

**TESTIMONY OF REP. DANA ROHRBACHER**  
**CHAIR, U.S. HOUSE FOREIGN AFFAIRS SUBCOMMITTEE ON OVERSIGHT**  
**“EUROPEAN RELATIONS WITH CHINA AND IMPLICATIONS FOR THE U.S.”**  
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After the bloody suppression of protests in Tiananmen Square in 1989, both the United States and the European Union imposed an arms embargo on the People’s Republic of China. But the embargo has always had holes in it from the European side. Even as staunch an ally as the United Kingdom has defined the embargo to apply only to lethal weapons or those than can be used for internal repression. Thus, the British can sell radar systems to China. Germany has used the same loophole to sell diesel engines (in some cases built under license in China) for everything from submarines to armored vehicles. Italy has sold “unarmed” helicopters, including setting up a joint venture to build them in China.

France has gone further, supplying naval guns, as well as helicopters and sonar for frigates, on the grounds that these are not the tools of a police state. The Netherlands has exported night-vision equipment, including complete production lines. The Dutch also provided military electronics to a Chinese shipyard supposedly for work on frigates being built for Pakistan. But given China’s habit of copying any technology it can get its hands on, sending equipment for third party or any “dual use” purpose will not keep it out of the Chinese arsenal.

In 2010, for the first time in years, lifting the embargo was on the EU agenda, lead by Spain, though France and Italy were in strong support. Catherine Ashton, the EU foreign policy chief and a British Baroness, put out a paper in December, 2010 that asserted “The current arms embargo is a major impediment for developing stronger E.U.-China cooperation on foreign policy and security measures.” The move towards officially lifting the embargo was stalled again do to resolute American opposition. Washington has repeatedly said, under both George W. Bush and Barack Obama with strong Congressional support, European companies could forget about exporting to the U.S. if they sign contracts with the People’s Liberation Army.

The European arms industry is aggressively pursuing civilian markets, such as passenger aircraft (Airbus/EADS) and commercial ships hoping that in the future these may evolve into military orders as the Chinese arms budget is increasing by double digit amounts each year as military spending in a bankrupt EU continues to fall.

The European interest in the China arms market is about money, not strategy. Neither the EU nor its members are Asian powers any longer. They do not fear having to face Chinese military strength, or so they believe. Yet, China is working to project its power beyond the Pacific Rim. Chinese weapons are flowing to Iran which poses a threat to the oil supplies of the

Middle East. Beijing is also expanding its involvement in Africa in competition with European as well as American interests.

Yet, the EU is willing to twist its thinking to justify working more closely with China. Ms. Ashton added an additional rationale for lifting the arms ban in her paper. Noting that Europe was no longer the main U.S. strategic focus, she claimed, "The U.S. has argued the need for an increased engagement in Asia, and there is a risk it will see the E.U. as a less relevant partner given our relative strategic weakness there." The kind of relevance America wants from Europe is not as China's weapons merchant. Such a role would only highlight Europe's strategic weakness in Asia and clearly indicate a lack of concern for the consequences of its actions there.

While a warship from one of the European powers will occasionally take part in one of our Pacific joint exercises, and EU members have fought at our side in Afghanistan, it is clear that no European power, not even the Royal Navy, which a century ago dominated Asia, is able to project its power "east of Suez."

Beijing understands this very well. The EU financial crisis gave China the opportunity to greatly increase its influence in Europe by putting its massive financial reserves to work "bailing out" the bankrupt states on the periphery. But Beijing did not see this crisis as an opportunity to play the hero. Instead, it saw it as a sign of European weakness. The most Chinese leaders would say is that they would not *decrease* capital invested in Europe.

China holds about a fourth of its \$3.2 trillion currency reserves in the euro, compared to half in the dollar.

According to the Heritage Foundation's "China Global Investment Tracker," China's non-bond investments in Europe have reached \$35 billion, compared to \$28 billion invested in the US. These are modest amounts, kept low because of very well informed fears by host countries about allowing Chinese firms to buy productive assets, particularly those that involve advanced technology or critical resources. Investment in government bonds does not give Beijing control over anything, which is where Chinese capital should be confined when recycling either the U.S. or EU trade deficit.

And Chinese investment in projects such as expanding the port capacity of Naples so it can process more Chinese exports is hardly beneficial to Europe's struggling industries. The EU's 2010 trade deficit with China of 168.6 Euros was smaller than the U.S. deficit of 204.8 Euros, but both represent one of the largest single factors slowing economic recovery as money is drained from supporting work at home to paying for work shifted to China.

From a strategic perspective, the financial crisis has taken an already disengaged Europe out of the geopolitical game and China is more than willing to see them leave. Beijing did not have to risk resources to neutralize the European powers; they have done that to themselves. And if we do not get our finances in order, we will suffer the same fate.

U.S. plans to "pivot" from the Middle East to Asia is also a pivot away from Europe. America is part of the Atlantic Civilization, but it has long been a Pacific Power as well. And as the focus of world politics and economics shifts to the arc that runs from the Indian Ocean to the Sea of Japan, relations with Europe---whether American or Chinese will mean less. We must work to strengthen our alliances, and build new ones, with those who are engaged in Asia.

There is one European power than cannot help but stay involved in the Pacific: Russia.

Last summer, I saw a French helicopter-carrier in the Maldives. It was the first of the *Mistral* class, a very fine design. But there will be more of these warships destined to serve with the Russian fleet in the Pacific than with the French as Moscow plans to purchase at least two of these ships which reportedly will be deployed in Asia.

Besides the *Mistrals*, by 2020 the Russian Pacific Fleet is expected to receive new-generation of nuclear-powered ballistic missile submarines (the first unit will be transferred in 2012), frigates, a new-generation of destroyers and possibly future aircraft carriers.

In 2010, Russia held its largest naval exercise since the Cold War off Vladivostok. Then-President Medvedev took part, celebrating the 150<sup>th</sup> anniversary of the Russian conquest of the region. Russia intends to hold it, and China is the only threat, just as China is a threat to its other neighbors along the Pacific Rim. This September, Russia will host the APEC Summit in Vladivostok, which will give President Putin a platform to promote his vision of Russia place in the Asia-Pacific region.

At the moment, Russia seems aligned with China; but the U.S. should be working to shift that alignment based on common security interests in both the Middle East and Asia. Beijing has been pushing for closer ties with Moscow because China is isolated in Asia except for a few dysfunctional, stagnant states like North Korea, Pakistan and Burma; none of whom are models anyone else wants to follow. The rest of the region has much to fear from China's rise and the desire of the Beijing regime to recreate the days when an Imperial China dominated its neighbors and claimed hegemony over all the adjacent seas.

In contrast, the U.S. has long standing alliances and strategic ties to the major players in the region, from Japan and South Korea, through Taiwan, Singapore and the Philippines, to Australia and Thailand. And we are growing closer to India, as we should strive to do.

We should be striving to keep China isolated as long as it is ruled by a Communist dictatorship which is the world's worst human rights abuser and which sees us as their enemy.

Russia also feels isolated. The U.S. should be pulling Russia into the West rather than pushing it into the arms of China. And then adding the Russian Far East to the arc of American friends around the Pacific Rim.