

# Trans-Atlantic tensions over EU plan to lift arms embargo on China

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21 February 2005

The growing tension between the major European powers and the US was highlighted on February 2, when the US House of Representatives passed a resolution condemning the European Union's intention to lift its arms embargo, imposed on China following the Tiananmen Square massacre in 1989. While dressed up with expressions of concern about "human rights in China", the resolution itself points to deep concerns in US ruling circles about any threat to American interests in North East Asia.

Congress urged US President Bush to call on EU leaders to "reconsider this unwise course of action" during his trip this week to Europe. "The United States has numerous national interests in the Asia and Pacific region, including the security of Japan, South Korea and other key areas," it stated, adding that the US military could be endangered by China because it is "increasingly well-armed and may seek to settle long-standing territorial and political disputes in the region by threat and use of force".

As in the rest of the world, the imminent danger of "threats and the use of force" in Asia comes not from China, but from the US. Since coming to office in 2000, the Bush administration's provocative sabre-rattling toward North Korea has been a constant source of instability and potential conflict. Washington objects to the EU's sale of arms to China because it threatens to erode US military superiority and thus the ability to use aggressive means to pursue US economic and strategic ambitions.

The debate in the US Congress was dominated by moral grandstanding and vitriol, directed at France in particular. Republican Mark Kirk singled out the French President Jacques Chirac for attack, declaring: "[The decision] will create greater insecurity in Asia, lay the seeds for conflict, and maybe the death of Americans caused by French weapons sold for short-term profits."

Not to be outdone, Democrat Tom Lantos, who co-sponsored the bill, warned of the dangers of a Chinese attack on Taiwan after the 2008 Olympics and then declared: "It is in this context that the European Union's current deliberations on the lifting of its arm embargo on China are so outrageous." He went on to denounce "the greed-driven policy by Europe," adding, "the degree of cynicism, the degree of greed displayed by some European leaders turns one's stomach".

The resolution was passed with overwhelming bipartisan support—411 votes to 3—and has been followed with thinly disguised threats of retaliation if the EU lifts the embargo. Just before Secretary of State Condoleezza Rice's recent trip to Europe, Senator Jon Kyl of Arizona circulated a paper warning that the US would have "to redouble its efforts to build ad-hoc coalitions of the willing on key tests and issues in the US national interests". In other words, as in the case of the Iraq invasion, Washington would turn to other allies.

Rice sought to play down differences during her so-called charm offensive in Europe, but the mounting strains between the US and EU are unmistakable. The Bush administration's bellicose stance over Iran's nuclear programs has cut across the EU's talks with Tehran and, as in the case of Iraq, threaten to upset expanding European trade relations.

While the discussion on the arms embargo was low-key, there were nevertheless sharp differences. Rice told a joint press conference with EU Executive Commission president Jose Barroso that she understood that a decision had yet to be taken and urged the EU to be aware of US concerns. Moments later, however, Barroso stated categorically that "the European Union is moving to lift the arms embargo".

The EU agreed in principle last December to lift the embargo after a summit with China. As both sides are well aware, more than arms are at stake. As far as Beijing

is concerned, ending the ban would help defuse the issue of the Tiananmen Square massacre, which remains an explosive question in China, and also result in closer economic and possibly strategic relations with Europe.

The European powers, particularly France and Germany, have been pushing for the ban to be lifted as a means of securing their economic interests in China and counteracting US military dominance. The major countries also have an interest in selling arms to Beijing as a means of offsetting their large trade deficits with China.

The main opposition to the proposal has come from Britain which has been attempting to balance between the US and Europe. London has not opposed the lifting of the embargo outright, but, in order to slow the process and appease Washington, has insisted on a “code of conduct” to govern arms sales to China. British Foreign Secretary Jack Straw told the House of Commons last month that he hoped to convince Washington that “it won’t have the consequences you expect”.

Like France and Germany, Britain has economic interests to look after. France and Britain are among the world’s largest exporters of arms. Despite the embargo, EU arms sales to China have increased from just 54 million euros in 2001 to 416 million in 2003—mainly from the UK, France and Italy. In 2003, France, for example, exported bombs, torpedoes and rockets (2 million euros), chemical and biological toxic agents (279,000 euros), military aircraft (43 million euros) and electronic equipment (98 million euros).

At present, most of China’s arms imports—some 90 percent—come from Russia and other former Soviet states. Russia is already strategic partner to China, seeking to counter US influence especially in the resource-rich unstable Central Asian republics. If the EU moves toward an alliance with China, Washington faces the prospect of being challenged by a bloc of Eurasian powers.

Such a possibility is far from inevitable, but it is one that Washington fears. According to an article in the *Financial Times*, a recent CIA assessment noted that growing links between EU and China could lead to a shift by the European powers away from the NATO coalition with the US. “An EU-China alliance, though unlikely, is no longer unthinkable,” the CIA report stated.

An article in the right-wing *Washington Times* on February 3 raised similar concerns that EU-China relations may challenge US military hegemony and also pointed to growing economic ties. “While France and Germany see arming China as a way to create a

‘counterweight’ to American power, Britain, Italy and other European states are led down this dangerous path by the desire to make money. The EU runs a trade deficit with China that topped \$73 billion in the first 10 months of last year. European firms—led by Germany, are moving production to China and then exporting the output back to the EU. Europeans are desperate to increase exports to China to reduce the deficit, and Beijing wants weapons and military technology.”

Even before any arms sales, the US is already losing out to European and Japanese exporters to China. In 2004, Chinese imports totalled more than \$500 billion—making it the third largest importer in the world after the US and Germany. However, the US share of the Chinese market was just 8 percent, down from 9 percent in 2002, and far less than that of the EU and Japan.

A US National Association of Manufacturers (NAM) analysis noted that the US trade deficit with China reached a record of nearly \$160 billion last year, partly due to growing competition from the EU and Japan. NAM has demanded that the Bush administration aggressively assist US corporations to catch up with its rivals by increasing exports to China by three-fold over the next four years to \$100 billion.

Washington’s economic fears are compounded by the US dependence on foreign central banks—particularly of China, Japan, South Korea and Taiwan—to finance the huge US deficits by buying dollar-based assets. The rise of the euro against the dollar has increased the danger of a major shift away from the use of the dollar as the main world currency, producing a financial and monetary crisis in the US.

Despite the vehemence of US opposition, the EU is proceeding with its plans to lift the arms embargo. The US response is unpredictable. As in other parts of the globe, the Bush administration could well act recklessly and provocatively, including by stirring up one or other trouble spot in North East Asia in order to cut across developing EU-China ties.



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