

**Failure of Cooperation in Arms Embargo Against China:  
Diversion of Interest and Decision Calculus of the European Union and the United States**  
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**Introduction**

Almost three decades after an arms embargo was placed on China by the European Union (EU) and the United States (US), the arms trade between China and some member states of the EU has been thriving for two decades. The intention of this arms embargo is for the US and EU to work together to prohibit China from acquiring advanced weaponry. However, with arms exports peaking at over 400 million euros from the EU to China in 2003,<sup>1</sup> some European nations' blatant violation of the arms embargo against China is a textbook example of the failure of international cooperation. This paper will examine the reason behind this inefficient, if not a failed, cooperation between the European Union and the United States in the arms embargo against China. It will also illustrate the actions and interests of both actors.

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<sup>1</sup> Hancock, Tom. "European Companies Are Supplying China With Billions In Weapons And Military Technology." *Business Insider*, Business Insider, 30 Apr. 2014.

This paper argues that the failure of cooperation was caused by the outweighing of gains over the cost of defection from the European side. Moreover, the diversion of interests between the members of the EU and the US in trading with China exacerbated such decision calculi. More specifically, major arms exporters within the EU regard economic interests as a priority while trading with China, while the US considers security interests as a priority. Hence, such diversion incentivized the lack of enforcement mechanism and vague wording of terms of the embargo from the European side. As a result, China is able to acquire hundreds of millions of euros worth of advanced weaponry from members of the EU every year.

## **Background**

The arms embargo was placed against China in 1989, as a direct response to the Chinese Communist regime's violent suppression of protesters at the Tiananmen Square on June 4<sup>th</sup>, 1989. On June 26<sup>th</sup>, 1989, the Council of Ministers of the EU declared an embargo on trade in arms with China.<sup>2</sup> On June 29<sup>th</sup>, 1989, US President George H.W. Bush used his executive powers to impose a ban on arms shipment to China.<sup>3</sup> These official statements made by the most powerful and influential democratic entities in the world were a clear and strong condemnation of China's human rights abuses, and served as a declaration of solidarity with freedom, democracy, and protection of human rights. Lead by these entities, other democratic countries, such as Japan, also cooperated to impose an arms embargo on China, and states pretended to work together in halting China's military modernization and human rights abuses. Subsequently, all military cooperation, defense-related talks, trades, and conventions between China and advanced democracies had been suspended, jeopardizing millions of dollars of ongoing arms contract for China's trading partners in the West.<sup>4</sup>

Prior to the arms embargo, the US and EU members had been trading, and mostly exporting, weapons to China since their diplomatic ties were established in the 1970s. The defense firms of these states signed lucrative deals with China, and the West was also pleased to embrace a pawn in East Asia to hold off the Soviet Union. Therefore, the gains made both in economic and security interests led to an annual increase in the volume of arms trade.<sup>5</sup>

Several years after the implementation of the arms embargo, Chinese warships armed with French helicopters and German diesel engines began patrolling the Chinese coast. Warplanes equipped with British radars and engines and French missiles were deployed by the Chinese air force. Arms exports from European states to China soared with general trade after

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<sup>2</sup> Council of the European Union. "Council of Ministers Declaration on China - SIPRI." *STOCKHOLM INTERNATIONAL PEACE RESEARCH INSTITUTE*, 26 June 1989.

<sup>3</sup> Glass, Andrew, et al. "House Sanctions Post-Tiananmen China, June 29, 1989." *POLITICO*, 28 June 2011.

<sup>4</sup> Hufbauer, Gary Clyde., et al. *Economic sanctions reconsidered: history and current policy*. Institute for International Economics, 1990.

<sup>5</sup> Gill, Bates, and Kim Taeho. *Chinas arms acquisitions from abroad: a quest for superb and secret weapons*. Oxford University Press, 1995.

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the year 2000.<sup>6</sup> Such blatant violations of the arms embargo by major European powers left the United States as one of the very few actors abiding by the arms embargo, despite the declaration on arms embargo is valid until the present day.

### **Gains, Costs, Defection, and Division of Interest - Decision Calculus of the EU and US**

After China fully implemented its economic reforms and opened up its markets to international companies in 1992, foreign firms rushed into this authoritarian nation to take advantage of its cheap labor and unprecedented market potential.<sup>7</sup> Since then, the European Union has placed economic interests as a priority while trading with China, including the trades in weaponry. Although the United States has placed a high degree of importance on economic interests when dealing with China, it also emphasizes security interests in the region. The division of interest between the EU and the US led to the EU defection from the arms embargo against China.

Exacerbated by the division of interests, some members of the EU could enjoy very high gains over costs from selling weaponry to China. On the contrary, selling arms to China has higher security costs than economic benefit for the US. To understand this calculation, it is also helpful to consider the relationship between China, the US and some European member states as multiple two-level games, as discussions of costs and gains continue.

### **The European Union's Interest**

The states in the European Union have very limited, if not nonexistent, security interests in East Asia. Arming China could result in more economic gains than costs, and is unlikely to interfere with the EU's limited security interests in East Asia. Thus, defecting from the arms embargo is unlikely to incur any meaningful costs, but gains.

Regarding the two-level game between members of the EU and the United States, the cost for defection during this cooperation is inexistent. Although these two entities decided to implement an arms embargo and created an image of cooperation, there has never been any legally binding policy to enforce the cooperation on this issue.<sup>8</sup> In fact, the steepest cost that European states have bore includes an attempted persuasion, a vocal condemnation, and a threat to cut off defense cooperation from President Bush, which was never realized.<sup>9</sup> According to Stein's article, "Coordination and collaboration: regimes in an anarchic world," it is fair to say

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<sup>6</sup> Hancock, Tom. "European Companies Are Supplying China With Billions In Weapons And Military Technology."

<sup>7</sup> Foreign Languages Press. "Deng Xiaopings South China tour (Jan. 1992) - China.Org.cn." *China.org.cn*, 19 Apr. 2011.

<sup>8</sup> Ning, Qin. "The Failure of Lifting the EU Arms Embargo against China: The Analysis among Interests, Values and Symbolism." *University of Twente, UNIVERSITEIT TWENTE & WESTFÄLISCHE WILHELMS-UNIVERSITÄT MÜNSTER*, 8 Sept. 2009.

<sup>9</sup> Pemberton, Miriam, and Rachel Stohl. "Wrangling Over Arms Sales to China | IPS." *Institute for Policy Studies*, 21 Nov. 2006.

that the EU decided to defect constantly without losing anything. This is due to the lack of any meaningful enforcement and punishment mechanism.<sup>10</sup>

The states of France, the UK, and Germany are ranked as top exporters of weaponry to China.<sup>11</sup> Given the fact that prominent European defense firms like the BAE Systems, MBDA, Thales, and other firms employ around 500,000 people and indirectly generate 1.2 million jobs in Europe. Politicians and policymakers in Europe have to recognize their economic potential and political concerns.<sup>12</sup> Building onto Putnam's argument on the national and international level negotiations, the domestic benefit for politicians and states will be primarily satisfied with loose enforcement of the arms embargo, which is also a favorable move for the defense firms.<sup>13</sup> This is consistent with defense firms' spending on lobbying in many states in the EU.<sup>14</sup> For the states in Europe, a robust military-industrial complex directly translate to more economic growth and employment opportunities. This would benefit politicians by creating a higher chance of getting reelected. Yet, these arms sellers and politicians do not bear much of the cost for allowing defection in the arms embargo against China to take place.

These domestic factors directly result in the vague wording and lack of enforcement mechanism of the arms embargo, which enabled the failure of cooperation. With the Common Foreign and Security Policy that oversees the arms embargo, nations are free to determine their own interpretations on lethal weapons, and they also get to decide what is considered military use, civilian use, or dual-use technology.<sup>15</sup> Previous policies have demonstrated that China acquired most of its Western weaponry under the guise of dual-use or civilian use technology. In addition, trading weapons from third-party actors such as Pakistan and Hong Kong is also a loophole that China and Europe have used.<sup>16</sup>

On the international level, a two-level game is also being played between China and members of the EU. The arms embargo is a significant obstacle that China and European nations have to face. However, for European states, selling weapons to China opens up many opportunities for cooperation, as other subsequent business deals can generate greater benefits than arms sales alone. The most blatant violation of the arms embargo is the collaboration on the satellite-navigation network, which has vast military potential. In 2003, China pledged to contribute two-hundred million euros to the European Galileo satellite program, which is jointly

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<sup>10</sup> Stein, Arthur A. "Coordination and collaboration: regimes in an anarchic world." *International Organization*, vol. 36, no. 02, 1982, pp. 299–324.

<sup>11</sup> Hancock, Tom. "European Companies Are Supplying China With Billions In Weapons And Military Technology." *Business Insider*.

<sup>12</sup> European Commission. "Defence Industries." *European Commission*

<sup>13</sup> Putnam, Robert D. "Diplomacy and Domestic Politics: The Logic of Two-Level Games." *International Organization*, vol. 42, no. 3, 1988, pp. 427–460.

<sup>14</sup> Rufanges, Jordi Calvo. "The Arms Industry Lobby in Europe." *American Behavioral Scientist*, vol. 60, no. 3, 28 Oct. 2015, pp. 305–320.

<sup>15</sup> Shambaugh, David. "Don't lift the arms embargo on China." *Brookings*, Brookings, 23 Feb. 2005,

<sup>16</sup> "The EU Arms Embargo on China: A Swedish Perspective." *FOI Swedish Defense Research Agency*, Jan. 2010.

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developed by most of the prominent defense firms and the European Space Agency.<sup>17</sup> In fact, the relationship between China and the EU has never been better due to this high level of cooperation.<sup>18</sup>

For many European nations, it is evident that the sales of advanced weaponry have gone beyond arms themselves.<sup>19</sup> Considering that China is now the second largest trading partner for the EU,<sup>20</sup> allowing weaponry to flow into China in exchange for a tighter bond and business deals in other fields are rational and beneficial. Consequently, several official discussions regarding the lift of the arms embargo have been held in the European Union between 2000 and 2005.<sup>21</sup> This sends a clear signal of the desire to defect from the arms embargo and of the gains that come from working with China in a larger scale, including arms trade. This stance remains unchanged. In 2015, the European Commissioner for External Relations and European Neighborhood Policy, Benita Ferrero-Waldner, commented on China and the arms embargo: *"this strategic partnership is so important, but it is being conducted on the basis of an outdated agreement that is simply no longer up to the job."*<sup>22</sup> This official remark sums up Europe's take on the diversion of interests and the possibilities of exporting arms to China.

### **The United States' Interest**

After the arms embargo was placed, the United States implemented it strictly, since its security interests outweigh the economic gains of selling arms. As a key player in the international arena, the US has treated China as a threat to Taiwan, its regional ally that China perceives as a renegade province. As a result, the Taiwan Relations Act explicitly stated that *"any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes is considered a threat to the peace and security of the Western Pacific area and of grave concern to the United States."*<sup>23</sup> China has always sought reunification with its "renegade province," and the expansion in military power is a direct and useful way to demonstrate its resolve and capability. For the US, a regional ally falling into the hands of a regional competitor would frighten other strategic partners in the region. A rising China can be seen as a great challenge to existing trade ties and foreign ties between American allies, and a

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<sup>17</sup> Lague, David. "SPECIAL REPORT-In satellite tech race, China hitched a ride from Europe." *Reuters*, Thomson Reuters, 22 Dec. 2013.

<sup>18</sup> Ibid

<sup>19</sup> Casarini, Nicola. "The International Politics of the Chinese Arms Embargo Issue." *The International Spectator*, vol. 42, no. 3, 13 Sept. 2007, pp. 371–389., doi:10.1080/03932720701567588.

<sup>20</sup> European Commission. "Top Trading Partners 2016." *European Commission*, 2017.

<sup>21</sup> "The EU Arms Embargo on China: A Swedish Perspective." *FOI Swedish Defense Research Agency*, Jan. 2010.

<sup>22</sup> From a meeting between the European Commissioner for External Relations and European Neighbourhood Policy and the Chinese Foreign Minister.

<sup>23</sup> United States, Congress, Cong., House - Foreign Affairs. "Taiwan relations act: conference report to accompany H.R. 2479." *Taiwan relations act: conference report to accompany H.R. 2479*, US Govt. Print. Off., 1979. 96th Congress.

threat to several military bases in the East Asia. Therefore, allowing China to gain a comparative military advantage over Taiwan and other regional allies is not acceptable for the US.

In the past, the US has always deterred China's effort to gain a competitive edge in the region, and it has never ceased to signal to China its resolve and capability. In 1996, US President Bill Clinton ordered the biggest show of force since the Vietnam War by sending aircraft carriers over the Taiwan Strait during the Third Taiwan Strait Crisis, which served as a signal to the world about how much the US cares about its security interests and presence in the region. In 1995, the US traded over \$55 billion of goods with China amid the crisis, and that number has been growing at 10% annually.<sup>24</sup> On the other side, the fact that the US is willing to risk its multi-billion-dollar investment and trade for Taiwan is the strongest evidence that security interests trump economic interests.

Furthermore, according to Lipson's article, the two-level game between the US and China is essentially a prisoner's dilemma in the security arena with many drawbacks. Given the secrecy of security and military institutions, the US is likely to have a hard time observing and measuring China's war readiness and intentions of using arms against Taiwan. As Lipson puts it, the goal of cooperation in security institution is to maximize the difference of gains. In this context, the US would also want to maximize such difference between China and its renegade province, since the US is also selling weapons to Taiwan. For the US, not protecting Taiwan from China could result in devastating tangible and intangible losses, and such a cost is simply too high to accept. Thus, abiding by the arms embargo is a great way to maximize security interest at a small economic cost.

## **Conclusion**

As illustrated, the diversion of interests and the lack of an enforcement mechanism enabled the failure of cooperation between the EU and the US on implementing the arms embargo against China. In the late 2010s, the economic gains of violating the arms embargo still incentivizes some EU member states to sell weapon to China, but China has a shrinking demand for foreign weaponry due to its increasingly modernized and self-reliant military.<sup>25</sup> For the US, although this arms embargo is not being discussed often, it is evident that it did achieve the goal of halting China's military modernization, protecting Taiwan, and satisfying other security interests in East Asia.

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<sup>24</sup> US Census Bureau. "Trade in Goods with China." *US Census*, 2017.

<sup>25</sup> Wezeman, Siemon T. "China, Russia and the shifting landscape of arms sales." *SIPRI*, 5 July 2017.

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