



February 2022

Closing the Gap: US-European Cooperation on China and the Indo-Pacific

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Summary

The Biden administration took office with the intention of making partnership with Europe a central element of its China strategy. This paper assesses what has been achieved in the first year of these efforts, and what to expect in 2022. Despite some of points of contention, such as the disputes over the security pact between Australia, the United Kingdom, and the United States (AUKUS), European and US officials ended the year in a more optimistic place on the transatlantic China and Indo-Pacific agendas than they were at the start. Over the course of 2021, the two sides put in place new structures—from the EU-US Trade and Technology Council (TTC) to the Indo-Pacific high-level consultations—that have helped to get the right issues on the table and pushed their bureaucracies to deal with each other in ways that they had not before. Instead of a thin layer of periodic dialogues on China, there is an increasingly thick web of interactions, from working-level groups in different policy areas to leader-level exchanges. The EU and the United States also removed many of the obstacles to their joining forces more effectively on economic goals, particularly with the deal on steel and aluminum tariffs. Meanwhile, without raising excessively high expectations of a new coalition government that will not depart radically from its predecessor, the change in Berlin should also provide a stronger basis for cooperation on China than was present during the final phase of Chancellor Angela Merkel's government.

All this needs to be translated into results this year. The gap between the EU and the United States is less in their analysis of China and more in the level of urgency with which they treat the challenge. Where the United States is in the process of making China the animating factor for its grand strategy, Europe is not, and the crisis with Russia will not make it likelier

in the months ahead. Yet the actor that has done most to narrow the urgency gap between Europe and the United States has been China. Much as its escalatory sanctions in 2021 derailed its contentious Comprehensive Agreement on Investment with the EU, Beijing's treatment of Lithuania is helping to expedite European plans to address economic coercion and supply-chain risks that might otherwise have taken years.

Economic coercion is one of several issues that are a priority for EU-US cooperation this year. The transatlantic agenda on China and the Indo-Pacific is a very expansive one and, although there is value to this breadth, the two sides will need to pick a few areas that merit an additional political push. While in an ideal world these would all be positive-sum efforts, such as aligning their infrastructure finance initiatives to compete more effectively with China's Belt and Road Initiative (BRI), Europe and the United States will unavoidably have to deal with the sharp edges of Chinese power too. In all these efforts, the transatlantic agenda is only one component of a wider framework of cooperation that also involves their major partners in the Indo-Pacific. From the Quad to the TTC, one of the key goals for this year will be for these allies to stitch their efforts together with a view to driving outcomes rather than creating even more complex consultation structures.

There are also long-running goals for the United States and Europe that transcend administrations. There were striking shifts between the Obama, Trump, and Biden administrations but there has been more underlying consistency in what both sides need from each other in dealing with the China challenge than in many other policy fields. Considerable long-term planning is possible regardless of the potential political oscillations in the years ahead.

Introduction

The Biden administration took office with the intention of making partnership with Europe a central element of its China strategy. Policymakers in the Trump administration had already recognized the more prominent role that European countries would play in a competition with China where economics, technology, and values matter as much as military balancing. Yet while US officials under the previous administration were able to lay the groundwork in areas ranging from 5G to investment screening and NATO, the depth of transatlantic political alienation precluded more expansive forms of cooperation. Biden's election promised to change that. The greater like-mindedness and sense of relief in most European capitals offered a better context in which the two sides might combine forces in addressing the most pressing strategic challenges that China presents.

In assessing the first year of these efforts, it is possible to reach very different conclusions from the same evidence. On the one hand, there have been phases of mutual frustration and hesitation, as well as the open rift over the new security pact between Australia, the United Kingdom, and the United States (AUKUS). Even when signing on to shared language, many European politicians have still made a point of distancing themselves from US China policy, stating that they do not believe in “decoupling” or “confrontation.” US policymakers often quietly refer to their European counterparts being at least a couple of years behind in their approach to China, moving in the right direction but not yet fully adapted to the new realities.

No appraisal would claim that the two sides are unequivocally on track to forge an effective coalition in dealing with China. On the other hand, some of the policymakers closest to the process largely see the actions of last year as an exercise in rebuilding trust. Following a bruising period for the transatlantic alliance, the first step was to clear away some of the biggest obstacles, score a few modest initial successes, put the right topics on the agenda, and do the prepa-

ratory work for more ambitious cooperation when the political conditions are ripe.

Those conditions are now far closer to being in place than they were at the start of 2021. Germany's new government, which has an explicit commitment to transatlantic cooperation on China enshrined in its coalition treaty, offers the promise of a more forward-leaning approach from Berlin than was possible during Chancellor Angela Merkel's final months in office. Deals have been reached on the Boeing-Airbus dispute and, more importantly, on the US Section 232 steel and aluminum tariffs. The principal structures, from the EU-US dialogue on China to the EU-US Trade and Technology Council (TTC), are up and running after much bureaucratic heavy lifting. The focus is now on the details and the substance rather than on what the two sides should be talking about or whether these exercises should be happening at all. US and European officials who have been involved in the transatlantic exchanges on China over the course of the year generally ended 2021 in a more optimistic place than they were after initial meetings. While the presidential election in France in April represents a potential wildcard, and the Russia-Ukraine crisis casts a long shadow, 2022 is the year in which a transatlantic partnership in the Indo-Pacific can plausibly be expected to take clearer shape.

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Making sense of what that would consist of, though, is not straightforward. On some measures, the transatlantic China agenda is now so expansive that it covers not just China policy, or even Indo-Pacific strategy, but virtually the entire US-European bilateral economic and technology relationship too. Breaking the exchanges out of their old silos has been helpful—a reflection of the growing mutual recogni-

tion that alignment on technology regulation, supply chains, and infrastructure finance may prove far more important in the long-term competition with China than strongly worded joint statements about China itself. But the breadth of the portfolio can make for long laundry lists that do not distinguish between the essential, the desirable, and the less relevant. It can lead to category errors: believing that the problem is insufficient alignment of thinking on China rather than other deep-seated differences on privacy or industrial policy. In some areas, it can also risk ending up as essentially retreading the old negotiations from the Transatlantic Trade and Investment Partnership (TTIP) and other prior efforts with the same personnel and similarly limited results under a new “China” chapeau.

This paper is an attempt to disentangle these different strands, to take stock of where things stand going into this crucial year, and to highlight a few priority areas where additional political impetus may be required.

Continuity and Change in US and European Goals

The essential elements of the transatlantic China agenda have been in place for the better part of two decades. Official exchanges on China and on policy in Asia have occurred in structured form since the mid-2000s, albeit at more junior levels than today. While some of the issues now addressed are genuinely new, many of them have been discussed extensively in a morphing series of formats. The elevation of the seniority level has been a function of China’s growing power and of the nature of its political, military, and economic practices. China becoming a peer economy, its progress in technologically advanced sectors, and its military buildup are among the factors that have changed the stakes. But it has been the growing assertiveness and coerciveness, the hardening political climate, and the move away from market reforms that has heightened the sense of urgency in responding and in doing so collectively—especially since there is now

greater clarity around the fact that these developments are intertwined and part of a “systemic” challenge rather than a discrete series of problems to address. This shift from note comparing by mid-level officials to an action agenda for heads of government offers the chance of overcoming some of the political hesitancy of the past. However, many of the goals—and concerns—on the two sides have remained the same, even if their salience has grown.

US Goals

The first long-running US goal has been the most tightly defined—ensuring that Europe does not help to advance China’s military and technological capabilities in ways that would pose a direct threat to the United States. For most of the post-Tiananmen period, Washington was able to rely on a combination of the EU’s arms embargo and its export-control regime to underpin this, albeit with some areas of permeability in the dual-use sphere. But, as the United States went through a reassessment of China’s technology transfer strategy and the rate of Chinese catch-up across a range of critical technologies, it became clear that the old framework was no longer sufficient. Since any attempt by the United States to adjust the parameters of its approach to investment screening, export controls, and research security could easily be undercut if other advanced industrial economies failed to do the same, ensuring a high degree of European alignment in this sphere has been central to US efforts in recent years.

The second US goal has been to achieve greater leverage over China through joint action with Europe, bringing pressure to bear more effectively in areas ranging from Beijing’s non-market economic practices to its repression in Xinjiang. There is a modest existing track record here, including joint cases at the World Trade Organization (WTO) on issues such as rare-earth exports and coordinated positions on “values” issues in multilateral institutions. Yet the power gap between the United States and China meant that, while coordination and joint measures were long seen as desirable, there was still a percep-

tion in the United States that it had sufficient leverage to put pressure on Beijing without other partners being essential to these efforts. The Trump administration ran a de facto experiment in testing the limits of the unilateral approach. Its no-holds-barred tariff escalation, which might have induced different reactions from China a decade earlier, exposed the limits of how much the United States could now expect to achieve alone. As the only other economic actor on a comparable scale to the United States and China, the European Union is by far the most important potential partner for Washington in addressing a wide spectrum of trade and economic policy issues with Beijing on a coordinated basis. But the benefits of joint leverage go beyond the obvious economic dimension. In the human-rights sphere, the EU and European countries are the only other consistently active players, to a far greater extent than US partners and allies in Asia. Economic power also makes the EU the only other actor that could bring to bear broad-based sanctions with a meaningful impact on the Chinese economy in the event of outright Chinese military aggression.

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The third US goal has been more wide-ranging: pursuing the mutual strengthening of the free-market democracies in the context of intensifying competition with China. This is less about inducing change in Chinese behavior and more about bolstering each other and providing better offers to the rest of the world, based on the premise that China's behavior is unlikely to change. In some respects, this is the newest part of the agenda—ambitions for a “tech alliance”, joint industrial policy, supply-chain strategy,

and global infrastructure finance are all relatively new domains to explore. In other ways though, this is a continuation of the traditional transatlantic agenda, with concerns over Chinese power and intentions giving a new lease on life to negotiations that had previously stalled. TTIP, the Transatlantic Economic Council, and similar efforts in the past were infused with the same spirit of seeking closer regulatory and economic alignment to bolster the West's long-term capacity to compete. Some of the issues at stake are also far more sensitive than China policy as such, cutting to the core of political and even philosophical questions over privacy, risk, and the level of distinctiveness of the paths that the United States and Europe should take. They are also at the crux of business interests on both sides of the Atlantic, with the United States believing that the EU is too focused on targeting successful US tech firms, and the EU believing that the United States has a wholly inadequate regulatory approach. Each side at times suspects the other of subsuming its commercial interests in moral or security language. Shifts in the political climate on technology policy in the United States have changed the balance of these exchanges but none of the residual mutual suspicions have gone away.

The fourth US goal has been to establish a transatlantic partnership in the Indo-Pacific region and to network its partners and allies in Europe and Asia more effectively. This includes leveraging European financial, diplomatic, and military resources deployed in the region, coordinating on hotspot issues, and actively encouraging deeper linkages in respective theaters. This is now framed around the Indo-Pacific but even the earliest US push, after the abortive efforts by the EU to lift its arms embargo on China in the early 2000s, was focused on ensuring that Europe saw China in a regional context rather than a bilateral one. The most concerted joint efforts to draw up a common agenda with Europe were undertaken during the Obama administration, led by Assistant Secretary of State Kurt Campbell, which resulted in

the 2012 joint statement on the Asia-Pacific region¹. There is a long track record of exchanges and coordination efforts, from joint military activities in the region and NATO's partnership framework in Asia to dealing with crises in Myanmar and North Korea. Trade agreements such as the US-Korea Free Trade Agreement, the Trans-Pacific Partnership and the EU's free-trade agreements with Japan, South Korea, and Vietnam were complementary, if not always coordinated, as states in the region made similar concessions and reforms to access the world's two largest markets. The Indo-Pacific provides an even broader canvass, one that arguably brings European capacities more actively into play than in East Asia alone, from South Asia to the western Indian Ocean.

The final goal of the United States has been to ensure that China's influence does not detrimentally affect its interests in Europe. For a long time, Chinese money and political clout did not go far enough for this to be any more of a concern than the allure of the Chinese market was in the United States. Recent years, however, have seen greater anxiety about everything from the 16+1² process between China and Central and Eastern European states to Italy's signing a Belt and Road Initiative (BRI) memorandum of understanding. For the United States, the 5G debate was heavily focused on the security impact of Huawei's presence in Europe's next-generation telephone networks. This has been newer terrain in the transatlantic relationship, with US China hands not typically following Europe, and US Europe hands not usually having a watching brief on China. The growing need to distinguish between developments that pose real risks to US interests and more ephemeral political positioning by European leaders has resulted in a serious push to build capacity on these questions inside the US government; to support independent analytical

capacity in European countries where expertise on China is weakest; and to alert various countries to the fact that the United States is now following the issue more closely.

European Goals

European goals have not directly mirrored those of the United States. There are shared concerns about Chinese influence operations in Europe as well as ensuring that, for example, Chinese presence in European telecoms networks do not detrimentally affect NATO's capacity to mobilize in a crisis. But European governments do not direct their energies at Chinese influence in the United States itself. In most of Europe, the expectation is that the United States will generally be the pacesetter in identifying security-related vulnerabilities and that only in rare instances, such as the O-RAN alliance, will it be Europe raising questions to the United States about whether security risks are being outweighed by commercial considerations. Most European states also have goals that are more heavily focused on the transatlantic relationship than China as such: maintaining a high level of consultation and input on US strategic priorities and ensuring that any "pivot to Asia" does not come at the expense of US commitments in Europe.

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Where the two sides agree—the advantages of mutual leverage in trade, for instance—the pervasive question about the extent to which they are partners or competitors often conditions Europe's approach. The strategic interest for Europe and the United States to bring collective pressure to bear on China or to underwrite common rules has often been undermined by maneuvering for tactical advantage for their respective industries and a belief that the other side is behaving the same way. While the Trump administration was loth to share texts of its Phase One trade deal

1 US Department of State, [US-EU Statement on the Asia-Pacific Region, July 12, 2012](#).

2 Known as the 17+1 process until Lithuania left it in 2021, and also known as the 16+1 process before Greece joined the group in 2019.

with China with European counterparts, the same was true of the negotiating texts for the Trans-Pacific Partnership during the Obama administration. European concerns about being “used” by the United States to “show strength” to China only as means to help bring about a better bilateral deal between the two countries have been acute. The impact on Europe’s approach to the Comprehensive Agreement on Investment with China (see below) was clear.

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There is also European concern that any deeper economic and technological alignment will end up taking place around US standards, in areas ranging from labor rights and the environment to privacy. The fierce public opposition to TTIP in parts of Europe for this reason is well remembered by European politicians and officials, who have been careful to note that the TTC is not intended as a similar negotiation. These concerns are mirrored in the United States, which is wary about buying into what had been seen as stultifying levels of EU regulation. Even the recent political rethink in the United States about antitrust measures, privacy, and platform regulation—areas where it is Europe that has perceived the United States to be years behind the curve—has not changed US skepticism about new EU legislation in the digital sector. The problem of resolving differences between two comparably weighty economic blocs with distinct views on important principles has applied in very specific areas relating to China too, such as how expansively to define a state-owned enterprise.

More broadly, European countries have long been anxious about being merely adjuncts to any US policy, consulted only nominally before being expected to get in line. This concern is all the greater when it comes to policy on East Asia, where the tradition of consultation is far less developed than in the case of many other regions, and where European countries at times

felt that they were seen as very junior partners that needed to be set straight.

Many of these issues are now refracted through the broader contentious “European strategic autonomy” concept. In its crudest form, European strategic autonomy in a China context has meant little more than differentiation for its own sake, not least in areas where Europe and the United States agree. But, when it comes to China and Asia policy, there has been a view even among many European Atlanticists that, if Europe is perceived as acting only as a subordinate to an agenda set in Washington, it will end up carrying less weight in dealings with China, with the region, and with the United States. These concerns have been higher than in some other policy fields in part because, at least until recently, European countries knew their policy in Asia and on China was underdeveloped, heightening the risk that Europe ends up simply slotting in as an adjunct.

Many of these issues were magnified during the Trump administration, which posed deeper questions about US reliability as a partner for Europe and about how much sense transatlantic alignment made in those circumstances. But the mix of angst, defensiveness, caution, and uncertainty in Europe about the appropriate scope of transatlantic cooperation on China is far from a product of the Trump years alone—and it extends well beyond those who are skeptical of US-European cooperation more broadly.

Transatlantic Cooperation During the Trump Years

There is little question that the Trump administration, if not the president himself, made a more concerted political push on China in Europe than any of its predecessors. While few in the administration initially saw Europe as a priority, it became clear that if US-China rivalry were moving beyond the military realm to encompass economics and technology, Europe would weigh more heavily than it did in the past. Much of this crystallized around the 5G debate, where Europe was perceived by the United States to be the most

important battleground for efforts to keep Huawei out of the next generation of telecoms networks. But there were a host of other lower-profile processes in areas that included export controls, investment screening, and infrastructure finance, while China was also taken up for the first time by NATO, at the behest of the United States.

Even more importantly, the Trump administration elevated the level at which China was addressed in the transatlantic relationship. Although working-level consultations on China and Asia had been taking place for years, the issues were now bumped up to the US cabinet and EU commissioner rank, whether in formal processes such as the EU-US-Japan trade trilateral or in the agendas for bilateral meetings in Europe by US secretaries of state and national security advisors. China was also addressed with a number of European leaders, particularly in Central and Southern Europe, who had virtually never spoken about the subject with their US counterparts. This put many of them on notice for the first time that China would now feature prominently in transatlantic exchanges and that their China policy would affect the quality of their relationship with the United States. The high-level push was reinforced at the operational level through efforts such as the State Department's network of officials in Europe with a China-watching brief and at the political level by Democratic and Republican members of Congress who made clear on visits to Europe that this was a view that extended well beyond the Trump administration.

Despite bad blood elsewhere in the transatlantic relationship, some of these efforts delivered tangible successes, particularly the US campaign to raise awareness about 5G risks, which was a critical part of decisions in many European states to exclude or minimize Huawei's role in their networks, in favor of European telecoms firms. Many of the Trump administration's processes have continued in various forms under the Biden administration. Yet, while in some respects the Trump administration laid the foundations for the Biden team's early initiatives, it also did

much to induce the level of wariness with which these have been received. Wider transatlantic tensions had an inevitable impact on the level of political commitment that the European side was willing to make. The US Section 232 tariffs on steel and aluminum and the running threats of further tariffs in the automotive sector made European countries more careful about taking steps that might induce Chinese economic retaliation, leaving key industrial sectors potentially under attack on two fronts. Trump's treatment of the EU as an economic rival that was indistinguishable from—or even “worse” than—China undercut efforts from US officials to press for cooperation among democratic allies. It also left a residue of trepidation in Europe about entering into long-term agreements that another Trump or Trump-style administration could overturn.

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Even in areas where the two sides agreed—such as dealing with Chinese non-market economic practices—there was a perception in Europe that partnership was only a means for the United States to strengthen its leverage in its own negotiations with China. The level of coordination on the US-China Phase One trade deal was minimal, with some European officials complaining that at times they learned more about the details in their meetings with Chinese counterparts. There was also a gap in approaches—European policymakers, particularly in the final year of the Trump administration, simply saw US China policy as too confrontational on too many fronts. Agreeing on joint language was excruciatingly difficult. The “successes” in gaining closer alignment were also not without cost. The perception of many European countries was that they were under pressure to sign up to a China strategy they did not fully believe in, that they would do so only up to a point, and that in some areas they had no choice, given the capacity

on the US side to impose unilateral restrictions that would affect their companies regardless.

The most important impact of the Trump administration's policy shifts on China, however, came less through the transatlantic exchanges themselves and more through the catalytic effects on Europe's debates. In some respects, those debates were simply analogs of US debates—adjusting to the same Chinese external assertiveness, internal repression, and shifts further away from a path of market reform. But the breadth of the change in US policy also created space for a rethink from first principles that might not have occurred as quickly if US strategy had remained closer to its traditional pattern. The most eye-catching shift was the EU's labeling of China as a "systemic rival" in its "strategic outlook" joint communication of March 2019.³ This has been supplemented since by a slew of policy developments and wider shifts in political opinion. At the policy level, a potent range of new China-related instruments have either been established or set in motion. While typically framed in general rather than China-specific terms, the EU's investment-screening mechanism, foreign subsidies regulation, international procurement instrument, anti-coercion instrument, and new export-control regulations have all stemmed directly from the need for a more effective China toolkit. Other moves on industrial strategy, human-rights sanctions, and infrastructure finance have also been heavily conditioned by it.

Even more significant have been the political dynamics in Europe that made this possible. Traditionally, public opinion and parliamentary opinion have not weighed in very heavily on China policy in much of Europe, in contrast to on Russia or Middle Eastern policy. But it has become increasingly difficult for European governments to sustain taking decisions over a question like 5G on the same no-explanation, closed-door technical basis that they used in the past. China now cuts sharply across European

states' economic, industrial, security, privacy, and values considerations, and the prominence the Trump administration accorded to the subject was part of the process of Europe waking up to this fact. Even before the coronavirus pandemic, parliaments had started to demand more openness about China policy or specific decisions, while revolts in the German Bundestag over the government's draft 5G security requirements and in the UK parliament over the government's overall 5G decision changed the eventual outcomes.

Coronavirus and Chinese Foreign Policy

Although US engagement and pressure during the Trump administration had a telling effect, the most important driver of these developments in Europe—and the closer transatlantic coordination that followed—was China's behavior. Chinese foreign policy assertiveness, which began in the wake of the 2008 global financial crisis and intensified after Xi Jinping came to power in late 2012, surged to new levels during the coronavirus pandemic. Growing confidence in China's governance model that achieved relative success in containing the spread of the virus combined with insecurity and fear triggered by allegations of Chinese responsibility for the outbreak of the pandemic led to a new wave of Chinese brazenness and belligerence.

As the coronavirus began to spread across borders in the spring of 2020, Beijing embarked on a high-profile campaign of providing medical donations, dubbed "mask diplomacy."⁴ Intended to boost China's image as a responsible global leader, the effort backfired in many countries, increasing suspicions about China's strategic intentions. Defective medical gear, Chinese demands for public praise for its supply shipments, and "wolf warrior" diplomacy—the confrontational tone used by Chinese diplomats—undermined Beijing's push for global leadership.

3 European Commission, [EU-China - A Strategic Outlook](#), March 12, 2019.

4 Franziska Luetzge et al, [Masks Off: Chinese Coronavirus Assistance in Europe](#), German Marshall Fund of the United States, July 7, 2020.

Despite its early missteps, China did not give up on the chance to turn crisis into opportunity. The global devastation wrought by the coronavirus was accompanied by a diplomatic offensive on many foreign policy fronts simultaneously. On June 30, 2020, China introduced the National Security Law in Hong Kong in response to massive pro-democracy protests in the city the previous year. The legislation resulted in a sweeping political crackdown, including arrests of pro-democracy leaders, patriotic education in Hong Kong's schools, and restrictions on who can run for public office. Along the disputed border with India, China's military undertook a series of actions aimed at altering the status quo. In the most serious confrontation between the two countries in nearly half a century, 20 Indians and at least four Chinese were killed in June 2020.

When Australia called for an independent inquiry into the origins of the pandemic in April 2020, China took punitive actions against almost a dozen Australian products, ranging from levying tariffs to imposing bans and restrictions. Chinese entities allegedly carried out cyberattacks against Australian government servers and businesses. Beijing also presented Canberra with a list of 14 grievances that would have to be addressed to improve relations. The severity of China's response suggested that Australia had struck a third rail that the Chinese Communist Party (CCP) viewed as threatening its legitimacy.

In the South China Sea, China persistently used coercion against smaller Southeast Asian countries. Its maritime militia vessels have kept up a sustained presence for two years around Union Banks, a large atoll in the Spratly Islands claimed by China, the Philippines, and Vietnam.⁵ Chinese Coast Guard ships and maritime militia relentlessly harassed Malaysian and Vietnamese civilian vessels undertaking exploration or drilling operations within their country's 200 nautical miles exclusive economic zone. In 2021, these

coercive Chinese activities expanded to the Natuna Sea, targeting Indonesian drilling efforts.⁶

Taiwan, which has suffered escalating punishment from China since Tsai Ing-wen became president in 2016, experienced unprecedented pressure in the form of stepped-up disinformation campaigns, cyberattacks, and large numbers of Chinese military aircraft crossing into the island's air defense identification zone. Beijing also applied economic pressure, first banning Taiwanese pineapple exports to the Chinese mainland and later stopping imports of wax and sugar apples. After Japan's Deputy Prime Minister Taro Aso said that a major incident over Taiwan would raise concerns over the survival of Japan and require Japan and the United States to defend Taiwan together, a CCP-approved channel aired a video that threatened the use of nuclear bombs against Japan if it interfered in Taiwan.⁷

The global devastation wrought by the coronavirus was accompanied by a diplomatic offensive on many foreign policy fronts simultaneously.

In March 2021, China imposed sanctions on European Union and UK parliamentarians, think tanks, academics, and EU committees in response to coordinated sanctions by the EU, the United Kingdom, the United States, and Canada on Chinese government officials connected with human-rights abuses in Xinjiang. China scrambled to find pressure points it could use to punish Lithuania after it pulled out of the 17 + 1 format and agreed to permit Taiwan to open a diplomatic mission in Vilnius using both the English name "Taiwanese Representative Office" and the Chinese name "Taiwan Representative Office." So

5 Asia Maritime Transparency Initiative, "[Caught on Camera: Two Dozen Militia Boats at Whitsun Reef Identified](#)," April 21, 2021.

6 Amy Chew, "[China harasses Malaysian oil and gas vessels on a 'daily' basis, Asia Maritime Transparency Initiative says](#)," South China Morning Post, October 25, 2021.

7 Business Standard, "[China threatens Japan with nuclear war over intervention in Taiwan](#)," July 23, 2021.

far, Beijing has recalled its ambassador, halted trips by Chinese cargo trains into Lithuania, attempted to stop the importation of Lithuanian goods, and pressured large European companies such as German car-parts giant Continental to cease using components made in Lithuania in their supply chains.

In many of these cases of Chinese coercion, public opinion and governments in the countries targeted have turned against China. Polling conducted between February and May 2021 showed that majorities in 15 of the 17 advanced economies surveyed expressed an unfavorable view of China.⁸ Majorities in more than half of the countries said that it was more important to have stronger economic ties with the United States than with China, including Japan, Germany, France, and the United Kingdom. Public opinion in most countries is thus roundly in favor of policies aimed at pushing back against Chinese aggressive behavior, including participation in coalitions like the Quad and AUKUS (see below).

The Biden Shift

Upon entering office, President Joe Biden's national security team reaffirmed the Trump administration's assessment that China posed the most significant challenge to the United States of any nation.⁹ However, they rejected Trump's approach as too confrontational and ineffectual. To compete more effectively with China, the Biden team stressed the need to focus on two key objectives: rebuilding the United States' power at home by strengthening its economy and democracy, and rejuvenating frayed ties with allies and partners. A week after President Biden's inauguration, National Security Adviser Jake Sullivan said that China was at the top of the list of things that the United States and

Europe must work together on, noting that "there is work to do to get fully aligned."¹⁰

The Biden administration has prioritized progress on the two goals of strengthening the United States and revitalizing alliances before engaging with China so it could deal with it from a position of strength. The Interim National Security Strategic Guidance, released in March, laid out an agenda that would enable the United States "to prevail in strategic competition with China or any other nation." In addition, it highlighted that US "vital national interests compel the deepest connection to the Indo-Pacific, Europe, and the Western Hemisphere."¹¹ At the same time, the Biden team conducted policy reviews related to China in the Department of Defense, the US Trade Representative's office, and the intelligence agencies. By the fall of 2021, the administration had produced a China strategy for internal purposes that was intended to guide a whole-of-government effort to meet the China challenge.

In place of the Trump administration's focus on confronting China, which shunned cooperation with Beijing, Secretary of State Antony Blinken laid out a three-pronged strategy: "the United States relationship with China will be competitive where it should be, collaborative where it can be, adversarial where it must be."¹² Competition became the primary focus, in part because of the Biden administration's perceived need to push back against Chinese policies that challenged US interests, but also because Beijing attached unacceptable preconditions to cooperation, demanding an improvement in the overall bilateral relationship first. Mindful that competition could spiral out of control, US officials called variously for competition to be "managed," "responsible," and "durable," and they

8 Bloomberg News, "[Negative Views of China Persist Despite Covid Gains, Pew Finds](#)," June 30, 2021. Singapore and Greece were the outliers where the public still has mostly favorable opinions of China.

9 Antony Blinken, "[Nomination of Hon. Antony J. Blinken to be U.S. Secretary of State – Part 1](#)," US Senate Committee on Foreign Relations, January 19, 2021.

10 Jake Sullivan, "[Passing the Baton 2021: Securing America's Future Together](#)," United States Institute of Peace, January 29, 2022.

11 The White House, "[Interim National Security Strategic Guidance](#)," March 2021.

12 US Department of State, "[Secretary Antony J. Blinken, National Security Advisor Jake Sullivan, Director Yang And State Councilor Wang At the Top of Their Meeting](#)," March 18, 2021.

suggested that joint efforts to those ends be made with Beijing by putting “guardrails” in place.

President Biden has led the effort to strengthen ties with US allies and partners, and better align their policies toward China. A joint statement released after meeting with Japan’s Prime Minister Yoshihide Suga in April called out China for its “activities that are inconsistent with the international rules-based order.”¹³ It also underscored “the importance of peace and stability across the Taiwan Strait,” the first time since 1969 that Taiwan has been mentioned in a joint Japan-US leaders’ statement. In June, Biden traveled to Europe to marshal US allies in support of the United States’ competition with Beijing. The G7 joint communiqué,¹⁴ the Brussels Summit NATO communiqué¹⁵ and the EU-US joint statement¹⁶ issued during his trip contained lengthy sections on China that criticized a range of its policies and practices while also encouraging cooperation on transnational issues.

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The Biden administration’s policies toward China in specific areas demonstrate significant continuity with the Trump era. In some cases, such as human rights, US policy has become even tougher. To be sure, the administration’s room to soften the US stance was from the outset constrained by strong bipartisan criticism of Chinese policies and the hardening of US public opinion toward China. But there is also no question that members of the Biden team who had served in the Obama administration arrived knowing

they were dealing with a China under Xi Jinping in 2021 that was different from the one they dealt with when they were last in office, and his team includes many of those who sought a more competitive US strategy even then.

In its first year, the Biden administration labeled Beijing’s policies against Uyghurs in Xinjiang as a genocide, and it imposed sanctions on officials deemed responsible for this as well as officials in China and Hong Kong who have allegedly engaged in human rights abuses. It has also blacklisted Chinese telecoms companies on national-security grounds, tightened restrictions on high-technology exports, and added Chinese companies to the Department of Commerce’s Entity List, which bars US firms from doing business with those companies without a license. On the trade front, the United States has kept the Trump-era tariffs in place, viewing them as a source of leverage over Beijing.

The Biden administration’s China policy is also embedded in a broader Indo-Pacific strategy. The approach is “outside-in,” prioritizing relations with allies and partners in the region and then using those relationships to pressure Beijing and to shape its policy choices. A good example is the upgrading of the Quad, comprising Australia, India, Japan, and the United States. The administration has held two Quad leaders’ summits, one virtual and one in-person. Although the Quad is not explicitly depicted as an anti-China initiative, there is no doubt that shared concerns about Chinese behavior are a primary motivating factor for it. After a slow start, the United States has paid more attention to Southeast Asia as well, sending Vice President Kamala Harris and Defense Secretary Lloyd Austin to the region. A decision by Brunei to convene the East Asia Summit virtually derailed the administration’s plan for President Biden to travel to Southeast Asia in October. Instead, he delivered his address virtually.¹⁷

13 The White House, [US-Japan Joint Leaders’ Statement: US-Japan Global Partnership for a New Era](#), April 16, 2021.

14 The White House, [Carbis Bay G7 Summit Communiqué](#), June 13, 2021.

15 North Atlantic Treaty Organization, [Brussels Summit Communiqué](#), June 14, 2021.

16 The White House, [US-EU Summit Statement](#), June 15, 2021.

17 The White House, [Readout of President Biden’s Participation in the East Asia Summit](#), October 27, 2021.

Transatlantic Cooperation and the Biden Administration

Obstacles

Translating the heightened focus on Europe in US China policy under the Biden administration into practical effect has faced initial obstacles. The Trump administration left much of Europe shell-shocked. France wanted to ensure that the progress on European strategic autonomy that was being made as a result did not lapse into Atlanticism by default, and it encouraged Brussels and an already cautious Berlin to hold back rather than embracing the new administration too eagerly. Even before Biden's inauguration, a major area of contention arose in December 2020 when the EU reached political agreement on its long-negotiated Comprehensive Agreement on Investment (CAI) with China. Regardless of the merits of the agreement, the manner in which it was reached and the timing had a damaging effect. While Biden's transition team had to restrict contacts with foreign governments, China made the concessions necessary to get the deal over the line and Germany, which held the presidency of the Council of the EU, worked to push it through over objections from other member states and a lukewarm reception from many European business associations. The EU's choice was a knowing one: Beijing's interest in getting the deal done before the new administration took office was framed in an EU internal paper as a "window of opportunity."¹⁸ And it was made despite the incoming US national security advisor, Jake Sullivan, making a public intervention via Twitter requesting the EU to delay its decision until there had been the opportunity for consultations.

The CAI was put indefinitely on ice by the EU in March 2021 as a result of China's escalatory response to a deliberately modest first batch of EU sanctions directed at Chinese officials with roles in Xinjiang's

architecture of repression. By targeting European research institutions, EU committees and—crucially given that the European Parliament would have to ratify the CAI—parliamentarians, China ensured that the process was stopped. Nonetheless, the events of December 2020 set a pattern that ran through much 2021: Angela Merkel in her final months in office in Germany appeared set on handing the EU's lead role on China's to France's President Emmanuel Macron, and both of them sought to hold a line in the relationship with China that was distinguished from the US approach. Their separate video-calls with Xi in 2020 and 2021, outside EU processes, were dubbed the 2+1 by other European governments, in reference to the 17+1 format that France and Germany had criticized. Defenders of the Merkel-Macron channel argued that this was a necessity for the EU given what they saw as relatively weak leadership in Brussels as well as recognition of the reality that Xi would transact differently with leaders of major member states than he would with the presidents of the European Commission and the European Council. Other member states, however, saw little serious effort by France and Germany to consult, brief, or otherwise Europeanize the process.

Translating the heightened focus on Europe in US China policy under the Biden administration into practical effect has faced initial obstacles.

These dynamics initially affected the transatlantic dialogue. In the early exchanges on China, officials in Brussels who had expected France to encourage a degree of leaning back and prioritizing the "preservation of Europe's strategic autonomy" were struck by the fact that Germany was saying the same thing. At set-piece occasions, such as the Munich Security Conference in February 2021, Biden's rallying call for cooperation among democracies in the long-term strategic competition with China was barely referenced in the remarks that followed by France's pres-

18 Andrew Small, [Europe's China deal: How not to work with the Biden administration](#), European Council on Foreign Relations, January 21, 2021.

ident and Germany's chancellor. Macron had already claimed earlier in the month that to "join together all against China" is a "scenario of the highest possible conflictuality" and "counterproductive."¹⁹ He used similar distancing language in public at the time of the G7 and NATO summits in June, stating that "China isn't part of the Atlantic geography" and that the G7 is "not a club hostile to China."²⁰ Meanwhile, Merkel stressed the need for "balance", arguing that China is "our partner in many aspects."²¹ This did not necessarily preclude agreement on strong language at the summits—the G7 communiqué, for instance, called for a free and open Indo-Pacific; explicitly referenced Taiwan, Xinjiang, Hong Kong, and human rights; and expressed serious concern about the situation in the East and South China Seas. But it inevitably muddied the show of a clear united position.

The conclusion of the security pact between Australia, the United Kingdom, and the United States (AUKUS) has also left a mixed legacy for the transatlantic relationship.

The conclusion of the security pact between Australia, the United Kingdom, and the United States (AUKUS) in September 2021 has also left a mixed legacy for the transatlantic relationship. Those involved on the US side remain of the mind that sharing the plans for the agreement with France ahead of time would have risked derailing it. There is still bad blood about what was seen in Washington to be an overreaction by Paris, driven by domestic politics, which had the effect of turning what should have been a straightforward success for the United States into a political headache.

France's loss of its submarine deal with Australia was understood by several US officials to be primarily commercial in nature, and Canberra's withdrawal from it as not inherently undercutting European strategic interests in the region. Conversely, France is still adamant that the handling of the issue was inconsistent with how allies should treat each other, especially at a juncture where Europe and the United States were supposed to be embarking on plans for heightened cooperation in the Indo-Pacific, and also at a sensitive political moment for France ahead of its presidential election. From Paris's perspective, France's unique role as the only European power with a substantial presence in the region and the driver behind getting other European countries to play a more serious role there should have led to the cancellation of the submarine deal being treated as more than just a bilateral matter. Various individuals on both sides still feel burned by the experience.

The perspective among other European countries tended to be somewhere in between those of France and the United States. On the one hand, there is anxiety about whether the Washington really intends to consult Europe on serious matters in the Indo-Pacific and whether it is ultimately pivoting away from Europe. On the other hand, there is a view among EU member states that, although appropriate solidarity had to be shown with France, there was only limited sympathy for what most also saw as the loss of a commercial contract (for which other European countries had also originally been competing) and there was no inclination to allow more than a time-limited transatlantic spat to play out. This was evident in particular with France's efforts to postpone the launch of the TTC, which commanded little support. The new structures of consultation, including the High-level Dialogue on the Indo-Pacific following the AUKUS affair certainly have value, and the repair work undertaken showed the value Paris and Washington saw in addressing the problems it manifested. But there is still resentment on both sides that the episode played out in the manner that it did, even if

19 Rym Momtaz, "[Macron: EU shouldn't gang up on China with US](#)," POLITICO Europe, February 4, 2021.

20 CNN, "[Biden pushes China threat at G7 and NATO, but European leaders tread carefully](#)," June 14, 2021.

21 Ibid.

US officials have used more polite language about it in public. The fallout for EU-Australia ties also detrimentally affected plans to better network partners and allies in Europe and the Indo-Pacific, though Australia's involvement in the upcoming Indo-Pacific ministerial forum is already indicative of France's interest in moving beyond the dispute.²²

Opportunities

Despite the political headwinds created at different points by the CAI and AUKUS episodes, a new transatlantic architecture for addressing China was established and consolidated relatively quickly. After some early exchanges led by senior directors at the US National Security Council, the central process in the first half of the year was the EU-US China dialogue, led by Deputy Secretary of State Wendy Sherman, and European External Action Service Secretary General Stefano Sannino. With its senior-level meetings and working groups on economic and technology issues, human rights, multilateralism, disinformation, security, and “how we pursue results-oriented cooperation with the PRC where our interests align,”²³ it encompassed many of the major issues between the two sides. Much of the early work had value not only for the outputs of the process itself but also as a backdrop for what would ultimately be exchanges between heads of government at the G7 and at the EU-US summit. It was soon clear to the European side not only that it would be far easier to agree on joint language than it had been under the Trump administration but that there was also a genuine invitation to think through various areas of policy collectively rather than simply being expected to get in line on a pre-agreed US position. One European official in the process described it as an offer to “co-construct” China policy, even while the new administration's approach was still in the

making.²⁴ It also contributed to progress on areas such as the Xinjiang sanctions.

In several areas the exercise was a transitional one, helping to set the stage for three further channels. On economic and technology issues, other institutions than the State Department and the European External Action Service were in the lead, making this element of the process less valuable than efforts that engaged those sections of the bureaucracy with each other directly. And since such a large portion of the transatlantic China discussion was not about China as such but rather the broader transatlantic and regional agendas, these would inevitably be dealt with elsewhere too.

A new transatlantic architecture for addressing China was established and consolidated relatively quickly.

The first was the G7 process. China had been on the private agenda at leaders' dinners during the late stages of the Obama administration, which were one of the only venues in which heads of government in Europe, the United States, and Japan could confer on the subject in a relatively intimate setting. Where Trump's dislike for G7 summits effectively precluded the continuation of these efforts, Biden was able to engage with them on a very different set of terms. This made the meeting in the United Kingdom in June 2021 the first occasion at which a more comprehensive set of deliberations could take place. This resulted not only in the strong language detailed above but also in the setting in motion of efforts such as the Build Back Better World initiative on infrastructure finance, with top-level political commitment that had previously been absent.

The second process was the Trade and Technology Council. Emanating from an EU proposal in December 2020, in many ways this represented the heart of those elements of the China agenda where

22 Stuart Lau, “[France snubs China with its Indo-Pacific forum](#),” POLITICO Europe, January 27, 2022

23 US Department of State, [Previewing the US-EU Dialogue on China](#), December 1, 2021.

24 Private exchange with one of the authors.

Europe mattered most to the United States. The council was led by the EU commissioners responsible for the relevant briefs—Margrethe Vestager (digital) and Valdis Dombrovskis (trade and economy)—and their US counterparts—Secretary of Commerce Gina Raimondo and Trade Representative Katherine Tai—in a format that also included Secretary of State Antony Blinken. The fact that the council meeting in Pittsburgh in September 2021 took place at all was already a feat, given that the AUKUS announcement threatened to derail it, and that France’s position on certain topics was still a subject of contention among the EU delegation even in Pittsburgh itself. The council’s areas of focus do not reference China explicitly but eight of its ten working groups have it as their main reference point—export controls, investment screening, global trade challenges, “misuse of technology threatening security and human rights,” ICT security and competitiveness, secure supply chains, climate and clean tech, and technology standards. One of the most important developments in the lead-up to the Pittsburgh meeting was the settling of some of the two sides’ contentious bilateral disputes, the long-running Boeing-Airbus question and the resolution of the Trump administration’s Section 232 steel and aluminum tariffs (which the Biden administration had maintained despite acknowledging that the application of tariffs on allies on national-security grounds was inherently problematic). While areas such as joint standard setting on new technologies may represent the low-hanging fruit, the proposed “carbon club” that the EU and the United States are seeking to establish is a forerunner for more ambitious efforts to deal with some of the most domestically sensitive issues around subsidies, energy, climate and domestic manufacturing.

The third area was the new high-level consultations on the Indo-Pacific, launched in December 2021, which the EU sought to separate from the China process rather than rolling the two together. From the European perspective, this provided a structured means by which the United States would engage with the EU not only on its narrower China-related

demands or efforts to align economic policy but also on its wider policy in the region. Although in some ways a resumption of prior Asia exchanges that had taken place among officials on either an EU-US basis or through the Quint (between France, Germany, Italy, the United Kingdom, and the United States), the context was now very different.

European Strategy on the Indo-Pacific and Cooperation with the Biden Administration

The last two years have seen a major evolution in European views on diversifying partnerships in Asia beyond China and the need for a strategy to engage with Indo-Pacific democracies as a way of dealing with China-related challenges. This has led to rapid adoption of Indo-Pacific strategies by the EU and several of its member states.

The push for a European strategy for engagement in and with the Indo-Pacific was led by France—which is a resident nation in the Indo-Pacific where it has territories and a vast exclusive economic zone, and has deep historical, political, and security ties to the region. It was the first European country to adopt an Indo-Pacific strategy in 2018.²⁵ Initially Brussels and EU capitals were skeptical of the idea. It was hard to imagine a European role in a faraway region when there were more urgent developments in Europe’s periphery. Many in Europe associated the idea with the Trump administration and the deeply unappealing path of confrontation and “decoupling” with China. In private meetings senior EU officials expressed reservations about “using a concept defined by others.” In the meantime, Chinese embassies in Europe made clear their displeasure about the Indo-Pacific framing. Given the pressure from China, as Europe was already drawing its ire after the “partner, competitor, rival” framing in 2019, and the deepening rift in transat-

25 Ministère des Armées, [France and Security in the Indo-Pacific](#), 2019; Ministère de l’Europe et des Affaires Étrangères, [The Indo-Pacific region: a priority for France](#), 2019; Ministère de l’Europe et des Affaires Étrangères, [France’s Partnerships in the Indo-Pacific](#), 2021.

lantic ties, there was little European appetite to engage with the Indo-Pacific.

This began to shift as tensions in the Europe-China relationship escalated during the coronavirus pandemic. The pandemic exposed the risk of excessive dependence on China, and it underscored that, despite geographical distance, developments in the Indo-Pacific would impact Europe. Risks to EU investments in China underscored the need to diversify partnerships beyond China and to engage with Australia, India, and Japan. Growing engagement with these partners also made European policymakers and politicians realize that many challenges they faced—including security concerns around Chinese technology, investments in critical infrastructure, disinformation, and coercive economic tools—were similar to those faced by partners in the Indo-Pacific. And that, in a way, the region was crucial for understanding China as an international actor.

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The next two countries to adopt strategies on the Indo-Pacific were Germany and the Netherlands. There were and still are divisions in Germany about the concept and its interpretation. For instance, while the Ministry of Defense has been more forward-leaning and had understood the importance of maritime routes, the Indo-Pacific strategic theatre, and China's role in it, the Chancellery under Merkel was eager to protect Germany-China ties from any turbulence. Germany's Indo-Pacific guidelines with their focus on "inclusivity" reflect this approach.²⁶

In late 2020 and early 2021, France, Germany and the Netherlands led the process to get Brussels on board, with the support of other member states including Croatia, the Czech Republic, Italy, Poland, Sweden, and Portugal (which held the presidency of the Council of the EU in the first half of 2021 and had made rejuvenating the EU's ties with India a key priority). Several Central and Eastern European countries, despite having little to no connections with the Indo-Pacific, supported the process as well because of growing disenchantment with China in the now 16+1 format and the need to engage with the Biden administration given their dependence on US security guarantees in face of the Russia threat.

Internal European support for developing an Indo-Pacific strategy, in addition to very active diplomatic outreach by Japan and, to a lesser extent, Australia and India, who made clear that a European role and engagement in the Indo-Pacific would be very welcome, finally moved the needle in Brussels.

The EU published its Indo-Pacific strategy in September 2021. It reflects the remarkably fast pace at which EU policy has changed, from barely using the term Indo-Pacific in 2019 to reaching an EU-wide consensus that the "futures of the EU and the Indo-Pacific are inextricably linked given the interdependence of the economies and the common global challenges."²⁷ The strategy implicitly recognizes China's attempts to alter the regional status quo, mentioning "tensions around contested territories and maritime zones" as well as a significant military buildup by China. And, although the EU takes an "inclusive" and "cooperation-based" approach to the Indo-Pacific, stressing the need to work with China on common challenges, it adds one important qualifier. The EU will push back against China "where fundamental disagreements exist, such as on human rights." Almost no other European Indo-Pacific strategy has so explicitly highlighted these tensions in Europe-China relations. The

26 German Federal Foreign Office, [Germany–Europe–Asia: shaping the 21st century together](#), 2020.

27 European Commission, [The EU strategy for cooperation in the Indo-Pacific](#), September 16, 2021.

EU strategy also opens, for the first time, the possibility and willingness to work with other partners and coalitions, including working with Quad working groups on vaccines, climate change, and emerging technologies.

The Post-AUKUS Opportunity

The adoption of Indo-Pacific strategies shows its member states' intention of positioning the EU as a player in the region and its understanding that China cannot be dealt with as just a bilateral issue. These signals have been received by partners in the region as Australia, India, and Japan have increased outreach to Europe on Indo-Pacific issues. The United States has been late to this game, partly because many in Washington see the limitations of Europe as an actor in the Indo-Pacific and partly because many European Indo-Pacific strategies do not go beyond a cursory mention of the United States as a partner. To bridge the transatlantic and the Indo-Pacific will not be an easy task.

The EU-US high-level consultations on the Indo-Pacific represents a first step to figure out what coordination could look like. A positive fallout of the AUKUS episode is an understanding in Washington that Europe needs to be considered in the broader US Indo-Pacific strategy. There is also a recognition in the Biden administration that the Indo-Pacific dialogue with Europe could provide a more “positive framing” for dealing with many China-related challenges without having to fully align approaches on China first. Cooperation on maritime commons, the coronavirus response and recovery, climate change, and new and emerging technologies—which have become main pillars of cooperation under the Quad—can also be done with European countries since their Indo-Pacific strategies focus particularly on these questions.

US officials recognize that the EU strategy is quite detailed on trade and economic issues, and that it features India and Japan prominently—two partners that are also at the heart of Biden administration's Indo-Pacific engagement. The Indo-Pacific now has

several structures: the Quad and its working groups; bilateral and trilateral cooperation between Australia, France, India, Indonesia, and Japan; and arrangements like AUKUS. Since the EU is not involved in them, it will be important for the United States to ensure that these efforts are not duplicated on the transatlantic front, and that there is, if not cooperation, at least coordination between various partners now interested in engaging in the Indo-Pacific. One of the goals in the year ahead will be for the United States and its allies in Europe and Asia to stitch their respective efforts together in various overlapping domains, albeit with a view to driving outcomes rather than creating a new and more complex set of consultation structures.

Conclusion

At the beginning of 2022, most officials in Europe and the United States see the first year as a qualified success. Alongside the stage-setting work undertaken through the structured exchanges detailed above, the China-related tracks have been supplemented by an assortment of other channels, including a range of processes at NATO, the continuation of the EU-Japan-US trade trilateral on dealing with non-market distortions (which in practice has always ranged more widely on strategic economic matters); a changed approach to basic practices, such as the Biden administration providing briefings in Beijing and Washington to European allies on major US-China exchanges; and improved sharing of information, analysis, and intelligence.

This more developed process of transatlantic communication has helped turn China into more systemized focus of the relationship. It has also meant that whatever top-level political signaling about Europe and the United States “not ganging up” or being in alignment, the barriers to cooperation and coordination between them have been breaking down in the many areas where they essentially agree, ranging from coordination in multilateral organizations to dealing with Chinese disinformation. The backdrop of the China challenge has already

substantially reconditioned the mutual approach to other subjects, including heightened coordination on investment screening and export controls, as well as the positive-sum agenda on offering alternatives to the BRI. The latter had progressed more tentatively during the Trump administration but the step-change represented by the EU's Global Gateway initiative is a direct result not only of the need to compete with China more effectively but also of the need to figure out a way to cooperate more substantively on these issues among democratic partners.

***There are clear opportunities
for progress this year.***

China's behavior has continued to drive much of this agenda. Shifting European views on Chinese behavior domestically and in its own neighborhood would not have been enough to catalyze action among many European policymakers for whom there is still some discomfort in adjusting to the hardening Chinese approach. But Beijing has gone out of its way to force decisions on them, not just through its "wolf warrior" diplomacy or various facets of its behavior during the pandemic but also through the measures it has taken targeting EU member states and politicians. While Lithuania's decision over the name of Taiwan's new office in Vilnius is still contentious within the EU, the Chinese response—particularly the targeting of European companies with Lithuanian suppliers—has further strengthened the case for the EU to move ahead with its planned "anti-coercion instrument" and reinforced the understanding that any economic interactions with China are subject to far more unpredictable, politicized behavior than ever before. The CAI might well have hung over 2021 but here too China has ensured that any short-term political advantage accrued from the agreement was immediately undercut by its escalatory sanctions. As one US official noted in private, for all the value of constructing a positive-sum agenda in various areas, the catalyst for most US partners and allies to

forge closer cooperation with Washington has typically been the most egregious elements of China's approach.

The end of 2021 also saw a rebalancing of the politics on China in the EU's most important member state. The new government in Germany signaled several consequential differences from past policy in the coalition agreement reached between its three constituent parties, including explicit references to Taiwan, to the Indo-Pacific, and to transatlantic coordination on China. While there has been much reporting on the more critical stance of the Greens and the Free Democrats as well as on potential differences between them and a more cautious Social Democratic Party, including Chancellor Olaf Scholz, the absence—with Merkel's departure—of a fierce defender of the old status quo in the China-Europe relationship has been just as big a shift. As Scholz noted in his inaugural speech as chancellor in the Bundestag, even a pragmatic adaptation to "the China we find in reality" requires a rebalancing of policy. If this does not go as far as some of the most critical voices might wish, an approach that is more in line with the sharper approach that the Federation of German Industries (BDI) has been calling for, and the wider shift in the consensus in Berlin, would still represent a significant evolution.

There are clear opportunities for progress this year. The throat-clearing meetings are out of the way and there is a relatively benign alignment of political forces on both sides of the Atlantic. There is an opportunity to build on the work of the first year but also a degree of compulsion. The US midterm elections in November and presidential election in 2024 introduce elements of unpredictability, not so much over the US China agenda but on many other issues that will affect the broader scope for transatlantic partnership. Meanwhile many observers expect an even more belligerent China to emerge after Xi's "third term" is secured. Failing to advance or lock in various long-term agreements and initiatives this year and to prepare for the scenarios that may follow is likely to prove costly.

The first step is to determine priorities from the long list of issues that Europe and the United States are addressing. Realistically, although working-level cooperation across an increasingly dense web of issues will and should continue, a few of the priorities will require additional political impetus, whether because of their sensitivity, because of the bureaucratic challenge involved, or because of the need for political direction to get past old negotiating positions and mandates. If 2021 was used for focusing on an initial exploration of the issues and clearing away many obstacles, this year will need to be for focusing on outcomes.

These priorities should not just be “quick wins.” There are issues of immediate concern, including economic coercion and the Lithuania case, as well as the broader framework of support that needs to be extended to Taiwan that command attention. These lie at the nub of one of the most important areas of focus in the two sides’ efforts—aligning their respective harder-edged economic tools to deter coercion and outright military aggression on China’s part. The EU’s proposed new anti-coercion instrument is still some way from being agreed but much of the substance of what is proposed has already been thrashed out between major member states, the EU institutions, and business groups from across Europe. And, while there is understandable urgency to conversations between Europe and the United States on what sanctions should be imposed in the event of a Russian invasion of Ukraine, similar exchanges on Chinese actions in its neighborhood would have a clear deterrent value if the conclusions reached are sufficiently serious. While there have been differing reactions from European countries to calls for a diplomatic boycott of the Beijing Winter Olympics, given their diverse interests, there will continue to be scope for the continuation of the targeted sanctions that elicited such an aggrieved response from Beijing.

Europe and the United States will also likely be able to advance in areas that already progressed furthest during the Trump administration—coordination on

investment screening, export controls, and potentially research security, where progress was already made at the first meeting of the TTC, including commitments to address dual-use export controls that go beyond the existing multilateral system. Although it is a far more nascent process, the next iteration of these efforts—addressing outbound investment in China—will also necessitate close coordination. In each of these areas, achieving the right level of cooperation with Europe is often a prerequisite for those in the United States who are looking to tighten controls further in order to counter the arguments of US corporations for why European backfilling means that they should be allowed to continue to provide financing and advanced technologies to China.

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In some respects, the areas of classic trade cooperation will remain trickier. The United States has grown even more skeptical of the value of the WTO in dealing with China, as well as of the rationale for continuing to push for market access in the country, which is increasingly seen as more liability than asset. Also difficult will be any measures that could be reversed by a future administration, which would require efforts at future-proofing them. There has already been concern in Europe that so many Trump measures were kept in place far longer than seemed warranted, from the Section 232 tariffs to the coronavirus travel ban, as well as the continuation of the bilateral purchasing agreements with China (which have spillover effects for European companies). The view in Europe is that there is now a more protectionist US impulse across the board and a strong risk that another Trump term or a Trump-like president would make that worse. This causes difficulties in areas such as long-term cooperation on “friend-shoring” supply chains, to take one example, which would be an obvious area of closer cooperation if there was more trust that these

arrangements would hold among allies during crises. However, Europe also needs to appreciate the political stakes in some of the most domestically sensitive US decisions. Shoring up a very fragile moment for democracy in the West may be more important to Europe than shoring up the WTO.

There is likely to be more scope for the EU and the United States to align their respective unilateral economic tools (or “autonomous” tools, as EU officials prefer) than make complementary advances in either bilateral negotiations with China or multilateral processes. In some areas, the new or proposed EU instruments to deal with China actually go beyond those of the United States, such as the anti-coercion instrument, the anti-subsidy regulation and proposed use of competition policy, as well as efforts to go after Chinese subsidies in third markets. In these and other more traditional measures to take on economic distortions, the fact that China is unlikely to adjust its behavior does not preclude the scope for Europe, the United States, and their partners such as Japan to take actions to level the playing field if they are more coordinated.

One of the most productive potential long-term areas of cooperation remains that of infrastructure and connectivity finance.

One of the most productive potential long-term areas of cooperation remains that of infrastructure and connectivity finance. This was agreed in principle at the 2021 G7 summit, has been highlighted as a priority for Germany’s G7 presidency, and improved instruments are now in place or in development on in Europe and the United States, alongside the better-developed Japanese partnership for quality infrastructure. Getting some level of coordination between the patchwork of different offers from the G7 actors and other critical partners, such as Australia, India, and South Korea, will be essential if certain states are going

to have genuine alternatives to Chinese finance. It has already required a major bureaucratic effort to start getting systems in motion that are not used to this model of development finance though. European aid institutions, for instance, have been focused on poverty alleviation rather than “strategic” goals and have often been skeptical of the proposed new missions. It will continue to require high-level political attention to ensure that these initiatives do not lapse into diffuse project lists, where the large sums of money involved on the EU side belie the fact that resources are not directed in a strategic fashion.

The first EU-US high-level consultation on the Indo-Pacific focused on cooperation on infrastructure connectivity and the need to link up various regional and multilateral initiatives. But there is potential for broader-ranging cooperation in the Indo-Pacific. France’s EU Council presidency in the first half of 2022 aims to focus on making the Indo-Pacific strategy more concrete, on defining the EU’s maritime areas of interest, and on dealing with the question of deploying more European naval assets in the region. Paris will host an Indo-Pacific ministerial forum on February 22 between the EU and key Indo-Pacific partners, including Australia, India, and Japan. The forum is set to announce projects and specific initiatives that will make the EU’s involvement in the Indo-Pacific more concrete, focusing on security and defense, infrastructure and digital connectivity, and delivery of public goods in the region including vaccines. These few months will be crucial for the United States to engage with France and the EU as they define priorities for their Indo-Pacific engagement. For example, under the French presidency, the EU is set to delineate the northwestern Indian Ocean as the second maritime area of interest, in addition to the Gulf of Guinea. This should spark a conversation on burden sharing, particularly in the Indian Ocean. The EU and the United States can also explore security cooperation beyond military deployments, including maritime-domain awareness, information sharing, and climate-change-related challenges.

Finally, clarity about objectives in Europe and in the United States as well as realism about the limitations and when it matters to try to overcome them will be essential. This is an agenda that pulls together very different efforts—coordination on China policy, mutual economic strengthening, attempting to approach difficult old transatlantic issues from a different angle, maintaining the transatlantic bond at a time when it faces new pressures, networking democratic allies, and acting as force multipliers in various policy fields. While agglomerating this all under a “China” hat is not always the best way of achieving clarity, it is only with an appreciation of the nature and scale of the China challenge that there is likely to be the political willingness to explore these issues with fresh eyes rather than defaulting to legacy

positions. This entire agenda will now face heightened pressures from the Russia-Ukraine crisis, which has taken up vastly greater bandwidth in the transatlantic relationship recently. China has long benefited from being the issue where the hard choices can always be deferred just a little bit longer, while longer-term trends continue to advance the country’s power position and make these choices even harder in the future. In principle, Europe and the United States recognize that they are engaged in “system competition” or “systemic rivalry” with China but the lag between analysis and action has been acute. If 2021 saw progress in their collective recognition that China represents a joint challenge, this should be the year to close that urgency gap and to replace it with concrete outcomes.

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