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Closing the Deal or Closing the Door

The Biden legacy and the Trump agenda for transatlantic cooperation on China

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Executive Summary

While Europe and the United States made considerable progress in improving their coordination on China policy during the Biden administration, “moving in the right direction” is no longer enough. The stakes for the transatlantic allies in the next few years are even higher, as they face deepening alignment among an axis of adversaries, heightened risk of conflict over Taiwan, and a second China shock that poses profound threats to their industries.

Many in Donald Trump’s second administration will take office with the view that the Biden team’s partner-friendly approach with Europe failed to deliver sufficient results, and that it is now time to get tougher. Some EU member states certainly treated the last few years as a holiday from difficult strategic choices on China rather than an optimal window in which to make them. Brussels’ efforts to build more effective approaches on economic security, trade defense, and cyber security were often slow-rolled or undercut by major member-state capitals.

On Russia, it was a source of ongoing frustration in the Biden administration and Congress that the United States consistently took stronger measures against the Chinese entities enabling a European war than did the Europeans themselves. There was also concern that Europe has been slower to adjust to the new paradigm for the global economic order, placing more emphasis on defending the old framework than on co-shaping the emerging one.

The risk now is less that there will be a transatlantic rift over China, given that both sides largely agree on their diagnosis of the problem, and more that we enter a period of either: a) drift, in which efforts at coordination between the two sides continue to fall short, without political priority given to closing the gaps given differences that emerge in other areas, whether a trade war, technology regulation, or Ukraine; or b) coerced alignment, which would entail more concerted US efforts to get the European side in line with its own approach, using tools that it has so far deployed sparingly, from sanctions to tariffs to the Foreign Direct Product Rule.

While a level of US pressure may be required to get the more recalcitrant European actors over the line, the likelihood is that either outcome would result in Beijing’s ability to exploit:

- gaps in approaches to and enforcement of technology controls
- competitive differences between European and US firms
- the emergence of separate “islands” of China-related standards
- a weakening of transatlantic trade and investment ties
- poorly coordinated messaging to deter any moves on Taiwan
- erosion of the Western economic and technological lead in critical sectors

There is the opportunity in the months ahead to establish instead a more dynamic form of alignment, in which deepened cooperation on China policy forms one of the pillars of a new, long-term transatlantic settlement, which would also likely include adjustments on bilateral trade, defense spending, and support to Ukraine.

- **On China Shock 2.0.** Picking a range of industries that are of greatest importance to Europe and the United States, where Beijing’s push to dominate the sector poses the greatest risks, and adopting an “all-of-the-above” approach to the instruments that the two sides deploy. Ideally, this would take the form of an “economic security” deal that allows for trade-offs that reflect differing transatlantic

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interests across sectors. These measures would range from traditional trade defense tools, “new” tools such as the EU’s potent [foreign subsidies regulation](#) (FSR) and [international procurement instrument](#) (IPI), more rigorous and complementary use of [qualitative standards](#) (cyber, data, labor, dependency-levels, transparency), the suite of economic security tools (export controls, inbound and outbound screening, research security), third-market-directed measures (to address circumvention and [transnational subsidies](#)), development financing tools (in areas such as critical minerals partnerships and telecoms), and measures to ensure that European and US firms have a level of mutual access to each other’s subsidies and procurement markets.

- **On China-Russia.** A joint squeeze on Beijing’s authoritarian partnerships, which would require a serious ramp-up of pressure on Chinese firms and the reintroduction of the unpredictability that constrained their interactions with Russia in the early months after the invasion. This holds whether the objective is to undercut Chinese support for Russian military industrial capabilities in the medium-term or to exert near-term pressure to help secure a more favorable settlement for Ukraine. It would go well beyond the existing European pinprick measures against small companies responsible for circumvention to instead threaten banks, large Chinese firms with interests in Europe and Russia, and entire jurisdictions such as Hong Kong.
- **On Taiwan.** Cooperation to strengthen deterrence against China’s use of force, identifying the levers they can pull in the event of an attack, along with areas where Beijing is likely to retaliate. This will require more detailed preparation work than has been possible to date, not only for the most extreme contingencies but for a range of other gray-zone scenarios, and scenarios that involve simultaneity, such as Russian military actions in Europe while the United States is absorbed in a conflict in East Asia.

The last few years have seen significant groundwork laid in each of these areas. The next few months will determine whether the incoming Trump administration can close the deal or if US adversaries prove better at coordinating to counterbalance Western power than the transatlantic allies at cooperating among themselves.

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Introduction

While the Biden administration's tenure saw an unprecedented effort to upgrade transatlantic coordination on China policy, long-term observers would note many familiar dynamics. Creative proposals for the United States and Europe to reshape their bilateral economic relationship ran up against the usual negotiating obstacles, despite the shifting backdrop presented by Beijing's growing dominance of major industrial sectors. Leading European policymakers continued to express discomfort about aligning too closely with the US approach. US policymakers emerged still frustrated by major European capitals' seeming willingness to place short-term commercial goals above broader economic and security concerns, despite the rapidly diminishing prospects for their firms in the Chinese market.

There were certainly steps forward. Both sides would agree that their analysis of the People's Republic of China (PRC) is converging, that the quality and structure of the transatlantic dialogues have been improved, that messaging is far better aligned, and that major political clashes have largely been averted. Meantime, a few achievements have been racked up in areas ranging from red lines on PRC-Russia military cooperation to controls on advanced semiconductor equipment. But while this would have been considered healthy progress a few years ago, in the current strategic context "moving in the right direction" is no longer enough.

From Systemic Rival to Systemic Security Threat

Systemic rivalry and competition with the PRC have intensified to such an acute extent that the China-Europe relationship, in particular, is barely recognizable from what it was when the Biden administration first took office. The PRC is now acknowledged by NATO as the "decisive enabler" behind Russia's capacity to sustain the largest-scale war on the European continent since World War II. Beijing has chosen to present an outright threat to European security despite entreaties from European leaders to play a constructive—or at least neutral—role. The PRC has situated itself at the center of a wider nexus of authoritarian partners, from North Korea to Iran, providing them with the means they need to keep their economies afloat and undercutting the sanctions frameworks that once constrained them, even as it is able to maintain a "clean hands" remove from any of their specific actions. Security cooperation between these states has drastically accelerated, bringing North Korean troops into the European theater and a growing array of advanced Russian military capabilities to the Indo-Pacific.

The heightened level of alignment among adversaries has also placed considerable strain, which was already intense, on the US ability to navigate what has become a multi-front threat. The rapid build-up of the PRC's nuclear arsenal places the United States in an environment in which it is facing two nuclear peers for the first time. Despite questions over whether the People's Liberation Army (PLA) will cross the threshold of capabilities that could make Taiwan a "war of choice" for Beijing by late in the decade, there is little question that we are entering into a period where the risks of conflict are significantly elevated. The net effect is a markedly increased burden on US global security commitments—and growing expectations that US partners, especially in Europe, will have to step up their own efforts.

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China Shock 2.0: The Deindustrialization Threat

Developments in the economic domain have been equally stark. Beijing's long-standing push to become the world's leading manufacturing power at every level of the value chain, bolstered by large-scale non-market practices, now operates in pernicious combination with a sharp domestic slowdown. The resultant excess capacity exerts intensifying competitive pressures on Western firms operating in China itself, in their home markets, and in third-country markets, not to mention those in developing economies. In addition, the erosion of the West's technological leadership in critical sectors, and the sheer concentration of manufacturing capacity and value chains in China, poses risks that extend well beyond the economic. Any hope of defining economic security in narrow terms becomes far harder when entire industries face being wiped out by Chinese competitors. It is more difficult again when firms in many of those industries – especially those with equities in China – will not ask for government action until it is too late, and in some cases actively undermine it.

These considerations alone would be grounds for a reappraisal of the transatlantic allies' efforts to build an effective, coordinated approach to China policy. At the same time, however, the US-Europe relationship is at a critical juncture. The incoming Trump administration has cast doubts about US commitments to NATO and support to Ukraine, while also raising the prospect of a trade showdown—at just the moment when Europe has become more reliant on the US market to absorb its exports as sales to China crater. But this is not solely an issue of a change in administration. The view that, as US burdens grow, Europe will need to contribute at a qualitatively different level is bipartisan in Washington and beyond. There is also a political consensus on the US side that the global economic order has transformed into a new paradigm, and frustration that Europe has been slower to adjust to the new realities—placing more emphasis on defending the old framework than on co-shaping the emerging one.

None of these issues are separable: debates about transatlantic approaches to the PRC are deeply bound up in this wider recasting of the economic and security fundamentals of the US-Europe relationship. The coming months are likely to determine whether this translates into a new start for the two sides: a stepping up of European security responsibilities and the forging of a transatlantic economic relationship that better fits an era of geostrategic competition, or an alliance under severe strain and facing new trade fractures at the worst possible moment. The politics will be challenging to navigate. Many in the Trump administration will be taking office with the view that the Biden administration's prioritizing of cooperation with allies on China policy failed to deliver sufficient results, and that it is time to get tougher. Many in Europe felt that, although the outgoing administration was undoubtedly ally-minded, on trade, close partners were subject to the same protectionist measures as US adversaries, which the new administration may reinforce. The early negotiations will take place amid a political vacuum in Europe's most important power capital, Berlin, and with a fragile government in Paris, placing more responsibility on a strong EU leadership in Brussels, as well as leaders in Warsaw and Rome, who are assuming larger roles.

Transatlantic Cooperation on China and the Trump Administration

There are several possibilities for how transatlantic cooperation agenda on the PRC might evolve in the next few years: rift, drift, coerced alignment, or dynamic alignment.

The first scenario would see a real strategic division between the United States and Europe in their approach to the PRC, and worrisome tensions over these differences. This seems less plausible simply because of mutual interests and concurring analysis in so many areas of China policy and because there are few instances in which the gaps are sufficiently important to the European side that they cannot be closed when it really matters. There is good reason why disagreements between the two sides over China-related issues in the last couple of decades have not

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blown up into a lasting clash – either the two sides ultimately agree or the Europeans adjust when serious national concerns for its closest ally are at stake.

Divergences between the two sides are more likely to result in a second scenario, “drift”, which would see efforts at coordination between the two sides continue to fall frustratingly short, without any political priority given to closing the differences. This is a conceivable outcome if wider transatlantic divisions over trade, Russia/Ukraine, and other issues were to poison the broader relationship and weaken the hand of the political forces in Europe that believe in building a strong coalition of democratic allies and pushing back against the PRC. Instead we could see a strengthened political bloc on European China policy that combines the ascendant populist right groupings, which have been friendliest to PRC and Russian interests, with the more cynical national-level approaches, which prioritize short-term commercial goals over a more broadly defined set of economic and security interests. This would likely result in Beijing being able to exploit gaps in approaches to and enforcement of technology controls, playing off competitive differences between European and US firms; the emergence of separate “islands” of China-related standards, a weakening of transatlantic trade and investment ties; poorly coordinated messaging to deter any PRC moves on Taiwan; and erosion of the Western economic and technological lead in critical sectors.

The third scenario, “coerced alignment”, would entail more concerted US efforts to get the European side in line with its own approach, using tools that it has so far deployed sparingly, from sanctions to tariffs to the Foreign Direct Product Rule (FDPR), which can prevent foreign sales to China of products that are made using US technology. This could even shape up as a dynamic in which the US side argues that certain European policymakers and companies, particularly in Germany (as in the case of the controversy over the Nord Stream 2 pipeline), are acting against Western and European interests, and therefore the measures resorted to by Washington are justified as corrective steps. While there is certainly a chance that this approach would succeed, at least in part, it is liable to be messy, consuming considerable political energy and leading to incomplete and reluctant compliance, from which Beijing can derive advantage. At worst, it could end up magnifying the voices arguing that, given the pressure Europe faces from the Trump administration, it needs to soften its approach to the PRC—even in areas such as trade defense, where it would be outright damaging to European economic interests but where transatlantic pressures could assume more short-term political salience.

A softer version of this scenario is “alignment by default”, whereby the US takes the lead in a range of areas and Europe swings in behind, whether out of conviction or necessity—for instance, because it is preferable for Europe to align security standards with the United States on connected products such as automobiles due to the importance of access to Europe’s largest market (the United States). Indeed, some companies and policymakers on the European side quietly support this model since it enables them to blame the United States for unpopular decisions while maintaining their own beneficial relations with Beijing.

In the fourth scenario, “dynamic alignment”, Europe and the United States each would seek to define the terms of an allied approach to the PRC, adjusting to each other’s priorities to ensure a level of coherence. While the United States would still exercise leadership in many areas where it has a comparative advantage—especially when it comes to military, intelligence, and security assessments—there are other spheres in which the European side is either already ahead (antitrust tools, the Carbon Border Adjustment Mechanism [CBAM], transnational subsidies) or can operate at parity if it chooses, such as defining criteria for economic security or offering alternative financing options to the PRC in the developing world. This scenario becomes more imaginable if the two sides can reach an early deal, one in which deepened cooperation on China policy forms one of the pillars of a new transatlantic settlement, which would also likely include adjustments on defense spending, support to Ukraine, and bilateral trade, as well as more effective cooperation on infrastructure development in third countries. While this level of alignment may seem as unlikely as the “rift” outcome, it would be a recognition of the elevated economic and security stakes the two sides face in the next decade.

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It is already clear that China will be a more important part of the Europe-US bilateral agenda than during any prior transition of administrations, in 2021, 2017, or earlier. To examine the state of play, the German Marshall Fund has pulled together a number of its experts on China, trade, technology, and other fields to provide a stock taking on the inheritance from the Biden administration in a few select areas: China-Russia ties; trade and economic security; Taiwan; influence, interference, and information manipulation; and the Indo-Pacific. For each topic, the experts concerned were tasked with identifying the nature of the problem the two sides were trying to address, assessing progress made and shortfalls, and suggesting next steps. Whether the last few years add up to a successful groundwork-laying exercise for something more ambitious or a missed opportunity will depend significantly on the actions the two sides take in the months ahead.

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China-Russia Cooperation

Beijing's support for Moscow's war of aggression in Ukraine has become far more expansive than many Western policymakers anticipated, given the neutral stance that the PRC took vis-a-vis Russia's annexation of Crimea in 2014. While the scale of political and diplomatic backing, including from President Xi Jinping, has been a serious source of concern, as has the amplification of Russian messaging, it is the economic support and supply of dual-use materiel that has made Beijing Moscow's chief enabler. Estimates in early 2024 were that the overwhelming majority of dual-use battlefield items arriving in Russia from foreign countries came from China, either by production in China or traded through China; and that [70% of sensitive high-tech products reaching the Russian military came via China](#). Overall China-Russia trade exploded, registering the largest increases among all Chinese trade partners for both exports and imports in the period since the invasion in 2022, and turning Russia into a more important market for China than Germany.

The United States and Europe maintained extremely close information and intelligence sharing on all elements of the PRC-Russia relationship, from identifying Chinese entities that were transferring dual-use products to broader analysis on leadership decision-making. This provided conditions for the two sides to formulate some common messaging, whether through the G7, NATO, or bilateral channels.

Most important, Europe and the United States delivered a message that any PRC lethal aid to Russia would constitute a [red line](#). This message was repeated at all levels, including by European leaders who are otherwise wary of overt transatlantic message consistency toward Beijing. In practice, the red line largely held, and US assessments were that it was the European stance that affected PRC calculations in a way that would likely not have been possible with the US alone. This had material implications, given that it appears that Beijing did indeed receive requests for lethal aid from Moscow and [seriously deliberated about responding positively](#). In practice, however, the tightened partnership between Russia, North Korea, Iran, and the PRC ensured that Russia largely had the military means it needed, whether directly delivered or by way of the comprehensive assistance Beijing provided to Russian military-industrial capabilities, thereby eroding the importance of the "red line" over time. By the end of 2024, with [Western intelligence pointing to the supply of lethal drones](#), the PRC increasingly appeared to be ignoring even this distinction.

The second element of effective coordination was in messaging on nuclear weapons use. At the juncture where anxiety about Russian use of tactical nuclear weapons was at its highest (October/November 2022), both Europe and the United States pressed Xi Jinping to reiterate Beijing's official stance on the matter. He duly did so during the visit of the German chancellor, [stating](#), "The international community should ... jointly oppose the use or threats to use nuclear weapons, advocate that nuclear weapons must not be used and nuclear wars must not be fought." There are indications that Xi conveyed this position to Vladimir Putin directly, too. However, there are questions about whether Chinese admonitions had any effect. Chinese experts privately conveyed the view that if Russia faced sufficiently dire circumstances in which it decided that nuclear weapons use was necessary, Beijing's position would carry little weight. The rationale for close ties with Russia would persist in the aftermath, so the PRC's general disapproval would not translate into any punitive actions. It was still evidently preferable that Beijing reaffirm its long-held stance rather than providing any implicit support to Moscow, but there was a striking tendency from some policymakers to read too much into and to over-sell the significance of the Chinese position—at times to the detriment of effective policymaking.

The communiqué agreed to at the end of the 2024 NATO summit in Washington, which labeled the PRC a ["decisive enabler"](#) of the war, was a "success" in the strong language expressed but indicative of a sustained failure by the

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transatlantic allies either to change the overall political direction of Beijing's approach or to make it too practically complicated for Xi to maintain it. While it is conceivable that the PRC would have pursued the same course of action regardless of any measures that made it more costly or difficult, there was simply never any concerted pressure on Beijing of this sort.

Beyond the first few months after the Russian invasion, when Chinese firms witnessed an unpredictable, fast-moving sanctions environment and acted warily until it had stabilized, the only steps that had a clear impact on Chinese dual-use cooperation with Russia were the [US financial sanctions](#) imposed in 2023/2024. European measures, which were implemented only in early 2024, were targeted at small Chinese firms involved in the circumvention of restrictions on supplies of European products to Moscow, with the punishment being not even sanctions as such (a fact that was made clear to the Chinese side), but European firms being cut off from dealing with them. The sole point at which fully fledged sanctions on Chinese entities were agreed upon came in [December 2024](#), following evidence of the Chinese lethal drone sales.

Culpability for the weakness of the response falls primarily on the European side; indeed, it was a particular source of frustration in both the Biden administration and Congress that the United States consistently took stronger measures against the Chinese entities that were enabling a European war than did the Europeans themselves. At no point did the European side hold at risk any strand of broader economic or technological ties that might have given the PRC grounds to reassess its course of action. Instead, Beijing's calculus was that the political harm to its ties with Europe could be swallowed, as could the minor-scale actions taken. In fact, Chinese experts privately expressed confusion about the gap between the strong language used—that the war was “existential” for Europe—and the consequences the PRC faced for its actions.

Proponents of European restraint often claimed that cooperation with the PRC could still play a useful role, given its potential influence over Russia. This resulted in a range of efforts to solicit Beijing's support for peace initiatives and to take specific elements of the 2023 PRC position paper on Ukraine as the basis for cooperation on issues such as nuclear power plant protection. However, none of these initiatives delivered even modest beneficial results; to the contrary, Beijing [actively lobbied developing world counterparts](#) not to join the June 2024 Ukraine peace summit in Switzerland.

There is considerable evidence from its approach to sanctions compliance that the PRC is reluctant to bear significant burdens in exchange for its support to Russia, preferring to find ways to provide its backing at relatively low cost. While the transatlantic allies cannot expect to change Beijing's fundamental orientation toward Russia or solicit constructive Chinese political contributions that deviate in any way from Moscow's own positions, they can complicate China-Russia cooperation and raise the costs for the PRC. Even for those who disagree with this assessment and believe that there are still circumstances in which Beijing can helpfully influence Moscow's disposition to peace talks, there is still a case for ramping up the pressure on Chinese companies for the sake of leverage, given the comprehensive failure of the alternative tack.

Putting more heat on the PRC would require revisiting the European approach. Although the United States has areas where it could step up its own sanctions, Europe will need to do more to take the lead if collective efforts are going to be effective. In particular, it would mean moving to impose costs on Chinese entities that matter to Beijing rather than pinprick measures against firms that are structurally marginal. This would imply, for instance, targeting systemic players, such as banks and the large Chinese firms that have interests in both Europe and Russia: [imposing secondary sanctions](#) against any Chinese financial institutions that assist Russia in evading EU sanctions and exerting pressure on some of [China's major telecoms, computing, and automobile companies](#). Where outright sanctions are difficult—given that unanimous consent can be difficult to secure—then this can be partly achieved through measures such as “gray-listing” them. A watch-list-type procedure could be employed for

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entities of demonstrated concern, which would have ripple effects in the decisions of European firms' compliance departments to constrain dealings with these companies.

It could also mean the EU threatening measures against entire jurisdictions. The [“anti-circumvention tool”](#), for territories that are at continued and high risk of evading European export controls, can result in the application of national-level restrictions on goods and technology exports. Hong Kong (rather than China itself) would be an obvious first jurisdiction to assess accordingly.

Even more important than the individual measures, of which these are only a couple among a long list of options where the approach could be hardened, would be to reintroduce a sense of uncertainty and unpredictability for the Chinese side, with a view to inducing caution not only from the targeted entities but from a wider group. This would create incentives for deals with Beijing to restrict the transfers of greatest strategic significance for European security in return for a cooling off of the campaign against the more consequential firms for Chinese economic interests. This approach will also boost credibility even if it does not succeed in its primary goal of impeding China-Russian cooperation on dual-use items: indicating to Beijing that there is a willingness to absorb real costs in the relationship when vital European security interests are at stake.

In addition to implementing policies that complicate the PRC's risk evaluation, there are strong grounds for Europe to reassess several areas of economic and technological cooperation with China, on a couple of premises: a) that advanced Chinese technologies are increasingly likely to aid Russian military capabilities, too, especially as their joint development of weapons advances; and b) that there is a heightened risk of even deeper China-Russia cooperation or complementary actions in the event of extreme contingencies, such as simultaneous conflict in Europe and the Indo-Pacific. The current treatment of, for instance, export controls and the Chinese presence in European digital infrastructure is still largely premised on security assessments for Europe that do not reflect these eventualities, which is one of the reasons for the gaps with the US side, and European delays in taking action.

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Preserving Peace and Stability in the Taiwan Strait

Alarmed by the PRC's military modernization and Xi Jinping's directive to the People's Liberation Army (PLA) that it should be capable of taking Taiwan by force by 2027, the Biden administration developed a plan shortly after taking power to integrate US allies into a strategy to strengthen deterrence in the Taiwan Strait. The failure of threatened US sanctions to deter Russia from launching a full-scale invasion of Ukraine underscored the need to send clear signals to President Xi that use of force against Taiwan would be costly.

A war over Taiwan would be catastrophic. Most of the world's cutting-edge semiconductors and a substantial portion of legacy chips (mainstream integrated circuits) are manufactured in Taiwan. In 2022 approximately \$2.45 trillion worth of goods—more than one-fifth of global maritime trade—[transited](#) the Taiwan Strait. According to Bloomberg Economics, a major conflict in the strait would [reduce](#) global GDP by approximately 10.2%. A prolonged conflict could shave 0.5%–1.5% off European GDP, depending on the length and intensity of the disruption. Eurozone inflation could rise by 1–2 percentage points due to commodity price increases and disrupted supply chains. More broadly, the future of Taiwan, a vibrant democracy with 23.5 million people, will figure decisively in upholding a free, open, and rules-based international system. A PRC takeover of Taiwan would embolden Beijing to use force to resolve other disputes with its neighbors and advance its strategic objective of achieving hegemony in the Asia-Pacific region.

Two bilateral mechanisms between the European External Action Service (EEAS) and the US Department of State have enabled closer transatlantic cooperation on Taiwan: The US-EU China Dialogue, which includes Taiwan and is held at the deputy secretary of state (US) and EEAS secretary general (EU) level, was launched in 2020 under the Trump administration; and the US-EU High-Level Consultations on the Indo-Pacific were inaugurated at the end of President Biden's first year in office. These mechanisms convene twice annually and are underpinned by more specific working groups, which have developed a more granular common understanding of the complexities of the Taiwan challenge and the need to be prepared for all eventualities.

Shared transatlantic attention to Taiwan at the highest level was signaled by the first-ever inclusion of Taiwan in a [US-EU summit statement](#) in June 2021, which underscored “the importance of peace and stability across the Taiwan Strait” and “encouraged the peaceful resolution of cross-Strait issues”. Beijing's subsequent increased military intimidation and aggressive maneuvers near Taiwan prompted the adoption of tougher language. In September 2024, the US-EU joint [press release](#) issued after the convening of the transatlantic dialogue on China and the Indo-Pacific Consultations urged the PRC “to act with restraint in the Taiwan Strait and around Taiwan” and “expressed opposition to any unilateral attempt to change the status quo, in particular by force or coercion”.

As part of their joint efforts to strengthen deterrence, Washington and Brussels engaged in quiet discussions about lessons learned from sanctions on Russia and how they might be applied to the PRC if it were to use force against Taiwan. As Jorge Toledo prepared to assume his post as EU ambassador to China in August 2022 on the eve of House Speaker Nancy Pelosi's visit to Taipei, he [told](#) Spanish media that, “in the event of a military invasion, we have made it very clear that the EU, with the United States and its allies, will impose similar or even greater measures than we have now taken against Russia.” A similar warning was [delivered](#) to Xi Jinping by European Commission President Ursula von der Leyen in March 2023 when she visited Beijing at the same time that French President Emmanuel Macron traveled to the Chinese capital. “Stability in the Taiwan Strait is of paramount importance,”

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von der Leyen said she emphasized to Xi. “Nobody should unilaterally change the status quo by force in this region. The threat [of] the use of force to change the status quo is unacceptable.”

EU High Representative and Commission Vice President Josep Borrell reinforced this message in September 2023 in remarks at the European Parliament. Commenting on Pelosi’s visit to Taiwan, Borrell [stated](#) that such events “should not provoke military drills or ballistic missile launches, and should not be used as an occasion to intimidate” and stressed that cross-strait differences should be resolved “exclusively by peaceful means”. Underscoring Taiwan’s importance to Europe, Borrell noted Taiwan’s indispensable role in global semiconductor supply chains and Europe’s €45 billion cumulative stock of investment in the island. In addition, the European Parliament has provided steady backing for Taiwan, including in its [resolution](#) of October 23, 2024, where it expressed its support for Taiwan’s meaningful participation in international organizations and rejected Beijing’s claim that UN General Assembly Resolution 2758 of October 1971, which gave the PRC the “China seat” in the UN and on the UN Security Council, determined that the PRC enjoys sovereignty over Taiwan.

Beyond these forceful statements, however, the extent of progress in transatlantic preparations for various scenarios and in developing concrete US and EU plans for imposing sanctions on the PRC in the event of a war is not discernible from public statements.

Although both EU member states and non-member states remain unlikely to play a military role in a Taiwan Strait clash, several seafaring European countries have demonstrated that they have a stake in freedom of navigation and the maintenance of peace and security by conducting transits through the Taiwan Strait. Navies from France and the United Kingdom sail through the Taiwan Strait with regularity. In the first half of 2024, a Dutch navy frigate transited the strait. Two German naval vessels transited the strait for the first time in 20 years in September, declaring publicly that they were exercising freedom of navigation.

With US encouragement, some European countries are approving export licenses for their companies to provide components for weapons systems to Taiwan. The United Kingdom [authorized](#) 25 export licenses for the provision of submarine parts and technology to Taiwan in 2022 to help modernize its naval force. France’s DCI Group signed a contract to [upgrade](#) the combat systems of Taiwan’s six La Fayette-class frigates.

While the trajectory of Europe’s support for Taiwan is clear and has some momentum, achieving more progress will likely encounter obstacles, especially actions that require unanimous agreement among the 27 EU member states. In particular, the government of Hungary upgraded its relationship with the PRC to an “all weather comprehensive strategic partnership” in May 2024 and in doing so it [declared](#) its opposition to “all forms of separatist activities [aimed] at breaking the unity of China”.

The risk of conflict in the Taiwan Strait is unlikely to abate in the coming years, and further action will be necessary to bolster deterrence. The United States and Europe should identify the levers they can pull in the event of a PRC attack on Taiwan, along with areas where Beijing is likely to retaliate. There should be a plan in place for punishing the PRC if it uses force against Taiwan that includes financial sanctions, export controls, and curtailing market access, targeting Beijing’s persistent vulnerabilities notwithstanding its efforts to strengthen resistance to such actions. Effective sanctions will require building a broad coalition. As part of this effort, Europe and the United States need to further strengthen their resilience and reduce economic vulnerabilities: establishing secure supply chains, cultivating onshore production of strategic goods and technologies, diversifying energy sources, and hardening critical infrastructure.

Concrete steps should be taken to implement the call by von der Leyen in the political guidelines that were [issued](#) as part of her successful bid for a second term as European Commission president to take collective efforts with

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Japan, South Korea, New Zealand, and Australia “to deploy the full range of our combined statecraft to deter China from unilaterally changing the status quo by military means, particularly over Taiwan.”

Transatlantic assistance to Taiwan’s recently [launched](#) Whole-of-Society Defense Resilience plan could contribute to deterring the PRC from using force as well as strengthening Taiwan’s ability to repel an assault. The plan’s six lines of effort are 1) command and control/strategic communication; 2) social welfare and medical supplies; 3) material preparations and critical supply distribution systems; 4) civilian forces training and utilization; 5) energy and critical infrastructure security; and 6) information, cyber-, transportation, and financial security. Individual European countries and NATO should share with Taiwan their experience in efforts to shore up resiliency. Select European naval powers, the United States, and Taiwan could also establish partnerships among their coast guards to counter PRC gray-zone coercion.

More European countries should grant export licenses for components of weapons systems that can be sold to Taiwan. They could also provide spare parts for the island’s air force F-16s, which face growing operational and maintenance costs owing to frequent scrambling of the fighter jets to warn away PRC military pilots breaching the island’s air defense identification zone.

It will undoubtedly be challenging to get all 27 member states to agree to take such steps, but failure to demonstrate with deeds, not just words, that Europe has a stake in the preservation of peace and stability in the Taiwan Strait could undermine transatlantic alignment on coping with the potentially most consequential challenge from the PRC.

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Trade, Economic Security and China Shock 2.0

In the first half of the Biden administration's term, the transatlantic trade and economic security agendas with China took shape along relatively distinct lines: addressing nonmarket Chinese practices that harmed US and European industries, de-risking from sweeping exposure to Chinese supply chains, bolstering domestic economic capacities in priority sectors, and limiting the PRC's access to advanced technologies that could enhance Beijing's military or repressive capabilities.

By the final year of the administration, these issues were increasingly intertwined. Policymakers see that the growing prospect of the loss of entire manufacturing industries—deindustrialization—poses acute political and military-industrial spillover risks. The looming Chinese excess capacity shock in sectors such as mature semiconductors would represent a serious hit to Western firms' revenues that pay for research on more advanced technologies. The prospect of broad-scale dependence on the PRC for the green energy transition has implications that go well beyond trade measures in any individual sector. And measures such as the proposed US security rules on connected vehicles—detailed in the Commerce Department's [new rule](#), which would restrict the importation and sale of connected vehicles and related hardware and software of Chinese or Russian origin—will likely have more drastic implications for trade flows than even the most punitive tariff levels. In field after field, separate analysis of economic, political, and security risks has started to make way for more systemic efforts.

The speed of the shift in thinking has been driven, above all, by changes in the Chinese economy. The impact of the Russian invasion of Ukraine and the COVID-19 pandemic on perceptions of economic risk, and Xi Jinping's explicit weaponization of economic dependency, were essential preconditions. But it has become harder to make the argument for putting off trade and economic security restrictions when the near-term impact is so acute.

Stagnant economic conditions in the aftermath of the pandemic accelerated the long-standing push from the PRC to achieve a position of dominance at all levels of the manufacturing value chain. This has seen a drive to [substitute Chinese for Western products](#), and to [build greater dependence of the rest of the world on China](#), all while strengthening China's own self-reliance, which is now compounded by a doubling down of financing commitments from the Chinese government to strategic sectors. Unprecedented PRC export surpluses ([nearly \\$1 trillion in 2024](#)), brutal price-cutting, and weak demand in the Chinese market translate into a threefold hit for western companies, which see their market share in China falling and intensifying competition from Chinese firms in their home markets and third-country markets. Recent analysis of Chinese production in sectors ranging from construction machinery to lithium batteries finds capacity levels [that exceed the entire global demand pool](#).

This has been dubbed the “[second China shock](#)”. The first “China Shock”, after China's accession to the WTO, left a [social and political legacy](#) that transcended its economic consequences, fueling populist movements on both sides of the Atlantic. The effect accounted for [just under 60% of the manufacturing job losses in the United States](#) between 2001 and 2019, but it was the speed and concentration of the impact on specific industrial sectors and geographies that had the starkest effects. Europe and the United States now face a shock of even greater breadth. Whereas the prior disruption principally hit industries at lower levels of the value chain, this round also hurts advanced sectors that were supposed to provide the foundation for the West's future industrial strength, dealing a [particular blow](#) to the powerhouse of the European economy, Germany.

The United States and Europe have made joint efforts to blunt the force of the PRC's penetration of strategic industries and attempts to gain access to cutting-edge research and development. They established a new institutional architecture, in the shape of the EU-US Trade and Technology Council (TTC), to better enable exchanges across

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bureaucratic “lanes”. This helped to advance cooperation in [discrete areas](#) such as subsidy transparency, secure connectivity packages for third countries, standard setting, and 6G communications networks. Both sides undertook complementary [risk assessments](#) across sectors that include quantum, artificial intelligence (AI), biotechnology, and advanced semiconductors, which informed the use of their respective economic security tools.

Work on the tools themselves also moved forward, particularly on export controls and planning for outbound investment rules. There was a notable concentration of effort on advanced semiconductors by the United States, given their fundamental importance across so many other technologies, though agreements here were largely reached at a national level, initially with the Dutch government over ASML, the pivotal chipmaking equipment supplier. The two sides came close to deals on critical minerals on and steel and aluminum, both with significant China dimensions given Beijing’s domination of the former and overcapacities in the latter. Much of the negotiating groundwork could still be used by the incoming administration.

Less visibly, there was coordination on combating economic coercion, bilaterally and through the G7, with measures often focused less on retaliation or deterrence (even if the EU’s new anti-coercion instrument strengthened the possibility of both) and more on ensuring the resilience of threatened economies and firms. Countries that faced the greatest pressure from the PRC, such as Lithuania, emerged largely unscathed despite creative efforts from Beijing to target multinational investors in the country rather than the bilateral trade relationship alone. Yet the exercise was intended by the PRC at least as much as a warning, to induce wariness among others about going through a similar experience.

Most of the critical China-related measures, however, were not pursued on a joint basis but have significant transatlantic implications nonetheless. Both sides advanced in parallel on qualitative standards, in areas ranging from legislation on [forced labor practices](#) to [embedded emissions](#) regulations. There were significant US rule-making moves in areas such as connected vehicles and home routers, as well as new cyber-security rules for ports. In each of these areas—cyber-security, data protection, carbon emissions, and labor rights—it has become clear that there will be growing ramifications for transatlantic trade if the respective approaches to China are not aligned. The [impounding of Volkswagen cars](#) in US ports over a Chinese component that fell afoul of the Uyghur Forced Labor Act provided a foretaste. Discussions have advanced at the G7 on stronger coordination in these areas, with proposals from the former executive vice president of the European Commission, Margrethe Vestager, for [“trustworthiness criteria”](#) in vital technology sectors to address the “whack-a-mole” problem with Chinese economic practices that continually manage to steer around Western countermeasures.

The EU’s new economic toolkit was also used proactively. Some of the first deployments of the [Foreign Subsidies Regulation](#) (FSR), the [International Procurement Instrument](#) (IPI), and the [Digital Markets](#) and [Digital Services](#) acts were directed at Chinese firms. This was particularly striking given critiques from US business groups that this suite of legislation was all about targeting US companies.

The experience with these newer instruments was also useful in testing practices that represented a break from the usual pace and nature of interactions with the PRC; Chinese firms struggled, for instance, to deal with transparency demands in FSR cases, refusing to hand over the required data, as well as with the [“dawn raids” on Chinese offices in Europe](#) that the EU’s competition policy powers allow. These were bolstered by a series of court victories against Chinese efforts to undercut the more novel EU tools, which included a notable success in the [“Egypt case”](#), which was designed to counteract transnational Chinese subsidies granted to companies in a third-party country. As supply chains lengthen and tariff circumvention efforts from the Chinese side increase, moves to target third-country markets in this fashion will assume growing importance.

Innovative US and EU tools were combined with more traditional trade defense measures in a range of sectors, from the 2024 [Section 301 tariff adjustments](#) (which empower the US Trade Representative (USTR) office to impose

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duties if the actions of a foreign government unfairly burden US companies) to the EU's anti-subsidy and anti-dumping measures on everything from electric vehicles to biodiesel. Most significantly, the European Commission was able to [push through electric vehicle tariffs](#) despite opposition from the German chancellery and the German automotive sector, which had derailed previous EU moves on solar panels and telecoms. While the critique from Washington was that EU tariffs did not go remotely as far as the US ones (which saw a quadrupling of duties to 100%), this was widely understood on the European side as a critical test case for whether the Commission's more robust set of China measures could be sustained politically, putting a floor under a number of other initiatives that are now being explored, including ["economic security criteria"](#) in essential sectors, and more sweeping trade measures to deal with Chinese excess capacity. There is concern in Brussels, however, that the delicate political balance on China policy could tilt again in favor of the more PRC-friendly member states if the EU becomes consumed by transatlantic trade battles instead.

The failure to close any sectoral deals between the EU and the United States was a setback: the green steel and aluminum agreement was intended not only to achieve results for the industries in question but to establish a model that could be applied in other areas of trade, too. Whereas the US side tended to attribute this to insufficient flexibility from the EU on the compatibility of the proposed measures with World Trade Organization (WTO) rules, and unwillingness to exempt the United States from the Carbon Border Adjustment Mechanism, the European side complained of reluctance on the US side to put allied economic relationships on a distinct footing from those of adversaries, even after a creative EU legal interpretation had neutralized the WTO issue. While the discriminatory aspects of the Inflation Reduction Act could be chalked up to the nature of the last-minute negotiations in Congress to close the deal, and there were considerable efforts from the Biden administration afterward to find clever workarounds, the continued use of national security measures against allies was viewed by Brussels as solely protectionist and lacking in deal-making "give". This was exemplified by the decision to retain the Section 232 tariffs on steel and aluminum for negotiating leverage and only commit to suspending rather than lifting them after the EU side had moved, and the blocking of the Nippon takeover of US Steel on national security grounds, despite the lack of support for this from US national security institutions.

Another weakness preventing the presentation of a united front was the systematic lag time in response for European economic security efforts. Despite experience from prior work in areas such as 5G telecoms networks and inbound investment screening, European moves to conduct risk assessments and put mitigating measures in place have not advanced at a speed commensurate with developments in the field. Best efforts from the European Commission to [expedite the process](#) were unable to change this dynamic, thanks to resistance from certain member states, either on the grounds of safeguarding national competences (especially on export controls) or a broader reluctance to support any constraints on their firms' economic ties with China. This slow pace relative to the United States made it easy for those opposing European economic security efforts to portray any European moves, in areas such as outbound investment or connected vehicles, as being a question of "toeing the US line" even if in each area the EU had strong grounds to conduct its own assessments for the same reasons. Indeed, in some sectors European officials had even identified the risks ahead of their US counterparts. The result was often that the European side did not have a different position from the United States; it simply did not have a position at all, undercutting any possibility of either coming up with a joint approach or advancing European interests in negotiations while policies were in the formative stage.

US patience with this pattern—wherein it repeatedly took the lead, after which European interlocutors complained, attempted to water down particular provisions, or sought to buy more time—was running out by the end of the Biden administration, particularly given the PRC's skill at exploiting these time delays, as evidenced by its massive ramp-up of purchases from ASML. The prospect of more coercive measures, such as the FDPR, [was in play by 2024](#), and the incoming Trump administration is likely to consider these steps in the absence of tighter transatlantic cooperation.

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The challenge that Europe and the United States face over the next five years is whether they can coordinate a wide spectrum of tools to deal with a regime that is far more comfortable operating “systemically” across different domains, with different state and private actors aligning around the Party’s goals, and regularly finds ways to navigate around the slower-moving measures that law-bound market economies put in place. The EU has explicitly signaled its intent to build an “economic foreign policy” that can more coherently combine trade, economic statecraft, third-country partnerships, and the competitiveness agenda. The EU’s political will to strengthen its economic security has been expressed in principle by the EU Member States’ Heads of State and Government in June 2024 (Strategic Agenda 2024-2029), and has since been laid out again by European Commission President von der Leyen in her [Political Guidelines](#) for this legislative period. However, given past difficulties and objections it remains to be seen how far EU Member States are willing to go in widening current rules for inward investments into critical infrastructure and high technology, and in establishing rules also for outbound FDI and for exports of certain items, beyond dual-use export restrictions. On both sides of the Atlantic, this agenda is still in its formative stages, from its beginnings with a “small yard, a high fence” to an approach that is now necessarily more expansive.

The most promising method of cooperation is likely to be sectoral: picking a range of industries that are of greatest importance to Europe and the United States, and where the PRC’s push for dominance poses the greatest risks, and adopting an “all of the above” approach to the tools that the two sides deploy. This would include traditional trade defense instruments (including more robust steps such as safeguards that impose quotas on import surges), the “new” instruments detailed above (including more ambitious and directed use of antitrust rules to deal with “China Inc.” monopolistic behavior), more rigorous and complementary use of qualitative standards (for cyber-security, data, dependency levels, transparency, labor rights), the suite of economic security provisions (export controls, inbound and outbound screening, research security), third-market-directed initiatives (to counter circumvention, Chinese export surges, and lengthening supply chains), development finance mechanisms (in areas such as critical minerals partnerships and telecoms), and measures to ensure that European and US firms have stronger mutual access to each other’s procurement markets and subsidy schemes.

Ideally this would add up to a package that would allow for trade-offs across different areas, much like a traditional trade deal. It would go beyond the narrow, single-sector focus of the green steel and aluminum negotiations that ultimately ran into a brick wall, however, without having to involve market access openings that are still likely to prove politically radioactive. The sectors in question would likely include a mix of future-defining industries (AI, quantum, biotech), those of cross-cutting importance for certain national economies (automotive, chemicals, steel, legacy semiconductors), and a long list of connected sectors (from wind turbines to telecoms) where data and cyber risks are highest. The two sides would start by comparing their assessments, agreeing on a priorities list, and then looking at all the policies that could be pursued, in some cases jointly but more often on a complementary basis. The partners would then come to terms on a common action plan, either informally or as part of a transatlantic economic security agreement. Although there may be areas—such as outbound investment screening—where new tools are required, for the most part, implementing the specifics of this accord could be conducted through a more directed use of existing instruments, enabling the two sides to move at the speed required.

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Influence, Interference, Information Manipulation

Combating PRC influence, interference and information campaigns entails preventing threats to our democratic societies on both sides of the Atlantic and among other allies and partners, including countering elite capture, information manipulation, leveraging countries' exposure to China for economic coercion, the intimidation of journalists, researchers, activists and others with the goal of silencing them, and other forms of hybrid threats and malign interference in political systems and civil society to advance the interests of the Chinese Communist Party (CCP) and other authoritarian regimes. This includes divide-and-conquer strategies at all levels: pitting federal and subnational authorities against each other, exerting sway over member states within the EU, and attempting to drive a wedge between the United States and its transatlantic and other allies. Part of the goal is to isolate Washington and present it as a global rogue acting against the interests of “the international community”, which the CCP increasingly claims to represent. It also features attempts to discredit democracy as a political system, with the goal of making the PRC's alternative system seem more attractive, especially to developing countries and countries outside the US alliance system.

The United States and Europe have made significant advances in creating standards and facilitating information exchange regarding issues of authoritarian interference. For example, as part of the TTC, the two partners in 2023 announced a common standard for sharing information on information manipulation and interference. Since 2018, allies have also been coordinating and trading information through the G7's Rapid Response Mechanism (RRM) on threats to democracy, which includes several working groups, such as on subnational interference, and on developing a research agenda for universities and think tanks on how to counter disinformation. Information exchange as part of the G7 RRM also allows member and observer countries to suggest best practices and learn from each other. For example, the Netherlands has led on instituting interministerial coordination on China, while France has set up a designated agency to fight information manipulation. There are additional successes in other areas that fall under the umbrella of political interference, such as economic coercion. The United States worked with Lithuania to counter the most egregious case of economic coercion exercised by the PRC against a European country to date: stopping all imports from Lithuania and pressuring other countries and companies with operations in the Baltic state in response to that country's agreement to open a Taiwan representative office in Vilnius. The short-term solutions of [boosting US trade with Lithuania](#) used in this case are not easily replicable in other cases and in countries with more significant exposure, but individual cases such as this one can serve as one reference point for future responses.

The biggest shortfall in the joint effort to counter interference from the PRC is that the United States and Europe have, for the most part, not moved beyond defining a common analytical framework and engaging in information sharing. Both sides of the Atlantic find themselves in a situation in which joint responses are urgently needed—both in the short term, responding to concrete influence campaigns, and, strategically in the long term, to increase resilience in our own societies. Developing a shared language and analytical framework is in itself a formidable challenge, and the advances in this area should not be belittled. However, simply finding a common language and coordinating how we understand the threat environment tempts us to forget that any progress in this area does little by itself to counter threats. It is merely a precondition for being able to successfully address interference.

Even when it comes to a shared analytical framework for understanding information manipulation and interference, the United States and Europe are not perfectly aligned, and existing divisions are likely to be exacerbated in the coming years. One complicating consideration is the wide variety of tactics used to try to exert influence on our

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democracies that necessitate interagency coordination, as no single ministry or department in any country has sole responsibility for them. Then there is the remaining difference in language and the framework used to describe these initiatives in the United States and in Europe, as well as where each side puts the main focus.

European initiatives have focused on battling information manipulation and election interference, both of which are perceived as partisan and politicized issues in the United States, which has made it harder to deal with them honestly and effectively. With Donald Trump's re-election and one of the biggest enablers of authoritarian information manipulation—Elon Musk—tapped to lead a newly created Department of Government Efficiency” (DOGE) – this problem will become still more difficult to overcome. Meanwhile, there has been more reluctance in Europe to address areas such as malign interference at the subnational level or at universities. Overall, Europe is still more hesitant than the United States to call the PRC out explicitly, even where the evidence would clearly justify it. This is likely going to be exacerbated should trade conflict between the United States and Europe escalate, which would aid Beijing's effort to portray itself as Europe's solution for its “Trump problem”. While this would not resonate throughout all of Europe, it would likely help delay much-needed action to confront the PRC's blandishments.

There is significant fragmentation on the European side when it comes to legislation because the EU has no mandate when it comes to issues of national security. This means that not only do different parts of the counter-interference package need to be treated through different types of legislation, as none will cover all relevant aspects, but they need to be done in each member state individually as well. All of this complicates the response.

The United States and Europe should identify priority areas for transatlantic cooperation that enhance information sharing and move toward coordinating joint, real-time responses.

Priority areas for such coordination should be delineated based on both need and feasibility. We suggest the following:

- subnational interference: increasing our ability to respond to interference at the local level, especially where it aims to water down national/federal policy on China
- economic coercion: mitigating not just economic harm to countries targeted with economic coercion, but also the wider effect of these measures on other countries and future decision making (i.e., the intended effect of “killing the chicken to scare the monkeys”)
- jointly countering coercive actions taken by the CCP that targets journalists, researchers, activists, among others, to silence, discredit or marginalize them
- information manipulation and interference explicitly aimed at sowing divisions among the transatlantic partners and among the United States and Europe, their allies, and other interested parties in the Indo-Pacific region
- information manipulation and interference aimed to discredit the United States and Europe in countries of the “Global South”
- better legislation with respect to lobbying: In line with the findings of a 2024 report issued by Senator Jim Risch of the US Senate Foreign Relations Committee, we recommend a legislative initiative in Europe aimed at improving transparency with regard to lobbying and preempting various levels of elite capture.

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The Indo-Pacific agenda

The PRC's increasingly assertive posture abroad is most clearly visible in the Indo-Pacific theater, in particular, in the South China Sea, where aggressive air and naval actions and gray-zone operations to back unlawful maritime claims are common. Its territorial claims have also led to a prolonged boundary dispute with India, which turned a demilitarized border into a heavily militarized zone. Beijing has built strong security and economic partnerships across the Indian Ocean littoral. With a military base in Djibouti, construction of a PLA facility at Cambodia's Ream Naval Base, another expected in the western Indian Ocean, and regular patrols by submarine and subsurface vessels, these moves have sparked increasing tensions and naval competition in this region.

The PRC's economic coercion against South Korea, Australia, the Philippines, Taiwan, and others is well documented. Increasing political influence tied to its investments are pervasive, from Indian Ocean states such as the Maldives and Sri Lanka to the South Pacific. Countries in the region are also concerned about Sino-Russian military coordination in the Indo-Pacific, including air patrols and joint naval exercises near [Japan's main island](#), close to Taiwan, in the Arabian Sea, and in the Pacific as part of the [Ocean 2024 exercises](#), which involved around 400 naval vessels and more than 90,000 troops.

The United States has long recognized the Indo-Pacific region as [key to its security and prosperity](#). European debates on the region's future intensified in tandem with rising tensions with Beijing. From 2018–2019 on, France, Germany, the Netherlands, and the EU adopted their Indo-Pacific strategies, all of which underlined that regional dynamics would have a direct impact on European security and prosperity, especially since a majority of the trade of export-focused European economies transit the sea lanes of the Indian and Pacific oceans. With the PRC's growing presence evident on the European continent itself, many conversations about economic coercion and dependence and Beijing's role in critical infrastructure that were already happening in New Delhi, Canberra, and Tokyo began to be mirrored in European capitals.

The Biden administration made a conscious effort to coordinate policy across the Atlantic, recognizing the ["increasing regional role of France and the EU"](#), and included Europe in the network of allies and partners the United States sought to create to deal with China-related challenges in the Indo-Pacific. According to a senior EU official interviewed for this report, transatlantic cooperation on the Indo-Pacific benefited from the "maximum convergence" between the two sides. The EU-US Dialogue on China and Indo-Pacific consultations often took place back-to-back, given the interlinked nature of these talks.

In total, the United States and the EU have held six of these [High-Level Consultations on the Indo-Pacific](#), at the level of deputy secretary of state and secretary general of the European External Action Service. Even though the United States was taken by surprise by the EU Indo-Pacific strategy's focus on cooperation based on inclusivity, rather than a focus on competition with China, these consultations have become a useful mechanism of building trust, transparency, and dialogue. Issues covered included providing alternatives to Chinese infrastructure investment; maritime security and domain awareness; working with small island states on infrastructure, the "blue economy", and climate resilience; and diversifying partnerships across the region, including a strong focus on India. While Washington had advanced strategic dialogue with its "Quad" partners—Australia, India, and Japan—on all such issues, these consultations were critical to figuring out what the United States and Europe can do together in the Indo-Pacific.

However, US-Europe coordination on these issues was not always effective or smooth. Given the Biden administration's focus on creating flexible arrangements and building up the capacities of its strategic partners in

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the Indo-Pacific, at times came at the expense of Europe. The [trilateral security partnership with Australia and the United Kingdom, AUKUS](#), in 2021, was one such critical case.

AUKUS included deeper integration of security and defense technology and industrial bases between the three. The announcement included developing a nuclear-powered submarine capability for Australia by the early 2030s. While this was [welcomed with cautious optimism](#) in the Indo-Pacific region, Europe was in an uproar because AUKUS led Australia to cancel its planned acquisition of submarines from Paris. As the only EU country with a presence and capabilities in the Indo-Pacific, France fumed at this decision and took its complaint to the highest levels of the European Union. European officials saw AUKUS as a “clear setback” in transatlantic cooperation on the Indo-Pacific. While the United States was the chief architect of AUKUS, European officials note it was the most conciliatory in response. A phone call between the two presidents, Joe Biden and Emmanuel Macron, arrested the dive in US-France ties. However, it did upend the EU’s relationship with a key Indo-Pacific partner, Australia.

While the Biden administration worked in close consultation and coordination with its Quad partners on any new Indo-Pacific policy, this was not always the case with respect to its European allies. When the United States announced its [Partners in the new “Blue Pacific Initiative”](#) in 2022, it was described as an “inclusive, informal coordination initiative” to work with the various Pacific island states. The EU, France and Germany were “invited” to join, rather than consulted with, even though France retains a strong presence in the South Pacific and the EU already has a broad development partnership with the Pacific community. Officials cite this as one of a few instances where US-Europe coordination was post-factum. As a consequence, while Germany joined, France declined the invitation and there was no consensus inside the EU to join. It was only two years later that the US did course-correct and [held Indo-Pacific consultations with France in 2024](#), sharing assessments of political, security, and economic developments in the region.

Despite these challenges, if the second Trump administration conducts a stock taking of the Indo-Pacific consultations, it will see that Europe has made huge advances in its understanding of and investments in the region in the past five years. Germany and the Netherlands have joined France in sending frigates across the region, which transit the Taiwan Strait to uphold freedom of navigation. The EU, as well as individual member states, has pushed to diversify partnerships with Japan, Australia, and, most important, India, which is becoming a key partner as Europe “de-risks” its supply chains by shifting them away from China. If Germany, the Netherlands, or even the EU were to rewrite its Indo-Pacific strategic today, the result would not be watered-down versions focusing on cooperation with the PRC; instead, each would likely be a more robust document detailing how Europe seeks to compete regionally.

As the incoming Trump administration shifts policy focus to the Indo-Pacific and strengthening the Quad, Europe can be a critical partner, supplementing and complementing US initiatives in the region—including infrastructure through its [Global Gateway Initiative](#), security in the North West of the Indian Ocean through its [Coordinated Maritime Presence](#), strengthening maritime domain awareness and providing real-time data to littoral states, and in provision of public goods throughout the region.

For Europe, lack of consultation and coordination by the new Trump administration over the next four years may prove to be a bigger problem. It is nonetheless critical for Europe to demonstrate its ability to be a dependable partner to Washington in the Indo-Pacific, especially as it seeks to keep the United States engaged in Europe.

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Conclusion

As this paper has outlined, the stakes to get the transatlantic China agenda right are now high, both for the intrinsic economic and security issues at stake, and for the broader US-European relationship, which is at a crucial inflection point.

There is a benign version of events in which the Biden administration's sweeping efforts have laid the groundwork, and the Trump administration's harder-edged approach helps to push the more recalcitrant Europeans over the line to adopt a tougher set of allied China policies. In this scenario, European policymakers commit to building the long-term transatlantic framework for dealing with the PRC that their own interests demand, burned by their experience navigating the China-Russia partnership's impact on the European security order, facing a severe economic shock from PRC economic practices, and recognizing the critical need to deter any military aggression from Beijing over Taiwan. US policymakers use the threat of tougher measures on the Europeans to catalyze action but are ready to take "yes" for an answer if the European side is ready to step up on defense and sharpen its approach to the PRC. A transatlantic agreement on economic security, in which the two sides agree on coordinated measures across a range of priority sectors, bolsters both sides' competitiveness, trade and security goals, and serves as the center-piece of a wider cooperation framework, which ranges from squeezing Beijing's authoritarian partnerships to detailed contingency preparations for Taiwan.

A bleak alternative, on the other hand, sees fierce transatlantic divisions over the European security order, bilateral trade, tech regulation, and populist politics squash the China agenda down the pecking order, with the United States and Europe instead engaged in internecine economic and political battles. With the Atlanticists and PRC-skeptical political forces in Europe marginalized, another political coalition emerges which pushes a de facto "truce" with Beijing for the sake of easing the short term pain. At a time of such tensions with the United States, "stable" political ties with Beijing are deemed "essential". Europe tapers back defensive trade measures and slow-rolls any moves on outbound investment, export controls, and research security, except when forced to by US extraterritorial actions – and even then, does little to support enforcement. The harm to European industry from unprecedented Chinese export surpluses and excess capacities is blamed not on PRC economic practices but on "US protectionism" diverting Chinese products to the European market.

These and other scenarios detailed in the introduction are likely to depend as much on wider political and economic dynamics as on anything to do with China policy as such. But China policy remains one of the few areas where transatlantic interests are most closely aligned, and arguably the only issue of such strategic salience for US policy that it is worth making trade-offs in other areas of the US-European relationship if Europe is willing to move into deeper alignment. Which outcome prevails is likely to be determined in the first months of the Trump administration, not the first years. But the ramifications are likely to be felt for the next decade.