

The U.S. and the EU Need a Deeper Dialogue on China

The United States and the European Union must give much higher priority to understanding their respective approaches and policies toward Beijing if they are to avoid the risk of China's growing power disrupting transatlantic relations. This is the preliminary conclusion of a study currently being conducted by the CSIS Europe Program that argues that the United States and Europe should not allow Beijing to play off one Atlantic power against the other.

Unfortunately, the United States and Europe have made little serious effort to comprehend each other's reactions to China's rise. An official Washington-Brussels dialogue on China and Asia was belatedly begun in May 2005, but its aims and outcomes remain unclear. And although the United States and the EU share many common objectives with regard to China, there are also many looming areas of disagreement and tension.

These potential tensions mostly lie ahead. For the moment, U.S. and European officials are in remarkably close accord on China. The question is whether they are making good use of this relatively calm period to reach longer-term understandings on the future implications of China's rise.

Broadly speaking, both Atlantic partners want China to grow as a stable, prosperous, nonthreatening, and increasingly open society that plays by international rules. Both recognize the opportunities and challenges of doing business with China. Both recognize that successful solutions to many global problems—from climate change to nonproliferation to counterterrorism to UN reform—will require China's positive involvement.

On the other hand, U.S. and EU political and military approaches to Beijing differ significantly. Politically, the EU is practicing "transformative engagement" with China and is seeking to build a stronger strategic relationship with Beijing. In September, the EU and China agreed to launch negotiations on a new Partnership and Cooperation Agreement encompassing the full scope of their bilateral relations, including enhanced political cooperation. The European Commission plans soon to set out a "new strategic vision" for the partnership, and the EU also now realizes it needs to adopt its own position on Asian security.

In contrast, the United States continues to view China's rise far more negatively. Washington remains concerned about China's authoritarian regime and poor human rights record and is wary of closer political engagement. It is suspicious of Chinese intentions and concerned about Beijing's unwillingness to restrain North Korea, its nationalist bellicosity toward Japan, its strong-arm tactics against Taiwan, and its burgeoning military might. Washington's alarm over calls starting in early 2004 to lift the EU arms embargo against China is a symptom of this larger disconnect.

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Europe's Future Is Also at Stake in Iraq

By George Robertson

One of the surreal aspects of the transatlantic world today is that the completely separate debates about Iraq on either side of the ocean simply do not connect. An elected, multifunctional government is struggling to establish security in Baghdad. But too many European leaders are standing back, as if any spillover from Iraq would be a problem only for Americans. If Iraq implodes, however, the shock waves will reach Europe long before they hit the United States. The Middle East is our back yard, and it would be an abdication of truly historic proportions to say to the United States, "You broke it, so you fix it."

It would also be a cynical betrayal of our own citizens if some countries were not to help for fear that they might be helping to improve the ratings of the current U.S. president. If the Islamic terrorists succeed in Iraq, they will not stop there—and no one will be safe.

We Europeans need only look back 10 years to the horrors of the post-Yugoslavia Balkans. Then, the Balkans looked as bleak as Iraq does today. The killing, the medieval brutality, the savage population clearances, and the towering human misery flowing from interethnic savagery



Lord Robertson, former NATO secretary-general and UK defense minister, is a member of the Steering Committee of the Initiative for a Renewed Transatlantic Partnership. This commentary is based on an article published in the *Washington Post* on June 24, 2006.

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TRANSATLANTIC REPORT

Transatlantic Report is a quarterly review of past and future activities of the CSIS Initiative for a Renewed Transatlantic Partnership. Each issue also features comments by a member of the Initiative's Steering Committee. This issue's commentator is George Robertson, former NATO secretary-general.

There are four important areas in which U.S.-European differences could lead to transatlantic tensions or to the sending of mixed messages to the Chinese leadership over the next year. These are as follows: the changing nature of China's economic relationships with the United States and the EU; the management of China's impact on international rules and institutions; U.S. and European perceptions of China's role in regional security; and the best way to assure a stable and more open China.

China's Economic Relationships with the United States and the EU

So far, the greatest effect of China's rise has been economic. Entire manufacturing industries have shifted to Chinese economic zones to take advantage of China's highly industrious, labor-intensive, low-cost factories. The result has been huge trade deficits with China, reaching \$202 billion for the United States and \$134 billion for the EU in 2005.

These imbalances are making both Europe and the United States increasingly dependent on China in some areas: the United States relies on Chinese purchases of U.S. government debt, while the EU relies on exports to China to compensate for lack-luster domestic growth. Both benefit from cheap Chinese imports that boost consumer purchasing power while keeping inflation low.

Both also, however, face long-term economic dangers as China becomes more competitive, moves up the technology ladder and provides new hubs for research and development, as well as production, by European and U.S. multinational corporations. But while disputes over Chinese imports are beginning to erupt in Europe, the economic heat is higher in the United States, where Congress has threatened stiff tariffs if China does not revalue its currency.

Managing China's Impact on International Norms, Rules, and Institutions

The Atlantic partners are also increasingly aware that they could face common problems from other aspects of Chinese behavior, such as possible Chinese disregard for the rules of the international trading system, including World Trade Organization safeguards on intellectual property; increasing Chinese investment in emerging markets in order to "lock in" access to energy and commodity supplies; and negative Chinese impacts on the environment and on corruption and governance in developing countries.

Americans and Europeans also need to examine how their views and those of China differ on a wide range of global issues, including the future role of the United Nations, weapons proliferation, Iran, and international peacekeeping, and consider how they can jointly mitigate any potentially harmful effects of growing Chinese influence, rather than allowing themselves to be played off against each other.

U.S. and European Perceptions of China's Role in Regional Security

U.S. and European willingness to challenge China's economic and geopolitical rise is conditioned by differing security perspectives. The United States has vital security and alliance commitments in East Asia, such as those with Japan, South Korea, Australia, and Taiwan. The U.S. administration has to deal with the powerful Taiwan and military lobbies at home, while overseas it is developing new strategies involving India, Japan, and Russia.

The EU has been historically detached from East Asian security. But European policymakers are becoming more aware of the security dimension of China's rise and the need to react to it. The uproar in the United States over the plan to lift the EU arms embargo certainly awakened European governments to the importance of Asian regional security, which they can no longer view as an economic issue mainly involving technology exports. Nevertheless, the EU is still a long way from formulating a coherent security strategy.

How to Assure a Stable and More Open China

In the end, transatlantic risk assessments of China will depend on how Europeans and Americans believe China's internal evolution will develop. If perceptions markedly diverge, they will lead to different conclusions as to whether to engage China or to keep it at a distance.

Key questions will include:

- How will views differ in Europe and the United States on prospects for political and social reform and for domestic stability in China?
- What key programs and policies will be pursued by the EU and the United States to encourage social and political reform in China?
- What common approaches will Europe and the United States adopt toward Chinese reforms and domestic stability? ■

(from page 1) Europe's Future Is Also at Stake in Iraq

dominated our TV screens. Few people thought there could be peace at all. And even optimists thought that if exhaustion eventually stopped the slaughter, generations would be required to bring lasting peace or any kind of reconciliation.

In 1995, decisive international military action stopped the fighting. A huge multinational force of 65,000 NATO troops (including forces from Russia, Ukraine, and Muslim countries) swamped every trouble spot. The United Nations did its best, the European Union developed an aid plan, and other countries contributed militarily, diplomatically, and financially.

But it was not an accident, nor was it the result of altruism or humanitarianism alone. It had to be done because the spillover of violence, refugees, instability, and criminality threatened us here in comfortable Europe, and we knew we had to act decisively. It is time European leaders recognized that in Baghdad today our future is also at stake. It is no time to look away. ■

INITIATIVE EVENTS

STEERING COMMITTEE CALLS FOR COMMON TRANSATLANTIC GLOBAL STRATEGIES

As the United States and Europe work to rebuild relations strained by the Iraq war, the need for a solid transatlantic partnership has never been clearer. With new economic and political powers emerging on the world scene, and transnational threats continuing or growing, the United States and Europe must forge common strategies to promote global security and stability.

Such strategies were the focus of the Second Annual Meeting of the Steering Committee of the Initiative for a Renewed Transatlantic Partnership, held in Berchtesgaden, Germany, from April 28 to 30, 2006. Their discussion focused on U.S. and European approaches toward China and Russia, the conflicts in the Middle East including the stand-off with Iran, the Doha Round of world trade negotiations and different U.S. and European approaches toward the use of sanctions.

■ To mark the Finnish EU presidency in the second half of 2006, political, security, and economic issues raised by EU enlargement will be discussed at a half-day conference cohosted by the CSIS Europe Program and the Embassy of Finland in Washington on September 22. For more information, please contact Derek Mix at dmix@csis.org.

■ Simon Serfaty, holder of the CSIS Brzezinski Chair in Global Security and Geostrategy, is calling for the creation of a new Euro-Atlantic Partnership as "a community of action for cooperation on behalf of global prosperity and security." In a paper published in August 2006, "Moment of Reflection, Commitment to Action," Serfaty says the ideal time to sign such a pact would be March 2007, the 50th anniversary of the Rome Treaty, the founding document of the EU. The paper is based on discussions among leading experts on the EU and transatlantic relations at CSIS in spring 2006.

THE SPECIAL RELATIONSHIP

How to Solve the U.S.-UK Defense Technology Dispute

As each other's closest ally, the United States and the United Kingdom share a long history of security cooperation and mutual military trust and respect. From operations in Iraq and Afghanistan to the most recent instances of counterterrorism coordination, the special relationship between the United States and the UK remains a vital component of global security in the twenty-first century.

Despite the clear benefits of strong ties between London and Washington, however, a number of tensions and frustrations have arisen during the last several years. One of the most serious irritants stems from U.S. restrictions on British access to U.S. defense technologies. As each nation's military forces grow more dependent on technological innovation, the current impasse on the issue threatens to undermine U.S.-UK cooperation.

The disagreement over technology transfers is the subject of a CSIS working paper, *Trusted Partners: Sharing Technology within the U.S.-UK Security Relationship*, coauthored by Robin Niblett, executive vice president and director, Europe Program, and Pierre Chao, director, Defense-Industrial Initiatives Group. The paper examines the obstacles to defense technology sharing and outlines steps to overcome the stalemate between London and Washington.

From a UK perspective, limitations on access to U.S. defense technologies could undermine the ability of British forces to fight effectively alongside their U.S. allies. Such restrictions could also reduce the UK's ability to maintain "operational sovereignty" over complex new weapons platforms that are developed in conjunction with U.S. technologies. These fears were especially evident as the two countries struggled to reach an agreement on UK access to operational technologies for the Joint Strike Fighter (JSF) program earlier this year.¹

The U.S. restrictions are due to fears that advanced U.S. technologies, even those transferred to Britain, could fall into the hands of third parties. Following a series of international mergers and acquisitions, UK defense companies have ties to other European companies and employ EU and non-EU nationals, raising further concerns within the U.S. security community. At the same time, U.S. companies are wary of increased competition on the global market should their UK rivals acquire access to U.S. innovation measures.

As a way out of the impasse, the CSIS working paper proposes the creation of a "trusted community" of experts in technology sharing that would facilitate exchanges among designated companies and individuals from both sides of the Atlantic. The sharing of sensitive information with third parties beyond this trusted community would be strictly controlled by existing laws and regulations. Such steps would further permit a deepening of the defense industrial and technological bonds between London and Washington, while denying access to key information to those outside the "trusted partnership."

The creation of such trusted communities will require both nations to compromise. The UK will have to reassure the United States of its commitment to preventing defense technology from reaching third parties. The United States will have to overcome its uneasiness over the potential consequences of information sharing and focus on the strategic benefits of deepening defense technology cooperation with the UK. ■

¹ An op-ed piece coauthored by Robin Niblett and Pierre Chao and entitled, "The strike fighter tests transatlantic ties," addressing recent developments in the JSF program, was published in the *Financial Times* on May 30, 2006.

ARE THEY LISTENING TO US?

Europe Starts to Strengthen Its Defense Capabilities

European governments are taking a number of steps to strengthen their defense capabilities along the lines proposed in a major CSIS report, *European Defense Integration: Bridging the Gap between Strategy and Capabilities*, published in October, 2005. The study argues that European nations need more flexible and deployable forces to meet a wide range of security challenges in the twenty-first century, including combating terrorism and weapons of mass destruction (WMD) proliferation, dealing with failed or failing states, contending with regional conflicts, and responding to humanitarian emergencies.

Given the political and budgetary constraints on European governments, the obvious answer is to coordinate the efforts of individual European countries, the European Union, and NATO so as to create a stronger set of collective defense capabilities, according to the report. These conclusions were underscored by subsequent events outside Europe that demanded European and NATO support, including the earthquake in Pakistan. The following are among the report's main recommendations:

- European nations should focus their investments on research and technology and the creation of expeditionary forces.
- The European Defense Agency (EDA) should be given a much bigger research and technology budget.
- NATO should rewrite its 1999 strategic concept to "chart a way forward for the alliance" in the twenty-first century and overhaul its defense-planning process.

The report was widely acclaimed as a path-breaking study. More than 50 articles were written in the international press, and it has been downloaded from the CSIS Web site approximately 8,000 times since October 2005. As former British defense secretary John Reid noted, "[The report is] absolutely right. We must invest more on defense-related research and technology, we need greater collaboration between EU countries, and we must spend our money more wisely."

The report's findings circulated among defense leadership circles in both the United States and Europe. EDA chief Nick Whitney distributed it to all EU defense ministers, and General Joseph Ralston briefed General James Jones, the supreme allied commander in Europe, and other NATO leaders in Brussels on the report's conclusions. NATO secretary-general Jaap de Hoop Scheffer said, "The CSIS report gives a powerful signal for continuing NATO's modernization program."

Following publication of the report, European states have adopted a number of measures to make their military spending more effective. EU leaders are currently considering the creation of a €50 million research and technology budget for the EDA. Perhaps more importantly, defense spending across Europe on research and technology is up 5.3 percent since 2005.

European nations have also taken some steps toward greater collaboration on spending. The Strategic Airlift Interim Solution agreement—under which a number of NATO nations have negotiated access to giant Russian and Ukrainian Antonov transport aircraft—went into effect in March 2006. The contract with a Russian company, for an initial three years, should provide a much-needed temporary solution to airlift shortfalls.

European defense ministers also reaffirmed their commitments to increasing expeditionary forces when they adopted more ambitious NATO operational plans in June 2006. While the document has not been publicly released, a number of reports indicate that the plans shift NATO thinking from planning one big war to emphasizing smaller brigade and division-level deployments. The change reflects a consensus in the organization that future threats are less likely to involve existential struggles in Europe and will rather involve small-scale deployments for stabilization, peacekeeping, and humanitarian assistance.

As member governments prepare for the NATO summit meeting in Riga this fall, they are also addressing the need for more explicit strategic guidance. The last NATO Strategic Concept was agreed on in 1999, well before the terror attacks of September 11, 2001, which fundamentally altered the international security landscape. Rather than produce another Strategic Concept, however, NATO states will formally endorse a document called the Comprehensive Political Guidance (CPG), which stresses the need to acquire capabilities for expeditionary missions as the alliance confronts global challenges. Although this will be a good interim solution, it is unlikely to provide the top-level guidance needed for effective planning in the post-9/11 era.

While European nations clearly have a long way to go, they have started to enhance Europe's aggregate military capabilities over the past year. These steps must now be reinforced by further action. If European countries fail to improve their collective defense capabilities significantly, they will find it much harder to protect their interests, to cooperate effectively with the United States in meeting shared security challenges, and to maintain the viability of the NATO alliance. Seen in this light, defense integration is not just an appealing notion; it is a necessity. ■

The CSIS Initiative for a Renewed Transatlantic Partnership aims to bring together politicians, business leaders, and key individuals to reflect on strategic priorities for the United States and Europe, define common interests and shared values, and promote the creation of a Euro-Atlantic community of action in the twenty-first century. The initiative is made possible by the generous support of private companies and foundations. For more information please contact Natalia Filipiak: NFilipiak@csis.org.