

Lifting of the EU Arms Embargo on China

**Testimony before the Senate Foreign Relations Committee
March 16, 2005**

**Dr. Bates Gill, Freeman Chair in China Studies
Center for Strategic and International Studies (CSIS)
Washington, D.C.**

Introduction

Thank you, Chairman Lugar and Senator Biden, for the opportunity to appear before this distinguished committee.

The ongoing consideration by the European Union (EU) to lift the 1989 arms embargo against China raises concerns across a range of critical issues: the strategic dynamic of U.S.-EU-China relations, trans-Atlantic differences, the emergence of China as a more powerful global and regional player, Chinese military modernization, and the future security and stability in East Asia. I congratulate the Committee for focusing on this important topic, and look forward to discussing it further with you.

My remarks proceed in three principal parts. First, I would like to provide some essential context by discussing the broader strategic dynamic of EU-China relations as it has unfolded so dramatically over the past 5 to 10 years. Second, the testimony will examine the impact of lifting the embargo on Chinese military modernization. A concluding section presents some basic recommendations for U.S. policy in addressing developments in EU-China relations generally, and on the arms embargo question in particular.

Broader EU-China strategic dynamic underway since the mid-1990s

It is important first and foremost to place the arms embargo question in the larger context of China-EU relations. That is how we better understand the motivations for lifting the embargo and craft responses which will resonate and have effect with EU counterparts so as to mitigate and avoid the worst potential outcomes of a post-embargo future

I heard a think-tank specialist on Asia who had recently left the Pentagon say that we were caught “flat-footed” by the EU’s apparent intention to lift the embargo. I found that an unsettling comment. It has been very clear to anyone who wished to look that China-EU relations have been moving steadily closer across the full range of their bilateral relationship, including in political-military areas, and that lifting the embargo has been on the table and a part of EU-China discussions for nearly two years.

In fact, the possibility of lifting the arms embargo is part of a far greater and ongoing dynamic of intensifying EU-China relations over the past decade. The beginning of far closer EU-China relations dates to the mid-1990s. Since then, China and the EU have held seven major summits, the most recent at the end of 2004. Both sides have issued major policy documents detailing

their relationship and calling for continued strongly positive strategic relations going forward. In terms of economics and trade, the EU became China's largest trading partner in 2004. China is now the EU's second largest trading partner after the United States.

On the military side, China's defense-related ties with individual European countries have likewise increased, and largely involve "softer" interactions, including military-to-military diplomacy and educational exchanges, peacekeeping training, port visits, some joint military exercises, and expanded military attaché offices to manage this growing aspect of diplomacy between China and Europe. Most of the EU member states have one military representative in Beijing; France has three, Germany, Italy, Poland, and the United Kingdom have two (by comparison, the United States has 12). China and individual member states such as France, Germany, and the United Kingdom have established regularized strategic consultations and security dialogues, including counterterrorism discussions.

Other military-to-military exchanges stand out. For example, a number of European navies have visited Chinese ports, with France leading the way with 12 naval port visits to China dating back to the early-1980s. Other European navies which have traveled to China include those from the United Kingdom, Italy, Ireland, and Germany. The Chinese navy has made only two sets of port visits to Europe, the first in September 2001, when Chinese ships paid calls in France, Germany, Italy, and the United Kingdom. The second set of visits was in 2002 during the Chinese navy's first circumnavigation of the globe, including stops in Turkey, the Ukraine, Greece, and Portugal.

In August 2003, China for the first time allowed foreign military personnel – including from the United States, the United Kingdom, France, Russia, Germany, Canada, Tanzania, Thailand, and Turkey – to observe Chinese military exercises involving 5,000 Chinese troops at the country's large tactical training base in Inner Mongolia. On September 2, 2004, military representatives invited from France, Germany, United Kingdom and Mexico, observed an amphibian landing exercise in Shanwei along the coast of Guangdong Province.

China has also held joint naval exercises with the French navy (in March 2004) and with the British navy (in June 2004), both off the coast of Qingdao in the East China Sea. These exercises involved four to five vessels and focused on tactical maneuvers for the ships and shipboard helicopters, replenishment-at-sea exercises, and search-and-rescue. China also fields peacekeepers to Europe under the United Nations flag, including civilian police to the United Nations Interim Administration Mission in Kosova and, in the past, to the United Nations Mission in Bosnia-Herzegovina.

There are some important developments on the "harder" side as well, including some joint programs in the development of space technologies which could have military applications, ongoing low-level licensed production in China of European defense equipment, and direct transfers of European military technology to China. Importantly, given the blurring line between "military" and "civilian" technologies, European exports of commercial technology and expertise with potential military applications continue to expand and already contribute to improvements in Chinese defense production capabilities (the same can be said for commercial exports with military relevance from other suppliers, such as the United States, Japan, Taiwan, and others). This integration of European and Chinese high-technology R&D and production

capability has particular military relevance as it unfolds in the aerospace, aviation, communications, and shipbuilding sectors. (China's military-technical relations with European suppliers are discussed in more detail below.)

In short, it is very important to recognize that the arms embargo question in the EU is part of an ongoing, comprehensive, and carefully constructed strategy to build a fundamentally different kind of relationship with China. This effort has two principal aims: (1) to integrate China as a responsible member of a multipolar global community and multilateral international institutions and (2) help China address its domestic sociopolitical and socioeconomic challenges at home – so-called capacity building or “good governance.”

In many respects, China is seen by many EU and European member state leaders and officials as a kind of “test case” for how global players will need to cooperate to face the transnational challenges of the 21st century – terrorism, international crime, social justice, economic stability, resource scarcity and depletion, environmental degradation, intellectual property and the globalization of knowledge, and other critical challenges.

As such, strategic views of China in Europe are aimed at developing a deeper, more constructive, and more positive relationship, and tend to see far greater opportunities in ties to China than threats. To the degree European policymakers see threats emanating from China, they tend to be on either questions of “soft security”, such as economic competition, illegal immigration, transnational crime, smuggling of drugs and contraband, environmental issues, and human rights. Individual European countries as well as the EU have established regular dialogues with China to cooperate and find common ground on these and other security concerns.

In this sense, fundamental European strategic views of China differ in some respects from those in the United States. Unlike Europe, the United States maintains significant strategic and political interests around China's periphery in the form of alliances and a host of other critical and complex political-military relationships with others around China. Europe's relations with China are unfettered by the complicated and important political and military commitments the United States has made to Taiwan, the principal issue over which the United States and China could come into conflict.

Lifting the embargo: Impact on Chinese military modernization

There are three important points to make regarding the lifting of the embargo and its potential impact on Chinese military modernization.

It is possible the embargo will not be lifted in the immediate-term. While it is highly likely the arms embargo will be lifted within the next year, the precise timing is still open to some question. Lifting of the embargo requires the unanimous assent of all 25 EU member countries, and many member countries – such as Scandinavian countries and some in Eastern Europe – remain opposed to lifting the ban. For these countries and others within the EU, a number of conditions should be met. These would include China's ratification of the International Covenant on Civil and Political Rights, allowing visits by the International Committee of the Red Cross, to Chinese prisons, releasing certain political dissidents in China, strengthening the

EU Code of Conduct on arms exports, including stronger transparency mechanisms for those exports, avoiding further deterioration in Europe-United States relations, strengthening assurances that weapons exports would not aggravate tensions across the Taiwan Strait, and gaining stronger Chinese assurances about their intention to peacefully resolve differences across the Taiwan Strait. The recent passage of the Anti-Secession Law by the Chinese National People's Congress, and the NPC's lack of consideration of the International Covenant on Political and Civil Rights, will have a negative effect in the view of many European governments about the wisdom of lifting the embargo at this time.

However, while these obstacles remain, most observers conclude that some of the leading members of the EU, including France, Germany, and the United Kingdom, will work to have an acceptable set of conditions in place on the EU side, especially with regard to the Code of Conduct and arms export transparency measures, in order to gain unanimous EU member consent to lift the embargo by June this year. As EU member states debate this issue, and China continues to apply pressure on Brussels and in individual capitals, it now appears it is not a question of "whether", but "when" and "how" the 1989 embargo statement would be lifted.

Lifting the embargo in and of itself will have little impact on technology flows of concern to China. Instead, our concern should focus on what will replace the embargo. This is true for two principal reasons. First, under the terms of the now-nearly-16-year-old embargo, European firms have already been able to provide Chinese counterparts with militarily-relevant technologies. This is no less true for U.S., Japan, and even Taiwan exports of advanced technologies to China. The fact is that the nature of advanced technologies today and their broadening applications to militarily-relevant purposes have far-outstripped the ability of a simple declaration of intent pronounced a decade and a half ago to truly stem the flow of sensitive technologies to China.

Unlike the American arms embargo on arms trade with China which is codified as law and prohibits specifically designated military end-use items the EU embargo is contained in a single phrase, issued as part of a broader political statement condemning the Tiananmen crackdown in June 1989. The statement reads that EU members will embargo "trade in arms" with China, without specifying how "arms" are defined and without requiring any penalty or strictures on those EU members which chose to "trade in arms" with China. The EU "embargo" is best understood as a political statement which is not legally binding.

Second, the degree to which European firms have been restrained from providing weapons and sensitive technologies to China has far more to do with the individual EU member states' national export control laws and policies than with the EU embargo itself. In this regard, it is important to note that a number of elected parliamentary bodies in Europe, including the British House of Commons, the German Bundestag, and the EU Parliament, have issued resolutions opposed to the lifting of the arms embargo.

So in this sense, it is not the lifting of the embargo but rather what comes to *replace* the embargo which will affect how European military-technical relations with China will or will not contribute to Chinese military modernization. This important point should lead us in the direction of determining more specifically (1) what the EU will put in place of the embargo, and

(2) what certain individual EU member states intend to do in their military-technical relations with China. It is especially important to focus on what might replace the current embargo since the leaders of the EU member states are on record as agreeing in December 2004 that “the result of any decisions [about lifting the arms embargo] should not be an increase of arms exports to China, neither in quantitative nor qualitative terms.”

Rather than focus on the “embargo”, a potentially more restrictive set of guidelines deserve greater attention: the EU Code of Conduct and the so-called “toolbox” of arms export transparency measures. The 1998 Code of Conduct provides more specific guidance to EU members in making arms sales decisions (to all countries, not just China). This guidance consists of eight criteria which EU governments should weigh before exporting weapons:

- “Respect for the international commitments of EU member states”, including UN sanctions, EU sanctions, and other international nonproliferation treaties and commitments
- The respect of human rights in the country of final destination, including consideration of whether an arms export will be used for “internal repression”;
- The “internal situation in the country of final destination” so as to avoid provocation or prolongation of tensions and conflicts;
- “Preservation of regional peace, security and stability” to avoid aggressive use of the weapons by the recipient against another country, and to avoid use of the exported weapon to “assert by force a territorial claim”;
- The national security of the member states, their territories, and the national security of friendly and allied countries;
- The behavior of the recipient country, especially with regard to terrorism and its respect for international law;
- The possibility that the recipient country would divert the export within the country or reexport it to a third party in an unauthorized or “undesirable” way, to include a consideration of the recipient’s export control system, among other items;
- The ability of the recipient to import weapons for legitimate defense and security needs while still meeting human and economic needs.

The Europeans are debating the strengthening of this Code to make it more specific. In addition, EU officials state they are crafting a so-called “toolbox” of additional measures which would increase the level of scrutiny and transparency on European arms exports. These measures would likely include a number of new and positive steps, including:

- a system to review EU member state arms exports on a quarterly basis, including reporting on both export license approvals and export license denials;
- a 5-year retroactive report on export license approvals in order to establish a recent baseline on arms exports from which to gauge future and assess potential future sales;
- a requirement that “brokered exports” (arms exports from non-EU states which are arranged by entities within the EU member states) be included in the reporting system.

EU officials are also giving serious consideration to proposing a formal consultative mechanism between the United States and Europe to discuss weapons and militarily-relevant technology

exports to China. By replacing the embargo with a better framework, including increasing the specificity, scrutiny, and binding nature of the Code of Conduct and the toolbox, and by instituting a more formal consultative mechanism on this issue between the United States and Europe, we can have far higher expectations of stemming the flow of certain weapons and militarily-relevant technologies to China.

The flow of militarily-relevant exports to China from Europe in the near-term is not likely to be in the form of new weapons platforms, but in the form of subsystems and key technologies. It appears unlikely that China would move ahead with major purchases of complete weapon platforms, at least in the near- to medium-term. Not only is it likely most European governments would restrict their manufacturers from large, high-profile, and provocative weapons sales to China, but China has a number of reasons of its own to eschew this approach. First and foremost is cost, since they have been successful in gaining access to relatively cheaper Russian weapons and technologies and because their own defense industries are beginning to make significant breakthroughs. In addition, China already faces significant problems in the diversity and interoperability of its weapons systems, particularly in the case of new jet aircraft programs. Third, because of China's traditional self-reliant posture regarding its defense-industrial base and its need to keep large, state-owned, defense enterprises open and avoid massive unemployment, Beijing will be reluctant to simply buy large quantities of European weapons off-the-shelf.

Instead, if complete weapons platforms are sold, they will likely be a relatively small number with the probable expectation on China's part that it could move toward some form of indigenous assembly or licensed production of the system over time. More likely in the near- to medium term would be the sale not of complete platforms, but certain value-added subsystems and technologies which the Chinese military requires to boost its capabilities, such as projecting and coordinating military force in a maritime environment, involving naval, aerospace, aviation, and command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) assets.

Given these considerations, China is most likely to seek European military-technical inputs and assistance in such areas as:

- jet aircraft propulsion, avionics, and fire control systems;
- naval weapons systems, including air defense, weapons guidance and fire control, and radars, as well as submarine technologies;
- naval propulsion systems and stealth technologies;
- information technology and communications infrastructure improvements, especially those applicable to more sophisticated, hardened, and secure command and control infrastructure for military purposes;
- aerospace technologies to include satellite imagery, reconnaissance, remote sensing, and communications.

In addition, certain past and ongoing transfers and Chinese indigenous production of militarily-relevant systems and technologies from Europe are likely to continue and may expand. These include the licensed-production of various helicopters, turboshaft helicopter engines, fire-control and surveillance radars, and air defense systems from France, fighter jet avionics upgrades from the United Kingdom and Italy, the British "Searchwater" airborne early warning radar system,

Italian naval fire control radar systems, and the British Rolls Royce Spey Mk 202 engine, first transferred to China in the late-1970s, and now produced in China as the WS-9, which powers the made-for-export Chinese fighter-bomber known as the FBC-1, and its domestic version, the JH-7.

Recommendations

Given these developments, the aim of U.S. policy should be to stem the flow of sensitive and potentially destabilizing weaponry to China while strengthening consultations on these important issues between the United States and European counterparts. Four key measures should form the basis of the U.S. policy approach.

Through Congressional and Administration action, public statements, and consultations, strongly press for an enhanced set of arms export restrictions to limit European arms and sensitive technology exports to China. This needs to be done at two levels. First, such actions should target the debate within the EU at Brussels. The next two to three months are going to be a critical period as EU officials, in consultation with member states, craft a more acceptable set of post-embargo mechanisms to guide EU arms exports, including a revised Code of Conduct and the introduction of greater arms export transparency and reporting measures. These discussions with Brussels should specify those particular weapons and technologies which the Washington would find especially problematic for export to China

Second, U.S. policy should also target governments and key constituencies in important EU member states. In the end, it will be the domestic export control restrictions as well as the political climate in individual countries which will have the greatest impact on stemming the flow of sensitive weapons and technologies to China. This demands a more intensive understanding of individual member states' perspectives toward China, particularly within key constituencies such as parliaments, opinion leaders, China experts and activists, and the business community, to identify individuals and institutions which share U.S. concerns about weapons and militarily-relevant technology sales to China. These discussions with specific EU member states should include those particular weapons and technologies which the U.S. side would find especially problematic for export to China.

The moment is right for intensified, judicious, and well-informed discussions with European counterparts on this issue to assure the most favorable outcome regarding potential military exports to China on the one hand, and improved U.S.-Europe relations on the other.

Through Congressional and Administration action, public statements, and consultations, strongly press for more vigorous policies and pronouncements from the EU and European governments on Taiwan, human rights, and nonproliferation. Given the importance the current Code of Conduct gives to such questions as “the national security of friendly and allied countries”, the “respect of human rights in the country of final destination”, avoiding use of the exported weapon to “assert by force a territorial claim”, and the “recipient’s export control system”, the United States should insist that the EU stand by and even strengthen these assurances with regard to China. U.S. action should aim to shape the current EU debate on the issuance of a statement which specifically speaks to these concerns that might accompany the

lifting of the embargo and the implementation of a new set of arms export guidelines and transparency mechanisms.

U.S. policy action should insist that lifting the EU embargo be linked to concrete Chinese steps to raise the standard of their human rights practices, such as ratifying the International Covenant on Political and Civil Rights and allowing for International Committee of the Red Cross inspections of Chinese prisons, strengthening Chinese commitment to a peaceful resolution of differences with Taiwan, and strengthening China's export control system and commitment to international nonproliferation norms.

Through Congressional and Administration action, establish a regular mechanism for strategic dialogue and consultation between the United States and Europe on Asia and China. Regularized dialogue on Asian affairs and on China with European counterparts – both at the EU Brussels level and among key European countries such as France, Germany, and the United Kingdom – should form a normal and institutionalized aspect of trans-Atlantic consultations by the White House, the Department of State, and Department of Defense, as well as by members of Congress and their staff. The appropriate officials with responsibility for Asian and Chinese affairs from the White House, the Department of State, and the Department of Defense should regularly take active part in these discussions. Appropriate Congressional committees should seek regular briefings on these discussions from relevant officials from the Department of State and Department of Defense.

Members of Congress, Congressional staff, and Administration officials should also take part in and/or receive briefings from the ongoing nongovernmental dialogue and research programs involving U.S. think-tanks and academic institutions and their European counterparts. These programs draw together American and European specialists and officials to address Asian and Chinese affairs, serve as “early warning mechanisms” on potential policy disputes, and generate policy recommendations to facilitate trans-Atlantic partnership and common goals regarding developments in Asia and China.

Through Congressional action, task authoritative research and reporting on the extent and nature of advanced technology exports to China and their impact on Chinese military modernization. China's increasing access to foreign inputs of capital, technology and expertise, including such inputs from Europe, the United States, Taiwan, and other advanced economies, pose important concerns about Chinese military modernization. The areas where advanced foreign suppliers would most likely be able to make a contribution to Chinese military modernization, even if an indirect contribution, would be in those defense industrial sectors most relevant to a Taiwan scenario: aerospace, aviation, naval warships and submarines, and in communications technology. China remains at an early stage in fully realizing its military potential and the advantages of increased access to militarily-relevant foreign technology, R&D, and manufacturing expertise. However, it has made important military advances in recent years, especially with regard to the balance of power across the Taiwan Strait, and appears likely to continue to do so. Far greater resources should be devoted to monitoring these developments and their implications for U.S. interests.