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China and the European Union: Potential Beneficiaries of Bush's Global Coalition

by Rosita Dellios and Heather Field

China and the European Union may be expected to emerge as global power beneficiaries of American coalition-building in the 'war against terrorism'. Both, in past incarnations, had been civilisational superpowers in their own right, and often this entailed the ancillary possession of impressive military and economic power.¹ But both had also been eclipsed by the 20th century's superpowers of nuclear terror: the United States and the Soviet Union. By the turn of the 21st century, only one such superpower prevailed. This reductive process in the number of great powers and qualities required for their recognition (the term 'superpower' was introduced with the acquisition of large nuclear arsenals) was challenged by the historically defining events of 2001. Low-tech terrorism, employing suicide strikes against New York and Washington on September 11, rendered the remaining superpower's nuclear arsenal a mere 'paper tiger'; terrorists without state affiliations swam like the proverbial fish in

¹ China's 'Celestial Empire' and Europe's Christendom may be regarded as 'civilisational superpowers' of the past, regardless of later ethical and political conflicts. Economic and military power, while still considerable in absolute terms in 19th and early 20th China, was not competitive with that of the West, as evidenced by China succumbing to the imperial reach of Europe's 'great powers'.

water. Chinese metaphors from 20th century revolutionary warfare² seem strangely apt in the 21st century's borderless conditions. 'We live in a globalised political era,' American analyst Tony Judt (2001) observed after the terrorist acts. 'It is not just the financial markets that know no frontiers . . .'

In the immediate aftermath of its demonstrated weakness,³ an America with unilateralist tendencies under the new presidency became avowedly multilateralist. The 'globalised political era' required a global response (even though the attacks were directed only at the USA). Not surprisingly, the transatlantic partnership was the first to be activated. NATO allies pledged support for the US, while European diplomatic leadership came to the forefront in the person of British Prime Minister Tony Blair. His was widely considered to be a more articulate and culturally engaging approach than that of US President George W. Bush who at first depicted the 'war' as an American western in which villains are caught 'dead or alive' (see, for example, Webster and Beeston 2001; Poleman 2001; and le Carre 2001). For a brief time, in the use of the word 'crusade', the President's language mirrored his enemy's mindset of *jihad*. Blair, by contrast, appeared on *Al-Jazeera* satellite TV - the 'CNN' of the Middle East – of which the Pentagon was highly suspicious. It thought *Al-Jazeera* to be the medium for transmission of coded messages embedded in the speeches of

² The 'paper tiger' and 'fish' analogies derive from Maoist military literature. They were employed to illustrate Mao's 'man-over-weapons' concept in which a weak army may prevail over a strong one. This included the use of guerilla techniques and political campaigns. (See Mao 1966, 1977; Dellios 1989).

³ By late October 2001, however, the US demonstrated its military potency in Afghanistan.

terrorist leader, Osama bin Laden (Eccleston 2001).⁴ US cultural lag of this type did not bode well for the winning of hearts-and-minds, a strategic staple in unconventional warfare. This the Americans should have known after their Vietnam experience, when a 'third world' country prevailed against the world's materially strongest nation.

There was no cultural lag on the part of the other candidate for enhanced global power under the new 'coalition against terror', the People's Republic of China (PRC). The Chinese are past masters of guerrilla warfare from Sun Zi's *Art of War* (1963) in the Warring States Period of ancient China through to Mao Zedong's 'people's war' (1966) of the Communist revolution. Chinese strategic culture holds that extramilitary factors are decisive in winning (see Dellios 1994a, 1994b; and Liu and Luo 1996). Armaments are mere 'paper tigers' by comparison. Extramilitary factors include impression management - the propaganda war. Today this is being engaged on many fronts, and not only against terrorists. The propaganda war is directed at allies as well. Without it, a coalition with all its ramifications cannot be assumed to coalesce.

As hosts of the first leaders' summit since the September 11 terrorist attacks, the Chinese excelled at winning hearts-and-minds with their dual message of support for the anti-terrorist coalition and for continued economic liberalisation in a world that began to doubt the feasibility and wisdom of a borderless economy. In other words,

⁴ Ironically, it was the British under Margaret Thatcher who imposed a ban in 1988 on IRA or pro-Union terrorists from being broadcast. They were being denied the 'oxygen of publicity'. On parallels with the broadcasting of Osama bin Laden by *Al-Jazeera* TV, see Danielsen (2001).

just as the Europeans returned to their diplomatic instincts in a cross-cultural setting which they almost always shared, and for a time colonised, the Chinese basked in the renewed relevance of their geopolitical centrality, theatrically conferred upon them through a leaders' summit in which the president of the wounded superpower came to China. As of old, 'the world' came to China, and the prevailing emperor gave the required reassurances. Not only may China believe itself justified in its long-held conviction of maintaining a strong state capable of resolute action, but it can add global leadership and economic competencies to its credentials, thanks to the high profile events of hosting the Asia Pacific Economic Cooperation (APEC) summit of October 2001 and acceding to the World Trade Organisation (WTO) the following month. At a time of global economic downturn, China's economy was heralded the world's fastest growing. It came as little surprise, then, that the Association of Southeast Asian Nations (ASEAN) saw fit at its annual summit in November to join with China in establishing a free trade zone. By the end of 2001, the People's Republic was well positioned to cultivate a reputation of strategic stabiliser and economic energiser.

China's Long March to Global Standing

This is not to argue that Washington's global coalition-building was responsible for China positioning itself as a global player. Rather, it was a rare opportunity to win the hearts-and-minds of those wary of China's rapidly growing power.

The Long March to global standing has been well underway for more than two decades of reform. Most notably, it was given a boost with the expansion of Chinese territory and wealth in the late 1990s. The return of Hong Kong and Macao in 1997

and 1999, respectively, advanced China from the world's seventh largest economy to the fourth. It also gave China the confidence of a nation righting the wrongs of history by resuming control over territory lost by the 'unequal treaties'. These were imposed by European imperialism on the Middle Kingdom, a suzerain power in its own right in East Asia. It was a case of one great civilisation being overtaken by another through the exigencies of trade. Hong Kong became a British colony largely because of imperial China refusing to open its markets to foreign imports. Britain forced open the Chinese market by illegal means, through the sale of an addictive substance, opium, and then through 'gunboat diplomacy' when China attempted to stop this trade. The infamous Opium Wars of the 19th century resulted in a series of treaties that included a 99-year lease on the New Territories of Hong Kong to Britain.

The unification year of 1997 represented the formalisation of what was already a well advanced convergence between Hong Kong and China - particularly southern China. The colony had been responsible for 60% of the Chinese mainland's foreign investment during much of China's post-1978 modernisation. It has also acted as a major source of imports for the *special economic zones* (SEZs) which advanced China's economic reforms. There is no denying that Hong Kong, with a population of only 6.4 million occupying a mere 1,070 square kilometres, plays a significant role in the economic development of China with its 1.3 billion people and nine million square kilometres of territory. China's Customs statistics indicate that bilateral China-Hong Kong trade accounted for 14 per cent of mainland China's total external trade in 1998, and 40 per cent of the mainland's trade being re-exported through Hong Kong (Yuan 1999: 11). Mainland China is, in turn, the largest investor in Hong Kong Special Administrative Region, as it is now called.

A 'one country, two systems' formula was applied for Hong Kong's autonomy, allowing it to retain its capitalist system and run its own affairs, apart from defence and foreign policy, for a period of 50 years. Thus it had continued control over its own legal system, currency, financial reserves, taxes, passports, immigration and could act as a separate Customs territory. In effect, though part of the socialist PRC, Hong Kong remains a distinctive city-state acting as a centre of global commerce. Hence the PRC's consolidation of a major capitalist trading centre - without compromising it with mainland socialist habits - added immensely to China's own stature as a future global power.

A short distance from Hong Kong, on the mouth of the Pearl River, lies another territory that reverted to Chinese sovereignty on similar terms as those applying to Hong Kong. On 20 December 1999, the enclave of Macao - the first and last European colony in Asia - was handed back to Chinese sovereignty after 442 years of Portuguese rule. Reflecting the PRC communist government's treatment of reabsorbed countries as if they were companies, the new head of Macao's government, Edmund Ho, was a banker by profession, just as Hong Kong's 'Chief Executive' (this is his formal title), Tung Chee-hwa, was a shipping tycoon. Even their respective flower emblems resemble company logos. With a population of half a million and an area of 17 square kilometres, Macao is no great territorial boon to China. But its capitalistic ethos accords well with the 'one country, two systems' theme of communist China with corporate characteristics. If Taiwan, too, can be persuaded to join under still to be agreed terms, Greater China would represent an economic superpower.

China may have little in the way of Western democratic virtue and accountancy practices, let alone exhibit a problem-free internal environment. The litany of its domestic difficulties - from loss-making state-owned enterprises and corruption to rising unemployment and environmental degradation - has become a ubiquitous feature in the literature on contemporary China (see, for example, Smil 1996; Lingle 1997; Patten 1998; and Backman 1999). But China does show a determined commitment to reform. None of its mammoth problems, not even the highly publicised anti-government protests and their attendant 'Beijing Massacre' of 1989, has dissuaded the Chinese authorities from adhering to the overriding policy of economic reform and opening to the world. Such determination appears to come not from a belief that technological modernisation is a worthy end for the purpose of social 'progress', but rather that it will strengthen the Chinese state. A constant theme in Chinese statecraft since the Celestial Empire's demotion from the pre-modern equivalent of a superpower to the 'sick man of Asia' has been self-strengthening. The 'Great Helmsman' himself recognised this when he warned in 1963: 'If in the decades to come we don't completely change the situation in which our economy and technology lag far behind those of the imperialist countries, it will be impossible for us to avoid being pushed around again . . .' (*Renmin Ribao* 1978: 45, quoted in Dellios 1989: 42). If the message about China's quest for power was not clear, then in 1965 (the year after China successfully tested an atomic device) Mao's call for a few bombs reinforced the point. 'All I want are six atom bombs', he reportedly said, 'with these I know that neither side [US or USSR] will attack me' (quoted in Dellios 1989: 237).

While China now has more than half a dozen bombs, it still maintains a minimal nuclear force level compared to the remaining superpower, the United States. Still, China's estimated 20 intercontinental ballistic missiles (ICBMs) are deemed a credible deterrent and a symbol of great power influence. That which China has added to this traditional 20th century measure of politico-military power is its pursuit of a distinctive 21st century measure of economic power. To quote globalisation analyst Thomas Friedman (1999: 170): 'As the Internet becomes the backbone of global commerce and communication, the quality and scope of the networking within countries will be decisive in determining their economic strength.' By this criterion, he observes that China is becoming 'networked' at an exceptionally fast rate (*ibid.*). According to survey results by the official China Internet Network Information Centre (2000, 2001), in the six-month period between June and December 2000 China's Internet users - defined as 'Chinese citizens who use the Internet at least one hour per week' - increased from 16.9 million to 22.5 million. This user growth has been matched by a proliferation of Websites: 27,289 in July 2000 and increasing at the rate of an annual 275 per cent (*ibid.*, 2000). Given the scale of China's digital revolution, it is not difficult to predict that during this decade the People's Republic will account for the world's largest online population and Internet market.

A digitally networked China would serve as an enhancement - or 'force multiplier' in this realm of 'soft power'⁵ - to the traditional Chinese approach to

⁵ 'Soft power' is a term introduced by Joseph S. Nye (1990) to describe persuasive power. It contrasts with the hard power of military or economic punishment. In simple terms, soft power's 'carrot' may be compared to hard power's 'stick'. In classical Chinese terms, soft power is akin to *wu-wei*, meaning non-assertion (see *The Analects* of Confucius at XV:4). *Wu-wei* may also be seen as an indirect strategy, one of 'negative means, positive purpose'.

relationship building, known as *guanxi*. *Guanxi* networks are formed on a face-to-face basis through trust-building exercises and the ubiquitous ‘banquet diplomacy’. In this way social and business relationships, or webs, are created for the effective operation of businesses throughout China. The digital net then comes into full play, enhancing established *guanxi* webs. As an Australian government report notes, it provides ‘an efficient and cheap way to stay in close touch with clients and markets through electronic mail routes, online databases, video links and the transaction of electronic business, once trusting relationships have been formed’ (Department of Foreign Affairs and Trade 1997: 8). Moreover, with the Internet representing a fast evolving medium of relationship formation, *guanxi* can also become established *virtually* in the first instance - for example, as among scholars working on a particular project - and the face-to-face stage may take place later, such as at a conference when research findings are presented. The mastery of the cultural milieu of the interconnected globe, and thence an ability to form trusting relationships across cultural boundaries and through institutional memberships, must be seen as a necessary attribute of 21st century global power. China's credentials in this respect are strong.

Europe's Renewal in Concert with China

Europeans, too, are well schooled in the nuances of diplomacy, culture and the importance of codes of behaviour, including ceremony. Europe, after all, was the home of diplomacy, with French as its language, prior to American ascendancy in the nuclear age and the corresponding hegemony of English. The return of nuclear diplomacy through the proposed ‘Son of Star Wars’ missile defence scheme heralded a forceful US bid for 21st century leadership. However, even before terrorism in the domestic sphere dented the credibility of a space shield, its unpopularity with a large

segment of the international community - including dissenting voices in Europe, China and Russia - argued against an American 'Mandate of Heaven'⁶ for the present century.

The current era is likely to favour powers such as China and the EU for a number of reasons. As noted above, they are traditionally comfortable with networking - a prominent 21st century attribute that describes the *modus operandi* of contemporary terrorism (see Ronfeldt and Arquilla 2001), as well as commerce and cultural communication. Both China and the EU are also large in population, territory and resources. With the addition of Russia, which stands to benefit from the new geopolitics of the anti-terrorist campaign, in that Central Asia falls within Russia's traditional sphere of influence, they adjoin across the Eurasia landmass. This lends to each a vastness still greater than its respective heartland, an advantage that may be exploited through cooperative Sino-EU regional policy. Geostrategically, such a region encircles Central Asia and adjoins the Middle East. China is well embarked on its northern anti-terrorist diplomacy, having convened in Shanghai in 1996 a group of like-minded states, seeking largely to stabilise their regimes and borders against secessionist instability. At first comprising China, Russia, Kazakhstan, Tajikistan, and

⁶ 'Mandate of Heaven' (*tianming*) comes from ancient Chinese political culture and refers to the moral right to rule. It was used by the Zhou rulers in justifying their overthrow of the Shang dynasty. The Shang, in turn, readily accepted this explanation thus showing their familiarity with the concept (see de Bary and Bloom, 1999: 23). The eminent Confucian philosopher, Mencius (4th century BC), elaborates that Heaven as the moral universe is reflected in the people's wishes, as the oath of the emperor's office proclaims that: 'Heaven sees through the eyes of the people and hears through the ears of the people' (*Mencius* VA:5). In international politics of the 21st century its relevance may be found in a power's moral legitimacy as reflected by the wishes of the international community.

Kyrgyzstan, the group expanded to include Uzbekistan and was formalised as the Shanghai Organisation for Cooperation in June 2001. Afghanistan falls within its orbit of interest, particularly that of Russia which deploys an estimated 8,000 troops (IISS 2001: 117) on the Afghan-Tajik border. These were reinforced in September 2001 with tanks and other armoured vehicles as well as thousands of elite troops from its 201st infantry division (see Clark 2001: 2). While Russia maintains a strategic presence in the region, its ability to reemerge as a world power in the foreseeable future is less assured than the EU and China. Economic hardship has had a telling influence on Russia's capacity to maintain foreign bases, with both Cuban and Vietnamese facilities being closed down by Moscow in October 2001.

Despite Russia's difficulties on the economic front, it still stands to reap the benefits of its geographic location. The region straddled by Europe and China, inclusive of Russia - that is, the entire Eurasian region - reveals a broadly-based economic and cultural complementarity. This derives from different stages of economic development between the west and the east (good for trade as each has what the other wants, be it markets or technology); as well as a rich source of cultural referents (East-meets-West, high-tech modernity alongside low-tech traditional cultures). The ability to negotiate these diverse indigenous cultural expressions links back to a strong networking capacity through the mechanisms of *guanxi* (Chinese culture) and the consultative politics necessitated by the 15-member EU. Herein lies potential for productive relations between China and EU, utilising their respective cultural resources within a common geostrategic domain.

Having viewed the Euro-Chinese region from a number of vantagepoints, the prospect of what must then effectively be described as a Sino-European *concert-of-power* cooperation is worth entertaining. It would not be the first time in history such a regional arrangement came into play. The *concert-of-power* is a system established most memorably by the Congress of Vienna in 1814, marking the peace that followed Napoleon's defeat. In a less well known historical episode, Aron (1999) points out that China, too, had embarked at circa 100 AD on a *concert* arrangement across Central Asia with the powerful Kushan (Kusana) kingdom, primarily in order to protect trade along the Silk Road (see also Cotterell 1993: 260). Aron observes that trade flourished across Rome, Persia, Kushan and China in this period of peace spanning

approximately 90 A.D to at least 166 A.D - the year in which Antonius Pius sent an envoy to China. In this glimpse at ancient history it is possible to see the very idea of a concert of power. Nations realize that they have a mutual interest and align in order to protect and develop that interest (*ibid.*).

The Chinese-Kushan arrangement may be viewed as the Concert of Eurasia, one that could well be realised again between Asia and Europe in the opportunities afforded by the present global coalition politics. A 21st century *concert-of-power* would represent a largely *status quo* stabilising system, enabled by shifting patterns of connectivity, in the pursuit of common interests (the highly publicised security effort against terrorism in the first instance), and through the format of regional, global and institutional arrangements. These arrangements may be as consultative as forums (for example, APEC, which China hosted during the height of anti-terrorist coalition-building) or as formal as the EU. The relevance of this global network of governance

structures was brought home by the vulnerability - and visibility - of a solo superpower. To again quote Tony Judt (2001): 'American national interests have no meaning in isolation. Alliances, treaties, international laws, courts and agencies are not an alternative to national security - they are its only hope.'

European Structures in the Global Political Era

Europe has been at the forefront of developing intergovernmental institutions. The Maastricht Treaty gave formal EU recognition to existing intergovernmental foreign policy coordination arrangements known as European Political Cooperation (EPC), placing them within the context of a new Common Foreign and Security Policy (CFSP). Title 5, Article J.4 of the Treaty states that the CFSP will include all questions related to the EU's security, including eventual agreement on a common EU defence policy. The Treaty also includes a declaration by EU countries which are members of the West European Union (WEU) that they agree on the need to strengthen the WEU and to develop a genuine European security and defence identity which is compatible with that of NATO. The Amsterdam Treaty resulted in further developments, including limitations on the extent to which individual countries would have a veto on foreign policy decisions under the CFSP, and agreement that an overall foreign policy suprema would be appointed. The Nice Treaty made changes to decision-making arrangements so as to accommodate eastwards enlargement of the EU. However, rejection by the Irish people in a referendum has held up ratification. EU enlargement to include a dozen or more countries in Central and Eastern Europe (CEE) will necessarily increase its prospective foreign policy and military power if it results in successful integration. The adoption of the euro as a common currency by most of the EU should also enhance economic integration. Moves to take in Hungary,

Poland, the Czech Republic, Slovenia, Cyprus and Malta are expected to occur in 2004 or 2005. Membership of Slovakia, the Baltic States of Estonia, Latvia and Lithuania, and Bulgaria and Romania, will be achieved later, and membership is also likely to be extended to the new states of former Yugoslavia.

Lofthouse and Long (1996) describe the CFSP arrangements as being in conflict with the notion of a civilian power, and it is clear that they do represent a turning-point in the EU attitude towards military as opposed to just civilian power. The conjunction of both will assist the EU in renewing its great power credibility. The new common European Strategic Defence Initiative (ESDI) should result in a rapid reaction force with a strength of at least 60,000 being available to the EU and operative by 2003 (IISS 2001: 283). Its composition will include troops from applicant countries for membership, including Turkey.

A number of factors have assisted this change toward acceptance of military power. In 1994 Germany's Constitutional Court ruled that it was not incompatible with the constitution for German troops to take part in peacekeeping activities outside the area of NATO. Following this, the basing of a small number of French and German troops of the combined French-German-Spanish-Belgian Eurocorps in the post-Dayton Agreement peacekeeping force in Bosnia, demonstrated that such a combined force could be effective. The new arrangement prevented the possible criticism or controversy which might have arisen from basing troops from German *Bundeswehr* units there. German troops are currently also involved in peacekeeping around Prizren in Kosovo.

A moderating factor has been the coming to power of the Socialist/Greens coalition government in Germany, with Green Joschka Fischer being appointed foreign minister. As a Green, Fischer was noted at the time for his impeccable anti-militarist credentials, which facilitated his decision to send German troops to participate in the peacekeeping force for Kosovo. This action did, however, result in criticism from his fellow Green Christian Stroebel, who argued that the participation of German soldiers in an 'aggressive war' against the Yugoslavs meant that Germany had been deprived of its post-1945 'innocence' (Loesch 1999).

Even if it has not yet demonstrated itself as a military power, the EU – like China - has long captivated the economic imagination. Lester Thurow (1992: 75) argued in the early 1990s that China and the EU will be the leading superpowers of the 21st century, with the 'House of Europe' constituting the largest market and being able to write the rules of world trade. Contradictory views have also been put forward and are readily evident with the rapid emergence for new regional formations. Most recently, these are the Forum for East Asia Latin America Cooperation of 2001; a Free Trade of the Americas Agreement (a market to 800 million people) replacing the North American Free Trade Association (NAFTA) possibly by 2005; and the world's largest market at two billion, that of the above-mentioned ASEAN-China free trade area, which is expected to be operational within five to 10 years (Lunn 2001). Thus market size does not remain in one place for long in this era of competitive growth. While the EU has by no means finished its own expansion, it still holds an advantage in depth of integration. Indeed Kelly (1999) spoke of the 'scent of European triumphalism in the air' at the 1998 Davos World Economic Forum. He nevertheless saw the new world order as being America, Europe, and Japan. He had earlier seen

the 21st century as the 'age of the superstate', with the future superstates being the 'US, Euroland, China, Japan' (Kelly 1998).

Mancini (1998: 17) implied that possible alternative visions of the future could be a Euro-American condominium or a Sino-American duopoly: he found the former 'more reassuring', as might be expected of a judge of the European Court. The latter would appear less realistic than a Sino-European match in view of the more competitive and distrustful nature of Sino-US political relations, even in the current global coalition-building exercise. American military activity in Afghanistan, while laudable from the 'war against terrorism' perspective, creates a new American military and political presence in a region adjacent China. Unless the USA can be viewed as a close ally, as it does by Britain for example, an American presence on China's doorstep can hardly be reassuring to Beijing. It will be recalled that after the Gulf War of 1991, US forces remained stationed in Saudi Arabia, adding to the grievances against American foreign policy that prompted denunciations and terrorist attacks.

The Politics and Economics of Euro-Chinese Power

Unlike the roller-coaster Sino-American relationship, the Chinese and Europeans share the new fashion for 'old-fashioned' political culture in which the state asserts its control and moulds its citizens toward productive ends, as deemed from time to time by the political authorities. Most notably, sloganeering in China is matched by campaigns in Europe. Stanford (1999: 1-2) argues that while the 'constant propaganda message that flows from Brussels promoting the ideals of pan-European unity and solidarity may be more sophisticated than the village loudspeakers that carry the Party message in China', it bears 'the unmistakable signs of an elitist cadre determined to

achieve and hold on to absolute power'. He sees the manner in which control is exercised over Hong Kong by Beijing as being watched as an example of how regional subsidiarity may be handled in a unified EU 'state', and even argues that (p. 3): 'It was surely not chance that the new government's meticulous firework display (celebrating the golden stars of the Chinese flag flying over Hong Kong) climaxed dramatically to the strains of Beethoven's "Ode to Joy" – the European Union's own self-appointed theme.' However, few other analysts would see more in this than the desire of the Chinese state, in its moment of expansion, to honour the EU as not only an expanding superpower but one which was giving to China powers and influence accrued by British control of Hong Kong.

Economic growth has also been stymied through the political culture of state control in the perceived interests of societal development. China's socialist command of the economy is gradually being dismantled, but it is unlikely to completely disappear. For the EU, 'Bismarckian' arrangements which involve the funding of social security contributions through payroll taxes on employers and employees have operated as a disincentive for the growth of employment in the private services sector in Germany, France and Italy. For example, in 1997 non-wage costs were estimated to add 31 per cent to the amount paid in wages in Germany, 41 per cent in France and 44 per cent in Italy. In contrast to this, in the UK where there has been a substantially lower rate of unemployment, they added only 15 per cent (Smart 1997). Given that a move to the Swedish situation was not possible without a major increase in national income, reform of the payroll tax aspect of social security contributions was considered an appropriate move. There have been attempts at reform, for example a freeing up of the labour market in Spain and a lowering of wage cost measures in

Germany. However, not all the changes have been in the same direction. The area covered by wage cost measures in Germany was extended by a national law of 1996 to all workers on building sites there, including non-German labour from other EU countries (Mayhew 1998: 349).

Other restrictions have hampered flexibility and had a growth-reducing impact. The EU has imposed restrictions on the length of the working week throughout its territory. In Germany, Sunday working is not permitted as part of a normal working week, and restrictions on shop opening hours have only slowly been lifted. In France, the government reduced the length of the working week, with a financial penalty for workers (Coman 1997). In Italy, the development of the small business sector is choked by red tape; there is great difficulty in many locations to obtain a licence to establish a shop or many types of popular service (Willan 1997). In Belgium, labour costs and the taxation system are 'desperately in need of attention', with immigration and trade from the CEE countries expected to make matters worse (Mayhew 1998: 348).

Free movement of labour between most of the EU and its new central and eastern European membership will be postponed until several years after enlargement. However, competition from plants located in central and eastern Europe, as well as from workers arriving under special visa arrangements, will maintain pressure on wages and labour market reform.

An important factor determining the EU's growth rate over the next few decades will be the extent to which it allows the new prospective CEE members to

catch up with the present EU in economic terms. To date, growth rates have been variable, and only Poland, with an inflow of some US\$30 billion of FDI, has been able to sustain a relatively high rate of growth of GDP, of six per cent a year. The EU has shown some ability to help poorer members achieve high growth, for example Ireland has had an economic growth rate of eight per cent a year since 1993 (Ellis 1998). On the other hand, the differential between rich Denmark and relatively poor Greece and Spain has remained substantial: in 1996 GDP per person in Greece was only 65.9 per cent of the EU average level, and in Spain it was 77.0 per cent, while the level in Denmark was 116.0 per cent. However, the Greek and Spanish figures are under-valuations because of the relatively large size of the informal economy in those countries: it has been estimated to be equivalent to up to some 40 per cent of the 'above ground' formal economy in Greece and a quarter of that of Spain. EU membership provides an inducement for countries to under-value their formal economies, since contributions to the common budget are based on a percentage of national GDP.

Like the EU, China too has its share of economic problems. These include, according to the North Asia Division of the Australian Department of Foreign Affairs and Trade (2001):

- Failure so far of fiscal and monetary stimulus to spur on private consumption and investment.
- Private investment levels at lowest since 1990, partly due to private sector lacking access to credit.

- Foreign investment has fallen, but not drastically - WTO entry may raise investor optimism.
- Deflationary pressure persists, but appears to be easing.
- A widening urban-rural income gap.

But on the positive side:

- Continued growth in imports reflects real increases, rather than previously unrecorded imports, due to the anti-smuggling campaign.
- Good progress on banking and securities market reform, including the establishment of Asset Management Companies.
- Exports up 41% (year on year) to US\$52 billion.
- World's second largest foreign exchange reserves (US\$150+ billion).
- Safe external debt profile (short-term 24% of forex reserves).
- Claimed GDP growth of 8.1%.

China's economic future has received a major boost with admission to WTO. As noted above, Foreign Direct Investment (FDI) is expected to rise as a result of WTO membership. According to APEC figures for the late 1990s, FDI in China amounted to US\$45.6 billion, with Hong Kong SAR accounting for 40.6 per cent, USA coming second with 8.6 per cent, followed by Japan and Singapore each with 7.5 per cent. This, in turn, attracts international investment of capital, infrastructure, technology and management skills. Already close to half of China's exports are produced through joint venture enterprises between domestic and foreign businesses (Wu 1998). The great majority of these foreign joint venturers are members of the vast Chinese diaspora, whose population is estimated at some 57 million. The story of their worldwide wealth, regional economic influence and investment into the PRC is

well documented (see instances of this in Seagrave 1995; Zhang 1998, pp. 211, 221; Branegan 1993; Kohut 1996). According to Katzenstein (1997: 13-14) in the late 1990s, 75 per cent of the 28,000 Chinese firms with 'significant foreign equity' were financed by non-PRC ethnic Chinese and that financing accounted for up to 80 per cent of FDI in the PRC. As the above cited 1998 FDI figures for China indicated, Hong Kong was the leading FDI investor and Singapore came equal third with Japan. Meanwhile, the other high foreign direct investor, the United States, was also a source of overseas ethnic Chinese investment. This was because, as Backman (1999: 174) pointed out, FDI figures show origin by country, not ethnicity. When ethnicity is taken into account, some PRC provinces receive as much as 90 per cent of their FDI from the Chinese diaspora. Backman (*ibid.*) continues with an example of how this works:

An electronics assembly plant set up by a Californian-Chinese near the village where his parents were born is recorded as investment from the United States . . . not as investment from the overseas Chinese diaspora. It is small-scale investment like this, that has poured in via family and other personal networks, that has driven much of China's recent development, rather than the mega-plants established by foreign multinationals.

Once again the importance of connectivity through the *guanxi* network is evident. American futurist, John Naisbitt, author of *Megatrends Asia* (1995), has even likened these ethnic Chinese networks to the Internet: both display a 'decentralised ability to bring information and opportunities together' (Naisbitt cited in Hiscock 1996). They are not only similar in attributes but, as observed above with regard to Internet usage

in China, they make for an effective combination in the enhancement of China's 'soft power' capabilities.

It is true that neither China nor the European Union can compete with the United States in terms of sheer military power and a willingness to project it far from home. A Chinese or EU-led military campaign in Latin America, for instance, sounds implausible compared to a US-led military campaign in the Middle East, Southeast Europe or Central Asia. The implausibility of an EU or Chinese-led expeditionary force has less to do with capability analysis, which after all can be remedied through acquired strength, than with assumed strategic style. Neither is comfortable projecting military force far beyond its region, let alone doing so under its own banner with willing followers. This is largely because the Europeans, first and foremost, regard themselves as a civilian power. Their military profile is proceeding through the cautious auspices of intergovernmental institutions, as noted above. China is also aware of itself as a civilian power but with a protective armour. Vigilance comes from a well-remembered history of exploitation by larger powers in the 19th century. This was followed by 20th century superpower opposition to Mao's Communist regime, dubbed 'Red China'. Consequently, China has cultivated the view of itself as a defensive and deterrent power, not like 'other nations, particularly the United States, [who] use deterrence as part of an offensive military strategy and reserve the right to the first use of nuclear weapons in any conflict' (Zhang 1999: 5).

Across the security policy spectrum, China is self-contained as a nuclear power but multilateralist in anti-terrorism. The first, based on an independent nuclear force, refers to protection of Chinese sovereignty (including Taiwan) from foreign

attack. The second, however, is pitched at stateless actors from many territories. The reaction is a 'united front' stance among those with a concert of interests - the member states of the Shanghai Organisation for Cooperation. Thus China is not driven by singular events to coalition building, as in the case of post 'September 11' USA, but by conditions assessed to harbour the potential for these. As with most pressing global issues, including poverty and asylum-seeking, it is perhaps better to work on conditions than to respond to the events - though the latter also requires attention.

The events/conditions dichotomy, along with the other pairs noted above, those of 'hard power'/'soft power', unilateralism/multilateralism, superpower/*concert-of-power*, may be joined by yet another couple of explanatory value - *focus* and *field*. Hall and Ames (1995: 272-5) explain that the *focus* (or 'burning point') and the *field* (or 'sphere of influence') are an 'art of contextualization' with which the Chinese have traditionally concerned themselves. Thus, 'socio-political orders constitute the "fields" focused by individuals who are in turn shaped by the field of influences they focus' (p. 273); and the 'art of contextualization involves appreciation of harmonious correlations of the myriad unique details . . . which make up the world' (p. 275). Empirically applied, the *focus* on terrorism as a 'special interest' may be said to instigate a *field* of 'strategic cooperation', which in turn affects the expression of terrorism as a focus.⁷ Once again, relational modes of thinking - the *guanxi* experience - emerges as a Chinese strategic assumption. One of the philosophical ancestors to such an assumption is the *yin-yang* concept which holds that opposites are related interactionally, not as opponents in mortal combat but as polarities in

⁷ The empirical example of 'special interests' to 'strategic cooperation' is drawn from Ferguson (2001), though not the field/focus framework to which it is applied.

equilibrium-seeking systems. The *yin-yang* concept is therefore highly pertinent to a strategic culture that esteems inclusive stability (see Dellios 1994a, 1994b, 1997).

For the Europeans, too, security may be found in a field of operations of criss-crossing governmental interests. The EU has used intergovernmental institutions toward its own expansion of global power, including military power. That the European Rapid Reaction Force (ERRF) 'will be expected to operate as an expeditionary force', thereby breaking with the tradition of home defence (IISS 2001: 286), indicates the way in which expectations can change by carefully negotiating the field of international relations. A largely civilian power (characteristically *yin*) may yet assume martial credibility (or *yang*).

Conclusion

In view of the interactive traits of the contemporary international field, with its current focus on the problem of 'terrorism', there is a clear need to network the various international communities - be they Muslim, Jewish, European or Anglo-American - as British Prime Minister Blair demonstrated perhaps more than any other leader. This he did on the basis of trust-building even when he knew he might be ignored or challenged, which he occasionally was, most notably in his early November visit to the Middle East. The security enhancement possibilities of networking in the 'war against terrorism' also offer advantages of increased influence to international actors who perform well in this milieu. When the politics of engagement are added to such conventional 'power' factors as population and territory, size of economy and military capacity, the further growth of China and the EU in terms of their global status appears to be an inevitable development as the 21st century unfolds.

It is worth recalling that both are in the process of enlargement through the inclusion of new territory, in the case of China adding wealthy areas to a relatively poor country and in the EU adding 'second world' relatively poor postcommunist countries to an existing wealthy and highly developed area. Both are achieving economic growth, in China's case rapid growth from a low base and in the EU's case slow growth from a high base. Both are expanding their military 'muscle'. In China this means an expansion of forces, assets and equipment. In the EU it means greater independence in the context of NATO, and either agreements on the use of NATO assets or the independent acquisition of such assets. With the American-led 'coalition against terrorism', both are given a stage upon which to display their political *virtu*. Both, in the end, are less provocative as civilisational 'soft' powers than widely perceived US imperialism. Great powers, like ancient empires, cannot afford to serve their 'self-interest' if it is seen as anything less than global. Acting in the global-interest suggests a *wu-wei* strategic style of non-assertive action. For this reason, Bush's global coalition against terrorism might also be an indirect path for Sino-European expansion.

While it appears probable that China and the EU will each increase its global power without reference to the other, it is also possible that they might do so jointly in specified areas of common interest. This is likely to occur through institutional and networking means. A China-EU concert for now does not suggest the development of a special relationship, as both have their regions of influence and the EU's natural 'cooperators' are the US and Russia. However, even if the prevailing evidence suggests separate trajectories of influence, geostrategic logic would argue in favour of

a Eurasian *concert-of-power*. Admittedly, it can only be hypothesised at this early stage of the 'war against terrorism', though postwar region-building efforts in the 'emerging Eurasian agenda' (Ferguson 2001) should provide clues as to efforts in this direction.

This leads to a final and related consideration. Will the United States stay supreme? Clearly it may remain the 'foremost' power, but not in the way it was and has been as at the end of the Cold War in the period of 1989 to 1992. Close and friendly relations with both the EU and China will be necessary for it to retain its status as the prime superpower. Thus while the Europeans and Chinese may be expected to benefit from American coalition-building in the 'war against terrorism', so will the international system. The reductive process in the number of great powers that characterised the 20th century, and their distinctive martial qualities, must surely be reversed in a networked world, with its proliferation of political actors and styles. The post 'September 11' focus on terrorism has illuminated a field of relations that makes it difficult to return to old assumptions about who and what constitutes power.

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