aim at examining the arguments that explain why European policy towards China is incoherent. This is an extremely important issue because the main actors of this bilateral relationships are crucial to international relations: the EU remains very influential in international affairs on the one hand; whereas Chinese power continues to strengthen, and the sub-continent will undoubtedly further influence twenty-first century international politics on the other hand.

In this context, the engagement between the EU and China, as part of the title of this thesis 'Institutions and States' aimed to highlight, has the dilemma that comes from the EU attempting to conduct foreign policy as a state. Internally, it has the difficulties in divisions between Member States and the European institutions as chapter 3 has explored: EU policy is hampered by the very fact that as a modern political and economic bloc, a union of modern nation-states, there will inevitably be internal disagreements. Externally, it has the challenges from US intervention and the Chinese skilful diplomacy. As realist's traditional thought claims that 'newcomers' will challenge the existing leaders' interests. Moreover, conflict of interest between China and the EU will persist in many areas, such as security, global order, trade, energy and the response to the issue of climate change. Also, ineffective dialogue between China and the EU, such as in human rights, is good for bilateral communication but in actual fact does not contribute greatly to relations.

Although this thesis has been highly critical of the EU's foreign policy towards China, it has established the greatest cooperation model for regional organisation and has inspired other regions such as Asia and Africa to learn from the Union's achievement of creating peace and promoting cooperation. In terms of its successfully diplomatic strategy, China still faces serious

internal challenges such as asymmetric economic development,¹ a poor human rights situation and unsecured sovereignty perception. Nevertheless, China today is the fastest growing economy in the world that inspires many developing and undeveloped countries. Students are eagerly studying the relationship between these two great economies to see whether it could create a possibility of the new world orders in international politics. It is unclear how both sides will overcome the obstacles between them. Can it be solved as Chinese leaders claimed by: “shelving the disputes and focusing on common interests that can benefit both parties?”

The remainder of this chapter will be drawn on the implications of EU policy towards China, as outlined and argued in chapters three to five. A summary of how the European Union can improve its incoherent policy will be presented.

1. The Policy Implication of Research Analysis

1.1. The research means for the theoretical framework

This thesis focuses on offering explanations in the aspect of conflict in EU-China relations by the theoretical framework of neoclassical realism. The thesis explicitly incorporates both internal and external variables, thus chapters three and five examine the internal characteristics of the EU and China, and chapter four explores the external variables of US intervention. In the end, this thesis concludes that these three variables have caused the EU to be unable to achieve its stated objectives towards China.

Therefore, for neoclassical realist theory, this thesis has shown that power relations are crucial to explaining the aspect of conflict in EU-China relations. Neoclassical realist theory claims that the scope and ambition of a country's foreign policy is driven by its place in the international system and specifically by its relative material power capabilities, which presents its power perspective in IR theory. Accordingly, this thesis argues that China is

¹ Shu, Min (2010). *Dealing with an Emerging Economic Power*. Waseda University.

an emerging power and that the EU is an evolving power, both of them are in a relationship that has been affected by the superpower that is the US. Hence, the three arguments made in chapter three to five show that US intervention has changed the development of EU-China relations.

The implications of these sort of power relations for EU 'actorness' have weakened the implementation of EU foreign policy towards China in hard issues such as security and arms export. It is because, first, the EU is a limited global actor when it is suffering from its internal divisions; second, it is not an independent global actor when it faces challenges like US intervention; third, it is an inconsistent actor when it is hampered by Chinese divide-and-rule strategy. Again, the EU is an international institution that cannot conduct foreign policy as a state. Therefore, the EU's constructive engagement with China shows that the approach of EU actorness is limited.

Notwithstanding, the global international system presents a status in which the triangular relationship between China, the EU and the US dominates this new world order and that the US occupies the pivotal position. This is to say that the US is the only player that can change US-China and transatlantic relationships simultaneously by adjusting its foreign policy. Moreover, In terms of the implications for the new world order, the US is still the only player that is willing to pay the price to be the leader of the world, it remains the primary actor of the new world order. Although China, unlike the EU, is an independent player and does not follow US strategic considerations, its traditional principles of foreign policy, having no will to be a leader of the world, has not changed. If the EU can be an independent actor in security policy the new world order can be changed, US national power declining would also change this order. Thus, the following section will try to explain the policy implication of this thesis's arguments in this world order.

1.2. The policy implication of argument 1

Table 6.1. Policy Implications of the EU's incoherent policy towards China

Argument	The EU	China
EU divisions	The EU has adopted the institutional reform	It strengthens the bilateral relations with Member States
US factor	The EU returns to transatlanticism	China returns to Asia
China skilful diplomacy	Member States favour a bilateral relationship with China	An assertive approach toward the EU

1.2.1. From a European perspective

Returning to the arguments presented in chapter three, EU internal divisions distinctly between the governments of Member States and then between Member States and European Institutions, have resulted in very disjointed policy with China. Thus, the EU expects that the Treaty of Lisbon can strengthen the function and efficiency of coordination between Member States' national foreign policy. Nevertheless, 'coordination' will not solve all the disagreements. When EU division arises from diverging national interests between the European states, neither the EU president nor the *HR-VP* have the power to solve the problem of EU divisions. For example, as chapter three has stated the textile dispute between the French and German coalitions, they cannot agree on their trade dispute because both sides possess different domestic economic structures. The countries that make up these opposing coalitions will always protect their different trade interests in Council meetings and Commission seminars.

In addition, the Lisbon Treaty has not simply erased the differing views held by the separate governments across Europe. How can the European President and High Representative make EU policy coherent if the intergovernmental and supranational groups cannot compromise on their view in European foreign policy between the first and second pillars. Europeans view the implication of a rising China differently. How can the European President and High Representative persuade the large Member States to not pursue a national Chinese policy and adopt the EU's China policy? The same logic applies to the issues of Human rights and the issue of Tibet. The new leaders of the EU do not have alternatives to present in the face of exciting and welcome Chinese economic diplomacy. Member states will impulsively adopt a national policy toward China, subsequently European Institutions will not produce coherent Chinese foreign policy. The new EU arrangement, conceived in Lisbon, will not solve the problem of incoherent EU policy towards China.

1.2.2. From a Chinese perspective

In public, China continues to criticise the European Union for its lack of a coherent policy such as in the arms embargo on China and Market Economy Status,² nevertheless, Beijing has plenty to be satisfied with regard to the current status of EU-China engagement. In terms of trade volume; China enjoys a large trade surplus with the EU, which reached \$134.3bn in 2008.³ Beijing claims that China is seeking to achieve a trade balance rather than a trade surplus with the EU. Chinese leaders worry about the consequences of a trade surplus; which may promote protectionist counter-measures such as an anti-dumping policy or non-tariff barriers. Furthermore, China has placed two large teams on the Permanent Mission to the World Trade Organisation and the European Union, yet does not push for progress for the 'Partnership and Cooperation Agreement' (PCA) with the EU. The Chinese team at the

² 赵晨, Zhao, Chen (2008). 中欧关系为什么会“降温” (Why has China-EU relations been "cool down"). 领导文萃 (*Lingaowencui*), 8, p. 27.

³ European Commission: trade, accessed 19 February 2010, <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/china/>

World Trade Organisation discourages the EU and its Member States from adopting protectionist measures and to protect Chinese trade interests. Mission of the People's Republic of China to the European Union aims to upgrade the 1985 EU-China Trade and Economic Cooperation Agreement, concentrating on trade and investment through the inclusion of Technical Barriers to Trade (TBT). These barriers include; Sanitary and Phytosanitary Measures (SPS), investment, competition, Intellectual Property Rights (IPR), and public procurement, among other issues.⁴

Considering this new agreement might undermine China's currently competitive advantage of trade with the EU, the Chinese government supports the PCA rhetorically, while Beijing will not sign it without the EU lifting the arms embargo and granting Market Economy Status (MES) to China. Beijing has sent large business delegations to European countries for commercial purchases, plus with the intention of deepening bilateral interdependent trade relations and to reduce the influence of the European Commission and to moderate the negative influence of trade imbalance.

1.3. The policy implication of argument 2

1.3.1. From a European perspective

European leaders did not anticipate that opposition from the US Congress, Senate or the press media was so strong and comprehensive. For example, US Congressman Brad Sherman argued that: 'in the area of dealing with Europe, US government continues to deploy our troops in Kosovo without ever turning to our European allies and saying, we will not be able to defend your continent if you are sowing the seeds of war in the Pacific.'⁵ Sherman's perspective reflects what the American people feel about the intention of the

⁴ European Commission (February 2009). Commission position paper on the Trade Sustainability Impact Assessment of the Negotiations of a Partnership and Cooperation Agreement between the EU and China.

http://ec.europa.eu/trade/issues/global/sia/studies_geo.htm#china

⁵ US House of Representatives (2006). Arms Exports to the People's Republic of China by Member States of the European Union. Joint Hearing before the Committee on armed services meeting jointly with Committee on International Relations, Hearing Held 14 April 2005, p. 74.

EU to lift the arms embargo on China, although most concerns are strategic anxieties.

The US has forced the EU to postpone the decision of lifting the arms embargo on China, which does not hamper the transatlantic relationship. Instead, Europe returns to the path of working closely with the US. For example, Herman Van Rompuy, permanent president of the European Council, suggests that the EU and the USA should together seek responses to old and new forms of global insecurity, and invite others to join in.⁶ Of course, he is not the first EU leader to propose EU-US collaboration to address global challenges. In addition, European Commission President José Manuel Barroso argues that: 'Europe and the United States find themselves at a crossroads, in a changing world the partnership must adjust to new realities if it is to continue to flourish.'⁷

Compared to their predecessors, the current European leaders can be regarded as more pro-American in their approach as chapter 4 argued. The fact is just as the US was able to divide the EU into 'new' and 'old' Europe during the Iraq war, Washington is able to do that again when they focus on general American interests. The UK and some small Member States often influence the decisions of the Council on the behalf of the US. Consequently, the EU cannot speak with one voice in security issues. Furthermore, the US still maintains a leading role in the North Atlantic Treaty Organization (NATO) and when the military interdependence is so deep between the EU and the US; the EU cannot escape from US intervention. European leaders and policy makers have come to regard a united, transatlantic approach will be the most effective and efficient way to manage the rise of China, for security and trade.

⁶ Speaking at the Brussels Forum of the German Marshall Fund (25 March 2010).

⁷ Ibid.

1.3.2. From a Chinese perspective

Chapter four outlined that China believes the EU is unable to act independently when it comes to the issues of military and security. From the case study of the arms embargo, it can be argued that Beijing is inclined to align the EU's soft balancing of the US since the 1990's and makes this intention shown in the 2003 China's EU policy. However, after the EU postpones the lifting of the arms embargo on China in 2005, Beijing is aware that this is due to US intervention. They then recognise that the EU is not able to align with China to soft balance the US. Since China regards that the EU is not a totally independent actor on security, the idea of uniting with the EU to balance against the hegemony of the US is unrealistic. In addition, Chinese leaders have realised that the EU and China would not become genuine strategic partners. This situation leads Beijing to strengthen its strategy of 'divide-and-rule' with the EU, whereby China gives more focus to the individual Member States, especially the Big Three.

The role of the US to Chinese security strategists is far more important than that of the EU. This is due to the geographical distance between Europe and China, and also because European states, unlike the US, have little strategic interest in Asia. China therefore shifts its strategic focus from engaging Europe, to consolidating its relationship with neighboring countries and most importantly to the United States.

1.4. The policy implication of argument 3

1.4.1. From a European perspective

Facing China's powerful economic diplomacy and divide-and-rule strategy, EU states are crippled from producing a proper unified approach towards China. Instead states have settled on a national and independent approach to China. Although this behaviour is typical of the 'Big Three', Spain, the holder of the first presidency of the rotating system, as soon as it was gifted some influence commented that the EU should lift the arms embargo on China and grant Market Economy Status (MES). They did not initially consult other

European states. As a result, both proposals failed due to the lack of support from the EU Institutions as a whole and the governments of Member States.⁸ Spain intended to cajole China. Madrid has consistently pursued a policy of good political and economic relations with China to gain advantage. The Spanish leading aerospace company, Construcciones Aeronáuticas S.A. (CASA), would benefit from the opening of the Chinese defence markets. It is necessary to emphasis again that although the Lisbon Treaty was ratified in 2010, the Spanish government still pursue a policy to benefit their national interest in the first instance, attracted by Chinese economic diplomacy. Spain was the first Member State to challenge the credibility of the Lisbon Treaty, but will not be the last.

The EU has in effect become a platform that all actors can use, exploit and then blame. The UK approach to China is an example. Business and trade opportunities to the UK have been created by using the EU and exploiting the EU.⁹ Moreover, since China exploits the UN, then there is little surprise that trade remains the only firm example of a partnership. Ultimately, the EU is closer to the US, while some large Member States are close to China. Eventually, this undermines the EU's authority and competence.

1.4.2. From a Chinese perspective

Notwithstanding the failure and disappointment over the lifting of the arms embargo or MES granting, Beijing will keep its current policy towards the EU. Considering that the US will not support the lifting and EU Member States will not have a consensus in MES, China has given up promoting these two issues.¹⁰ To lift the arms embargo, from an American perspective, China needs to dramatically improve its human rights record and reform

⁸ Charlemagne (1 February 2010). The EU and arms for China. *Economist*; Oklestkova, I. & Bondiguel, T. (2st February 2010). Lifting the EU arms embargo on China: cui bono? *Euobserve.com*, <http://euobserver.com/7/29389>

⁹ Gow, James (2010). Travelling Hopefully, Acting Realistically? in Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Eds.) *US-China-EU relations: Managing the New World order*. London, Routledge, p. 116.

¹⁰ Interview with Zhongping Feng (27 October 2008). Beijing.

politically.¹¹ This, Beijing believes, will destabilise Chinese society and undermine its ruling legitimacy. Nevertheless, it is unclear how advanced the weaponry sold to China will be initially if the ban is lifted. Gaining MES status requires China to open its domestic market, to reduce trade barriers and to respect the Intellectual Property Rights (IPR). At present China is satisfied with the current trade status and is planning to maintain the status quo until 2015. The issues of the Arms Embargo and MES are in reality symbolic aims to Beijing. Success or failure here will not greatly influence China's economic development, which remains the priority of China's EU policies.

Therefore, this dissertation concludes that Chinese foreign policy will become more assertive against the EU. Beijing expects and needs less from the EU in return. It is easier for China to deal with Member States where policies are clearer. What is clear is that Chinese policy makers at present do not believe the Lisbon Treaty will have any significant effect on EU foreign policy.¹² A report from the UK's House of Lords contends that it is unlikely and undesirable that the EU will develop a strategic or defence capacity of a unitary state. If they see EU developments, the Chinese may shift more focus on the EU, but will likely to maintain the strategy of divide-and-rule, a tactic that is unique to the EU and different from China's relations with other international actors, not least the United States.¹³

2. The Policy Suggestions

2.1. The policy suggestion of argument 1

2.1.1. In trade policy

Institutional reform is not the best solution for the EU internal divisions, when attempting to settle the challenge to its international credibility and

¹¹ Shambaugh & Wacker (eds.) 2008. *American and European Relations with China*: SWP Research Paper.

¹² Zhongping Feng testified in House of Lords (2010). *Stars and Dragons: The EU and China*, European Union Committee, p. 18.

¹³ House of Lords (2010). *Stars and Dragons: The EU and China*. European Union Committee, Published by the Authority of the House of Lords, p. 20.

improve policy with China. The leaders of Europe should seek an alternative to harmonise the different national preferences deriving from EU Member States. For example, in trade, the EU should create a more innovative way¹⁴ than safeguards to address growing competition from Chinese cheap goods. Also, it is very difficult to produce a coherent EU response and trade policy to the competitive pressure posed by cheap exports from China combined with differing interests from Member States.¹⁵ The EU should seek the WTO mechanism to deal with the trade disputes rather than adapting the anti-dumping policy against Chinese exports. Otherwise, it will become an ineffective rhetorical conflict between both sides that accuse each other by shielding protectionist measures.

Most importantly, the EU should devote further efforts to create a more uniform economic structure across the continent. For example, in the textiles and clothing sector, the European Commission should encourage the French-coalition Member States to carry out economic structure change from manufacturing to retail industry as Germany did in 1970's and the UK in 1980's. Only when divergent interests among EU states are settled coherent trade policy can become possible.

2.1.2. In foreign and security policy

The most commendable move by the EU to improve external relations set out in the Lisbon Treaty was to appoint a Permanent President of the European Council and a EU High Representative of the Union for Foreign Affairs and Security Policy. However, the reason for the nominations of Herman Van Rompuy and Catherine Ashton respectively is because they are not likely to challenge the authority of national leaders.¹⁶ The consequences of the Treaty of Lisbon do not depend just on personnel decisions, since there is also a

¹⁴ A more innovative ways means European manufactory industries should exert its advantage of advanced technology in high-skilful products to compete with cheap Chinese products.

¹⁵ Comino, Anna (2007). A Dragon in Cheap Clothing: What Lessons can be Learned from the EU-China Textile Dispute? . *European Law Journal*, 13, p. 818.

¹⁶ Economist (7 March 2010).

structural outcome in the creation of the EEAS, although one may be able to argue that it is being colonised by the member states. Thus, the old distinction between the intergovernmental and the supranational, has not resulted in a synthesis allowing the EU to build both on the strength of the member-states and the qualities of European Institutions. Consequently, the EU will continue with the approach of intergovernmentalism in the second pillar of the EU. Therefore, the policy suggestion will again be a 'further EU integration' and that the EU should devote its time to fill the gap between intergovernmental and supranational approaches. Considering the European Union cannot redefine sovereignty and change the world order in accordance to its normative principles, it must instead continue to work within contemporary international politics to establish multilateral mechanisms that can enhance cooperation and integration.¹⁷

Table 6.2. Policy Suggestions for EU's China policy

Factors	Suggestions
EU divisions	The EU should devote to reduce the gap between Member States.
US intervention	The EU should institutionalise its cooperation with the US.
China skilful diplomacy	The EU in human rights, focusing on Chinese public, not its political protest

2.2. The policy suggestion of argument 2

The above argues that intervention by the US in EU policy towards China has led the EU to return to transatlanticism. A strong transatlantic relationship can cover the weaknesses of the EU that lacks a global foreign and security policy. Whereas France and Germany view China as contributing to European security insofar as it might be a possible balance against US

¹⁷ Ross, Robert S., Tunsjø, Øystein & Tuosheng, Zhang (2010). *US-China-EU Relations Towards a New World Order?* in Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Eds.) *US-China-EU Relations: Managing the New World Order*. London, Routledge, p. 283.

unipolarity, the UK is more concerned with its special relationship with the US and therefore views China as a potential challenger. Moreover, increased EU policy independence could provoke tension in transatlantic relations and could encourage China to exploit that tension. As demonstrated during the Cold War, China has the experience to play a successful role in balancing between global powers.¹⁸ Moreover, Mathieu Duchatel, an analyst at the Asia Centre in France's Sciences Po University, argues that the EU has not been able to transform its economic relations with China into any political leverage, there are very few countries that can influence China while the US is the only country that has succeeded in recent years.¹⁹ Therefore, it will be more effective to influence China by uniting transatlantic China policy and then channelling the US to achieve European policy objectives.

Therefore, the EU should strengthen transatlantic relationship and make it institutionalized. On the basis of the traditionally broad and deep Europe-America relationship, a strong EU-US relationship will contribute a coherent EU policy towards China. Most importantly, by seeking to gain an equal position in the transatlantic relationship, the issue of military budget is central. As NATO Secretary-General Anders Fogh Rasmussen suggested, the EU must invest more in defence if it wants to become a global player. If the EU is willing to develop its military power, it will not only change EU-China relations but also transatlantic relations and the current world order. However, most of the European public will not like the idea of increasing military budget. This issue has become a difficult choice for Europe.

2.3. The policy suggestion of argument 3

European scholars have advocated that the European Union should aspire to transform international relations in accordance with its own values and norms of pooled sovereignty and thus establish a 'normative', 'civilised'

¹⁸ Ibid., p. 285.

¹⁹ Rettman, Andrew (30 April 2010). EU-China diplomacy fails to convince sceptics. *Euobserver*.

international order.²⁰ According to Hans Maull, the EU has been able to achieve significant influence over international development using its specific policy tools such as the attractiveness of its norms and practices to others, its ability to provide incentives but also apply pressure.²¹ However, this dissertation has revisited the idea of the EU 'normative' or 'civilian' power, which has been challenged by China's economic power and divide-and-rule strategy. As Algieri contends, China is able to manipulate and influence the EU Member States that led the incoherent European actions at the UN Human Rights Commission in Geneva.²²

The EU cannot change its liberal identity of being a normative power nor transform international politics in the short term by diffusing European norms and values to developed and undeveloped countries. Therefore, European policy makers may need to adjust their China policy, especially over the issue of diffusing European norms to China. The normative principle in the EU's China policy produces ineffective dialogue and protest from the Chinese people.²³ Although the EU should not ignore the poor Chinese political system or the issue of Tibet, EU human rights policy might need to more focus on helping China to resolve its internal problems such as poverty and poor rural economy. If the EU normative power can act as a 'humble power' as China expects, European foreign policy would be much more attractive to China.

²⁰ Diez, Thomas (2005). Constructing the Self and Changing Others: Reconsidering 'Normative Power Europe'. *Millennium: Journal of International Studies*, 33 (3), p. 616; Manners, Ian (2006). Normative Power Europe Reconsidered: Beyond the Crossroads. *Journal of European Public Policy*, 13, p. 182.

²¹ Maull, Hanns W. (2010). The European Union as Civilian Power in Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Ed.) *Us-China-Eu Relations: Managing the New World Order*. London, Routledge, p. 70.

²² Algieri, Franco (2008). It's the system that matters: institutionalization and making of EU policy toward China. in Shambaugh, D., Eberhard Sandschneider, Hong Zhou (Ed.) *China-Europe Relations: Perceptions, Policies and Prospects*, p. 77.

²³ 李华, Li, Hua (2005). 中欧关系评析 (An analysis of Sino-European Relations). *国际问题研究 (International Studies)*, 6; 时殷弘, Shi, Yinhong (2008). 美欧接近, 中欧疏离与中国的战略需要

3. Final Thoughts

It is natural for a nation-state to use a divide-and-rule strategy to deal with international institution as it is easy, workable and effective. It is not surprising then that great powers such as Russia, the US and China all pursue this strategy towards the EU. Nevertheless, while the US aims to preserve its global dominance and unipolar moment,²⁴ China favours a multi-polar system. Debates remain very relevant to this day as to whether a unipolar, bipolar or multi-polar set-up can offer a better environment for peace. However, states will always favour the system, which fits their power status and national interests. A superpower will favour a unipolar status to maintain its predominance. A rising power benefits a multi-polar for allying with other powers to balance the superpower. Moreover, even the EU, the strongest supporter of multilateralism, bypassed the United Nations of Security Council to avoid a Russian veto and, in cooperation with the US, went to war against Serbia without UN sanction. Thus, the EU's preference for multilateralism may reflect the traditional behaviour of weaker states seeking to control the behaviour of the great powers by international organisations. Contradictorily, they are unwilling to be constrained by the rules of international organisations.

According to Robert Ross, China's short-term interests in promoting bilateral relationships with European countries undermines its long-term interests in the development of a stronger and more independent European Union that can balance US supremacy.²⁵ However, Ross' argument is based on the precondition that the EU is willing and capable to balance the US. But Chinese leaders do not share this view after the EU postponed the decision of lifting the arms ban, at least in the near future.

(US-Europe close, Sino-Europe estranged and China's strategic demand). 现代国际关系 (*Contemporary International Relations*), 5.

²⁴ Kruthsmmer, Charles (1990). *The Unipolar Moment*. Foreign Affairs, 70.

²⁵ Ross, Robert S., Tunsjø, Øystein & Tuosheng, Zhang (2010). *Us-China-Eu Relations Towards a New World Order?* in Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Eds.) *Us-China-Eu Relations: Managing the New World Order*. London, Routledge, p. 285.

Furthermore, Chinese foreign policy is not always successful and the real challenge is whether China can continue to follow Deng Xiaoping's 'Tao Guo Yang Hui' policy. For example, every time Beijing wins a foreign battle, such as forcing the European leader not meeting the Dalai Lama, it has the effect of pushing the European public further away from understanding the real China. The European public will inevitably view Beijing as an autocratic government and China's rise as a threat. In the end, Chinese foreign policy loses the victory in the long-term as most Western countries will seek to contain China's rise.

It is necessary to understand that Chinese policy makers have very limited environment to make an 'innovative' policy, especially in sensitive issues involving Chinese territory and sovereignty. The 'political right' to obey the Chinese Communist Party's (CCP) policy is very important to Chinese officials for the sake of their career. They are expected to make popular decisions when dealing with such issues or face criticism or even lose their job if they fail to satisfy the majority. This compared to European leaders, who need to sweet-talk their voters to consolidate their power; Chinese leaders have to obey the party. Therefore, the Chinese tend to choose the tough position against the Western critiques in human rights and Tibet or Xingjian. This is the standard procedure and the automatic reaction for protecting their career.

4. Future Research

Future research should explore the triangle interaction of US-China-EU relations on the emerging international order. John Mearsheimer has pointed out that: "*the mightiest states attempt to establish hegemony in their own region while making sure that no rival great power dominates another region. The ultimate goal of every great power is to maximise its share of world power and eventually dominate the system.*"²⁶ The US forcing the EU to postpone the lifting of the arms embargo on China and the inevitable modernisation of the Chinese

military are the great examples to illustrate Mearsheimer's theory. It is true that at present security issues account for little of EU-China relations. However, US intervention has limited the potential of the EU and China upgrading to that of strategic partners. In other words, US intervention has shifted the development of EU-China relations so much, that scholars must now examine US factors in all EU-China relations otherwise they will miss the implications of EU policy towards China.

Therefore, such a comprehensive approach to US-EU-China relations will be as demanding as it is necessary.²⁷ At present the literature on EU-China and US-EU-China relations is limited, because events are still unfolding. Although it has become a hot and popular topic, most work is edited books. Excluding the period of the European Community, in 2004 the European Union has 17 years of history and is just being to be viewed as an emerging power by many scholars and academics such as Andrew Reding, Mark Leonard, Jeremy Rifkin, and T.R. Reid in twenty-first century.²⁸ As with China, in the 1990's, most of the scholars believe that China will become a great power, but no one anticipated this coming so fast, even Chinese scholars are shocked and not used to this big shift. With this short engaging period, it is not surprised that William A. Callahan argues EU-China strategic partnership is 'future imperfect.'²⁹

More importantly, it is a serious test to the European Union that creates the strategic relationship between the international institutions and nation-states. European leaders are practical and ambitious: Europe needs international institutions to maintain peace and cooperation. Simultaneously, Europe exerts

²⁶ Mearsheimer, John (2001). *The Tragedy of Great Power Politics*, Norton, p. 23.

²⁷ Gill, Bates (2010). Managing Tensions and Promoting Cooperation. in Ross, R. S., Tunsjø, Ø. & Tuosheng, Z. (Eds.) *US-China-EU relations: Managing the New World Order*. London, Routledge, p. 273.

²⁸ Reid, T.R. (2004) *The United States of Europe*. p. 305, Penguin; Reding, A (2002) EU in position to be world's next superpower, *Chicago Tribune*; Leonard, Mark (2006) *Why Europe Will Run the 21st Century*, Perseus Books Group; Rifkin, J. (2004) *The European Dream*.

²⁹ Callahan, William A. (2007). Future Imperfect: The European Union's Encounter with China *The Journal of Strategic Studies*, 30(4-5), p. 777.

the institution, the EU, to gain the weight in international affairs from their collective power. However, this test is very difficult, as Sandschneider contended that: *“European policies are far too weakly coordinated to constitute an effective counterweight to Chinese counterparts-whether politically or economically”*.³⁰

Without the name of ‘strategic partners’, the strategic ties between the US and the EU are already very solid. The stagnated EU-China axis is based on the fact that the EU has a stronger strategic interest in global security, market economy and shared norms and values with the US rather than with China as a new partner. Does this kind of transatlantic relationship possibly happen to the EU and China? Although Beijing does not now currently seek a traditional meaning of strategic relationship with the EU, the Chinese leaders realise that due to internal politics among the EU Member States there will not be a coherent common foreign and security policy, independent of US influence.

The effort that European leaders put on the treaty of Lisbon seems to show that they carry on with the struggle of the development of European foreign and security policy. Notwithstanding, this thesis argues that Lisbon has not resolved the EU internal divisions, yet can one expect to see change overnight. It may not be able to evaluate the influence of the treaty for few years. Thus, the topic shall give attention in future research.

³⁰ Sandschneider, Eberhard (2006). Is China’s military modernization a concern for the EU. in Zaborowski, M. (Ed.) *Facing China’s rise: Guidelines for an EU strategy*. Paris, EU Institute for Security Studies, p. 45.

Appendix

Interview List of Fieldwork

Beijing

	Date	Position & Name
1.	24/09/2008	Party School of the Central Committee of C.P.C Professor: Ruipu Wang
2.	10/10/2008	China Institutes of Contemporary International Relations (CICIR) Researcher: Huan Li
3.	13/10/2008	Institute of Agriculture Economic and Development Chinese Academy of Agriculture Sciences Professor: DingHuan Hu
4.	15/10/2008	Chinese diplomat A
5.	20/10/2008	Chinese diplomat B
6.	27/10/2008	China Institutes of Contemporary International Relations (CICIR)
7.		Director of European Institute: Zhongping Feng Professor: Xiaoqing Sun
8.	28/10/2008	Nankai University Professor: Zhicheng Wu
9.	29/10/2008	China Foreign Affairs University Professor: Wei Xiong
10.	30/10/2008	The School of International Relations, Peking University Professor: Yuru Lian
11.	06/11/2008	The School of International Relations, Peking University Professor: Ran Mei
12.	13/11/2008	Institute of European Studies Chinese Academy of Social Sciences Research: Yongpeng Fan

13.	14/11/2008	Chinese Diplomat C
14.	18/11/2008	The School of International Relations, Peking University Professor: Yanhua Luo
15.	20/11/2008	University of International Business and Economics Professor: Youfu Xia

Brussels

	Date	Position & Name
1.	28/03/2009	Leiden University, Holland Professor: Quansheng Zhao
2.	10/04/2009	United Nations University, Belgium Professor: Xining Song
3.	22/04/2009	The European Centre for International Political Economy (ECIPE) Research: Iana Dreyer
4.	11/05/2009	The European Commissioner advisor Stanley Crossick
5.	01/06/2009	Belgium Mission to the EU Diplomat: D
6.	14/06/2009	University of Milan, Italy Scholar: Axel Berkofsy
7.	17/06/2009	University of Renmin, China Professor: Yinhong Shi
8.	18/06/2009	China Institute of international Studies, China Research: Ling Jin
9.	24/06/2009	The Institute for European Studies Vrije Universiteit Brussel, Belgium Researcher: Sigrid Winkler
10.	25/06/2009	The Centre for European Policy Studies (CEPS) Research fellow: Elena Gnedina

11.	01/07/2009	DG RELEX, China Unit The European Commission Official: E
12.	03/07/2009	The Centre for European Policy Studies (CEPS) Director: Michael Emerson
13.	08/07/2009	DG TRADE Unit, The European Commission Official: F
14.	08/07/2009	DG RELEX, The European Commission Co-desk USA and Canada: G
15.	09/07/2009	DG RELEX, The European Commission Head of China Unit: H
16.	10/07/2009	DG - US, UN, human rights, The Council of the EU Official: I
17.	12/07/2009	The European Commission Official: J
18.	14/07/2009	UK mission to the EU Diplomat: K
19.	16/07/2009	China Mission to the EU Diplomat: L
20.	20/07/2009	The Institute for European Studies Vrije Universiteit Brussel, Belgium Professor: Bruno Coppieters
21.	23/07/2009	DG RELEX, China Unit, The European Commission Official: M
22.	24/07/2009	France Mission to the EU Diplomat: N
23.	27/07/2009	Brussels Institute of Contemporary China Studies (BICCS) Vrije Universiteit Brussel, Belgium Research Director: Jonathan Holslag

24.	30/07/2009	The European Parliament Head of the Human Rights Unit: O
25.	31/07/2009	DG RELEX, The European Commission Deputy of China unit: P

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