



U.S.-European Cooperation is at a Crossroads in the Indo-Pacific

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**This paper is a part of a series on Europe's evolving strategic vision for the Indo-Pacific.*

The Biden administration's efforts to engage Europe on the Indo-Pacific began with a tweet. On December 21, 2020, incoming National Security Advisor Jake Sullivan tweeted blandly that "The Biden-Harris administration would welcome early consultations with our European partners on our common concerns about China's economic practices." However, the tweet caused a stir, as the EU was finalizing a long-awaited Comprehensive Agreement on Investment (CAI) with China. Despite Sullivan's plea, the EU, at outgoing German Chancellor Angela Merkel's insistence, went ahead and signed the agreement on December 30. This was the crowning achievement of Germany's EU presidency and was seen as Merkel's last act on the European stage. It was also an ominous beginning to the Biden administration's efforts to engage Europe on China. Yet CAI is all but dead today. Shortly after coming into office, the Biden administration convinced the EU to issue joint sanctions¹ in response to Chinese human rights abuses. This prompted an aggressive Chinese response, including sanctioning members² of the European Parliament, which at that moment was assessing whether to ratify the CAI.

¹ Nicole Gaouette and James Frater, "US and allies announce sanctions against Chinese officials for 'serious human rights abuses' against Uyghurs," CNN, March 23, 2021, <https://www.cnn.com/2021/03/22/politics/us-eu-china-uyghur-sanctions/index.html>.

² Matthew Parry, "Chinese counter-sanctions on EU targets," European Parliamentary Research Service, May 2021, [https://www.europarl.europa.eu/RegData/etudes/ATAG/2021/690617/EPRS_ATA\(2021\)690617_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2021/690617/EPRS_ATA(2021)690617_EN.pdf).

The issue over the CAI demonstrates the conflicting forces at play within Europe in the Indo-Pacific. On the one hand, there are tremendous economic interests within Europe that are focused both on maintaining access to the China market, as well as encouraging Chinese investment into Europe. Many in Europe are wary about being blindly pulled into a new Cold War by what many see as an overly hawkish America. Yet on the other hand, there is growing European concern about over reliance on Chinese supply chains, market manipulation, and influence efforts. Many European countries, dependent on the U.S. for their security, are more than willing to support stronger efforts against China to maintain U.S. support. Additionally, European concerns about Chinese human rights abuses, as the CAI case attests, are significant. Lastly, there are significant structural challenges to forming a coherent European foreign policy. While Germany may want to expand economic engagement with China, it is the EU that handles trade policy for its member states. Similarly, while EU institutions are seeking to make the EU a stronger global actor, their ability to conduct foreign policy is often curtailed, as foreign policy remains the domain of its member states.

Since February 2022, the war in Ukraine has altered the balance of these conflicting forces. The German notion of “change through trade,” which held that engaging autocratic regimes economically would contribute to their liberalization, has been discredited by this war. As this was the main argument used to overcome human rights concerns, it is now more difficult to justify economic engagement with China. However, Europe, especially Germany, is facing an acute economic crisis instigated by Russia withholding natural gas and thus is eager to maintain access to the Chinese market.

The CAI case also demonstrates the Biden administration’s focus on China and a new desire on the part of the United States to coordinate policy with Europe on the Indo-Pacific. At his first address at NATO headquarters in Brussels, Secretary of State Antony Blinken mentioned³ China 12 times and Russia just four times. The U.S. made it clear to its European allies that it wants them to focus on China as well. But to what extent exactly is unclear. The United States has conveyed

³ Antony J. Blinken, “Reaffirming and Reimagining America’s Alliances,” speech, NATO Headquarters Agora, March 24, 2021, Brussels, Belgium, transcript and YouTube video, U.S. Embassy & Consulates in Russia, <https://ru.usembassy.gov/reaffirming-and-reimagining-americas-alliances-speech-by-secretary-blinken-at-nato-headquarters/>.

the importance of China, yet it has not offered a clear vision for the role it wants Europe to play in the Indo-Pacific.

This prompted some to argue that what is needed is a division of labor where the U.S. focuses on China and Europe on Russia. While elegant in theory, the reality is that Europe has tremendous interests, influence and capabilities to offer in the Indo-Pacific. Additionally, U.S.-EU cooperation has the potential to significantly shape the global economy and, therefore, the world order. The EU's economy is the same size as the United States and China. The EU is a regulatory superpower, shaping the rules of the global economy. And Europeans, despite having underinvested in their militaries and facing a distinct threat from Russia, have military capacity that could aid the U.S. and other Indo-Pacific allies.

The Biden administration has rejected the notion of a division of labor and instead has sought to both strengthen the bilateral U.S.-EU relationship and develop the engagement between the U.S. and Europe on the Indo-Pacific region. This has challenged U.S. policy makers to engage Europe in new ways beyond its standard NATO-focused engagement. Two years into the Biden administration significant progress has been made in resetting relations with Europe and setting up the diplomatic structures for deeper cooperation. Yet the question now is whether these structures can actually deliver tangible outcomes. All the while, new issues emerge to complicate engagement on the Indo-Pacific, from the war in Ukraine, Europe's energy and economic crisis, and the potential for new transatlantic trade disputes over clean energy industries.

This issue brief assesses potential areas for transatlantic cooperation in the Indo-Pacific. The U.S. should seek to leverage Europe's strengths: its relative openness to trade; its regulatory prowess; its commitment to climate, human rights and democracy; and its diplomatic potential. There are several areas where Europe has a comparative advantage over the United States in the Indo-Pacific, especially given the EU's lack of recent history in the region and the perception that it is less focused on countering China.

Background

There is growing alignment between the U.S. and Europe on China. While the United States views China as the “pacing threat” and sees the threat of China more acutely than Europe, there has been a notable shift toward a more hawkish European stance. The EU’s release of an Indo-Pacific strategy and the description of China as a “systemic rival”⁴ reflects growing concern. In its new strategic concept,⁵ NATO acknowledged that China’s “stated ambitions and coercive policies challenge our interests, security, and values.” As noted, the EU also adopted sanctions against China for its human rights abuses and is taking efforts to strengthen investment screening and counter market distorting practices. Yet there are a few challenges to closer transatlantic coordination and cooperation.

First, China is an incredibly important market for Europe. The economic importance of access to the Chinese market will grow in the near term, as Europe faces economic contraction instigated by soaring energy prices. German Chancellor Olaf Scholz was the first foreign leader to meet with President Xi Jinping following his coronation at China’s party congress. Just as his predecessor sought an EU economic agreement with China, Scholz clearly sought to maintain market access for German companies. The trip was widely criticized, not just in the United States, but in Europe, as well. Instead of demonstrating a united European or transatlantic approach, Scholz clearly looked out only for German core economic interests. Meanwhile, Germany’s decision to allow a Chinese company to buy part of the Hamburg port sets a precedent for more Chinese acquisitions of critical infrastructure across Europe. An economic downturn in Europe, may prompt China to make additional strategic investments, just as it bought the Port of Piraeus in Greece following the eurozone crisis.

Second, there are concerns, especially in Paris and Berlin, about blindly following America into a new Cold War. While Paris is quite concerned about China and is an important player in the Indo-Pacific, President Macron still expresses wariness about following the direction set by the U.S. When Franco-American relations ruptured over the AUKUS submarine deal and Australia’s cancellation of its submarine acquisition from France in September 2021, the French rightly fumed

⁴ Hans Von Der Burchard, “EU slams China as ‘systemic rival’ as trade tension rises,” *POLITICO Pro*, March 12, 2019, <https://www.politico.eu/article/eu-slams-china-as-systemic-rival-as-trade-tension-rises/>.

⁵ “NATO 2022 Strategic Concept,” NATO, June 29, 2022, https://www.nato.int/nato_static_fl2014/assets/pdf/2022/6/pdf/290622-strategic-concept.pdf.

that the U.S. had just undercut a key plank of France's Indo-Pacific strategy and had severely undermined Franco-Australian relations.

Third, coordinating with Europe in the Indo-Pacific will require the U.S. develop a close relationship with the European Union. The United States has not historically had particularly robust relations with the European Union. The U.S. has preferred to work with individual European countries through NATO. This has meant U.S.-EU relations have been characterized by zero-sum disputes over parochial trade issues. Thus, one major challenge is to make the U.S.-EU a more strategic relationship. The U.S. and EU have established a Trade and Technology Council (TTC), as well as dialogues on China and security. These create an important venue for positions and approaches and help develop working relationships. Furthermore, the strong U.S.-EU sanctions response to Russia's invasion of Ukraine has demonstrated the value in U.S.-EU cooperation.

Fourth, the EU will struggle to have a coherent unified approach, especially given the parochial economic interests of Europe's member states. There is often a tension between EU foreign policy and the foreign policy of its member states, especially over who speaks for Europe. The EU has been susceptible to Chinese "salami-slicing" tactics that seek to cultivate relations with a few select EU countries that can serve to block or prevent a common EU position. The EU, for instance, has struggled in the past to put forth resolutions condemning Chinese actions in the South China Sea due to a veto from Hungary. While China has sought to develop its bilateral relations through formats, such as the 16+1 arrangement, that cut out the EU and states hawkish on China.

Fifth, Europe will remain intensely focused on Russia, while U.S. attention is likely to shift to the Pacific. Transatlantic relations are likely at a high-water mark, as the U.S. has significantly focused on Europe since the war in Ukraine. But attention is starting to shift back to Asia, as demonstrated by the release in October 2022 of the U.S. National Security Strategy (NSS) and National Defense Strategy (NDS) which both prioritize China. As U.S. attention shifts, Europeans will likely become more on edge.

Lastly, Europeans are nervous about the future direction of the United States and may seek to hedge their bets. The Trump years were fairly traumatizing for many European leaders. Europeans

fear Trump may return to the White House in 2024 or that America will have another president, who adopts a belligerent approach toward both Europe and China. Thus, there is an inclination to avoid blindly following the U.S. on China policy and for Europe to maintain some distance and independence from Washington.

Next Steps

To navigate these challenges, the U.S. needs to prioritize cooperation with the EU. U.S. engagement should put Chinese human rights issues front and center, as well as make China-Russia cooperation a major topic in its engagement with the EU.

Economic

U.S. and EU cooperation on economic issues in the Indo-Pacific fundamentally requires first strengthening transatlantic economic cooperation. If transatlantic economic relations are consumed by acrimonious trade disputes or bitter regulatory battles, it is unlikely there will be progress. Conversely, if the EU and U.S. are economically aligned, setting regulatory standards, cooperating on supply chains and clean energy standards, this will have an impact on the Indo-Pacific. The U.S., EU, and China are roughly of equivalent economic size, which means U.S.-EU alignment has global effect.

This was the main motivation in Washington behind its embrace of the U.S.-EU Trade and Technology Council (TTC). The TTC is an effort to get the U.S. and EU, two huge complex federal unions, more aligned and to try to resolve problems before they fester into wider disputes. The TTC, which launched in the fall of 2021, was motivated by the need to, as the White House press release⁶ stated, write the “rules of the road for the 21st century economy.” For Washington, the TTC was not so much about strengthening transatlantic relations but to address China. By getting on the same page, the U.S. and EU could use their market size and heft to push back on growing Chinese influence. The EU is a regulatory superpower that is leading the way in regulating advanced technology, such as AI. The EU takes pride in the so-called “Brussels effect” whereby EU regulations tend to set the rules of the global economic road.

⁶ “FACT SHEET: U.S.-EU Establish Common Principles to Update the Rules for the 21st Century Economy at Inaugural Trade and Technology Council Meeting,” The White House, September 29, 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/09/29/fact-sheet-u-s-eu-establish-common-principles-to-update-the-rules-for-the-21st-century-economy-at-inaugural-trade-and-technology-council-meeting/>.

The TTC is clearly highly valued by the White House. The newly released U.S. National Security Strategy assesses that “The newly established U.S.-EU Trade and Technology Council is coordinating approaches to setting the rules of the road on global technology, economic, and trade issues based on shared democratic values.” The Biden administration also put the TTC in the same category with the Quad and AUKUS, demonstrating its significance to broader U.S. strategy.

Furthermore, U.S.-EU joint action on sanctions has proved increasingly potent, whether directed against Russia, Iran, or China. Joint sanctions and export controls are far more impactful if done jointly. However, the recent export controls directed against China’s semi-conductor industry caught European allies by surprise. The U.S. has now asked the EU to consider following suit. But the EU is unlikely⁷ to do so, given splits⁸ within Europe over the issue and concerns about “buy American” provisions in new U.S. climate legislation.

Climate

The EU and U.S. have both undertaken significant steps this year to accelerate the clean energy transition. The question is whether the EU and U.S. can align their decarbonization efforts. If they can align, it could have significant implications on the Indo-Pacific.

The EU, long a global climate leader, is now undertaking a tremendously rapid energy transition. Spurred by the need to decouple from Russian gas, the European Union is doing whatever it takes to get through the next few winters. And this includes massive investments in renewables, which are likely to accelerate the energy transition. For instance, the number of solar panels imported from China rose⁹ from U.S. \$1 billion a month to U.S. \$2.5 billion a month. Thus, one side effect of Europe’s decoupling from Russian gas may be greater reliance on China’s green industrial capacity. Furthermore, European acquisitions of Liquefied Natural Gas (LNG) has raised prices globally, putting greater strain on LNG importers in Asia.

⁷ Gavin Bade and Mark Scott, “America needs Europe to curb Chinese tech. It isn’t excited to help,” *POLITICO Pro*, November 4, 2022, <https://subscriber.politicopro.com/article/2022/11/america-needs-europe-to-curb-chinese-tech-it-isnt-excited-to-help-00065213?source=email>.

⁸ Gavin Bade, “U.S. and Europe trade agendas diverge on energy, China,” *POLITICO*, November 7, 2022, <https://www.politico.com/newsletters/weekly-trade/2022/11/07/u-s-and-europe-trade-agendas-diverge-on-energy-china-00065369>.

⁹ Karl Mathiesen et al., “Putin’s war accelerates the EU’s fossil fuel detox,” *POLITICO Pro*, October 12, 2022, <https://www.politico.eu/article/vladimir-putin-war-ukraine-accelerates-eu-fossil-fuel-detox/>.

Additionally, having prioritized a rapid clean energy transition, the EU will strongly encourage others to do the same. Through its Carbon Border Adjustment Mechanism (CBAM), essentially a carbon tariff, the EU will impose additional costs on the imports of goods from countries that lack carbon pricing and are from certain carbon intensive sectors. Thus, the EU will use the power of its market to incentivize climate action.

The U.S., long a climate laggard, has recently adopted historic legislation with significant geopolitical implications. The Inflation Reduction Act will spur tremendous federal investment in the energy transition and in developing America's clean energy industries. However, the EU is currently angered by the "buy American provisions" in the Inflation Reduction Act. The intention of these provisions was to prevent U.S. taxpayer subsidies from going to Chinese businesses. But because there is no free trade agreement with the EU, the legislation could also lock out European companies from the American market. This has the potential to lead to a new trade war, with the EU taking retaliatory actions. The EU is mulling its own "buy European" provisions and could potentially use CBAM to retaliate. The EU has already said it sees these provisions as a violation of World Trade Organization rules.¹⁰

These climate issues are critical to the Indo-Pacific. Whether the U.S. and EU relationship descends into acrimony over climate or whether they cooperate and create a robust transatlantic market in clean technologies will have a tremendous global impact. Should the U.S. and EU succeed in both developing vibrant clean energy technologies, U.S. and European companies also will look abroad for business. Moreover, both the U.S. and EU will be looking to secure supply chains and critical minerals needed for the energy transition.

The potential for U.S. and EU climate cooperation was evident at the United Nations' 2021 COP global climate conference. There, the U.S. and EU announced a Green Steel Deal, which would in effect jointly raise tariffs against dirty Chinese steel. However, there has been little discussion of

¹⁰ Gavin Bade, "U.S. and Europe trade agendas diverge on energy, China," *POLITICO*, November 7, 2022, <https://www.politico.com/newsletters/weekly-trade/2022/11/07/u-s-and-europe-trade-agendas-diverge-on-energy-china-00065369>.

this agreement in the last year, demonstrating the difficulties in getting both the U.S. and EU on the same page.

Trade

The EU should be encouraged to deepen its trade ties with the Indo-Pacific. The U.S. departure from the Trans-Pacific Partnership (TPP) left a significant gap, with the loss of a major market to anchor the agreement. The EU could potentially offer such a market, as the EU has not turned against trade as forcefully as the United States and has recently reached agreements with Canada in 2017 and Japan in 2019.

The Biden administration has not pursued new free trade agreements, in no small measure due to the lack of congressional support. Thus, the U.S. has turned to other mechanisms like the TTC and the newly created the Indo-Pacific Economic Framework (IPEF). However, IPEF is viewed as a “second-best option”¹¹ compared to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). IPEF is not a trade agreement and is instead intended to foster cooperation through workstreams in multiple areas such as trade, supply chain resilience, infrastructure, decarbonization, tax, and anti-corruption. But whether IPEF can make significant advances is uncertain. As an April 2022 CSIS study¹² found, “Many Indo-Pacific governments remain particularly frustrated by the U.S. government’s unwillingness to offer greater market access in the United States, a position that U.S. officials have reiterated again and again.”

There is an opening for Europe in the Indo-Pacific on trade. A Lowy Institute report¹³ concluded that “The European Union (EU) is the only global actor with the trade preferences and requisite economic heft to provide a similar anchoring function for market-orientated trade as was envisioned for the United States in the CPTPP.” The Lowy Institute report went on to assess that “The EU has the potential to become a regional trade policy counterweight to China... Adding a trading bloc the size of the EU would significantly increase the coverage of the CPTPP, solidify

¹¹ Matthew P. Goodman and Aidan Arasasingham, “Regional Perspectives on the Indo-Pacific Economic Framework,” CSIS Briefs, Center for Strategic and International Studies, April 2022, https://csis-website-prod.s3.amazonaws.com/s3fspublic/publication/220411_Goodman_IPEF_Regional_Perspectives.pdf?EaiXVytJ9iXGoMnYVvXZWa13mHrFY_dh.

¹² Ibid.

¹³ Peter Draper and Naoise McDonagh, “The missing anchor: Why the EU should join the CPTPP,” Policy Brief, Lowy Institute, October 20, 2021, <https://www.lowyinstitute.org/publications/missing-anchor-why-eu-should-join-cptpp>.

its liberal and global character, and strengthen CPTPP members' ability to maintain the agreement's high standards and inclusive nature in possible accession talks with China.”

The EU may be reluctant to join CPTPP as this was originally a U.S. negotiated trading agreement and the EU is loath to join trade arrangements it has not led or shaped. Joining CPTPP would, therefore, be a substantial bureaucratic lift and there are sectors, such as data privacy that could be significant obstacles. But Japanese researcher, Jo Tamura, argues¹⁴ that the EU would have significant bargaining power with other CPTPP signatories should it seek to join. Patrick Allard and Frederic Grare from the European Council on Foreign Relations also note¹⁵ the strategic opportunity it presents for Europe. “If it [the EU] does not join, the EU will face the opportunity-cost of being a mere witness to East Asian or Indo-Pacific integration rather than being an actor playing a part in it.”

The Biden administration should encourage the EU to consider joining the CPTPP in high level engagements with both EU officials and other European leaders. The U.S. can also help play the role of matchmaker by encouraging its Asian partners to engage the EU, as well.

Diplomatic Engagement and Regional Security Cooperation

The U.S. should seek to leverage the diplomatic, economic, and military strengths of its European partners. There are several countries in the Indo-Pacific that are wary of the United States and are cautious about cooperating with the U.S., especially on defense and national security. The history of American engagement can create limitations on the depth of cooperation. For instance, India remembers the imposition of nuclear-related sanctions in the 1990s, as well as long standing U.S. support for Pakistan, including during the genocidal war between West and East Pakistan. In Vietnam, the U.S. fought a long, bloody war that it is still cleaning up. In the Philippines, the U.S. has a defense treaty and also a legacy of colonialism. The U.S. often struggles to give away its security assistance in Southeast Asia, as it would provide significantly more military aid to countries like Indonesia or Vietnam if there was the willingness amongst these partners.

¹⁴ Jo Tamura, “Can the EU Save the CPTPP?” *The Diplomat*, June 8, 2022, <https://thediplomat.com/2022/06/can-the-eu-save-the-cptpp/>.

¹⁵ Patrick Allard and Frédéric Grare, “European trade and strategy in the Indo-Pacific: Why the EU should join the CPTPP,” European Council on Foreign Relations, December 1, 2021, <https://ecfr.eu/article/european-trade-and-strategy-in-the-indo-pacific-why-the-eu-should-join-the-cptpp/>.

These are all relationships with limits when it comes to cooperation with the United States that could create openings for Europe. India, for instance will look to diversify away from its dependence on the Russian defense industry. But India is not going to simply pivot to a dependence on the United States' defense industry. It will look to a diverse set of arms suppliers and will seek to develop its own industry. Thus, India will look to countries like France or Germany, where there is not a long history of relations, and may have an important comparative advantage in developing a defense industrial relationship. The EU is, thus, very well placed in engaging the Indo-Pacific, since it was only formed in 1993 and is not well understood in the region. The EU, for instance, has established a trade and technology council with India and German Chancellor Scholz hosted Prime Minister Modi in June 2022.

The U.S. should, therefore, encourage other European countries to prioritize developing relationships in the region and should coordinate these efforts, creating an informal diplomatic division of labor. Certain European countries could prioritize engagement with particular Indo-Pacific countries. Thus, one could see in a few years' time a strong Franco-Indian relationship, while the EU-Indonesian relationship greatly develops, as does German-Vietnamese relations.

Defense and Security

There remains uncertainty over what the U.S. wants from Europeans militarily in the Indo-Pacific. It is clear the United States wants Europe to focus more on China and the threat it poses. NATO's strategic concept, which was released at the Madrid Summit, addressed China for the first time. There have also been efforts to expand connections between Europe and the Indo-Pacific, as demonstrated by Australia, Japan, Korea, and New Zealand all attending NATO's Madrid summit in June 2022. But it is not clear what the U.S. and Indo-Pacific partners should ask of Europeans militarily, especially as there is a war raging in Europe.

One line of thinking in Washington is that there should increasingly be a division of labor, with Europe focusing on Russia and the U.S. on China. These arguments have grown following Russia's poor military performance in Ukraine. Europe, it is believed, could deter Russian aggression and now has time to build up its forces, allowing the U.S. to focus on China. This line of thinking would take a dim view of European efforts to demonstrate presence in the Indo-Pacific. For

instance, European navies have made a point of conducting freedom of navigation operations (FONOPS) through the South China Sea. Notably, Germany sent a frigate. France and the UK are also quite active. These signaling exercises matter but perhaps should not be the focus of European militaries.

The Biden administration has rejected notions of a division of labor, rightly noting that European security is vitally important to the U.S. But perhaps wrongly insisting that the U.S. can focus on both theaters simultaneously. Any stark dividing line in division of labor is just impractical, given European interests in Asia—France after all has French territories in the Indo-Pacific, the UK has extensive relationships and military presence, and the overall importance of Indo-Pacific trade. Instead, the U.S. should seek to leverage Europe's newfound focus on security to strengthen security in the Indo-Pacific.

The massive investment that is currently underway in rebuilding European defense capacity will have more impact on China and the Indo-Pacific than a handful of FONOPs. Investments by Europe in fighter aircraft, missile defense, and critically ready and deployable forces will significantly boost Europe's military credibility. These military capabilities could enable the U.S. to redeploy assets from Europe to the Indo-Pacific and not lose confidence in Europe's ability to defend itself. But these military assets should also be seen as contributing to America's overall combat capacity in the Indo-Pacific. Should a crisis erupt in the Indo-Pacific, it should be expected at least some European countries would send forces and capabilities to augment allied forces in the Pacific, just as NATO forces deployed to Afghanistan.

In either case, what is critical is that Europe is part of the thinking, strategizing, and planning for Indo-Pacific contingencies. Including Europeans in these discussions will better prepare the transatlantic alliance should there need to be an abrupt pivot away from Europe. The Biden administration strongly encouraging Europe to think more about Indo-Pacific security is an important first step.

But the United States also should be urgently pressing Europeans to develop redundancies in equipment capabilities where the United States military is stretched and where the U.S. may need

to move precious assets to the Indo-Pacific. These include critical enabling capabilities, such as strategic air lift to transport forces; air tankers to refuel fighter jets; high altitude drones for intelligence, surveillance, and reconnaissance (ISR); and missile defense. Investing in these capabilities will make Europe more “strategically autonomous,” but also will make Europe a more useful partner to the U.S., as well as countries in the Indo-Pacific.

Additionally, there is great potential in expanding defense industrial ties between Europe and the Indo-Pacific. The war in Ukraine has exposed the hollowness of the allied industrial base. The U.S. is having difficulties ramping up production. In Europe, the situation is even worse where there is an urgent need to ramp up production, but also new opportunities. The Polish decision to procure Korean tanks and artillery should, therefore, be seen as a positive step. Not only will this support Korea’s defense industry, but also it will provide a frontline European state with high quality NATO-compatible equipment. European-Asian defense trade should be encouraged, as arms sales help build diplomatic ties between countries and increase understanding. This is a major diplomatic motivation for American arms sales and a big reason why European states, particularly in Eastern Europe, buy American. But while the U.S. industry benefits financially from sales to Europe, defense sales to Europe provide marginal diplomatic benefits to the United States, since the U.S. already has robust diplomatic relations with Europe through the NATO alliance. There is, thus, much more to gain strategically for the United States in encouraging increasing defense trade between its European and Asian allies, where the relationships are much shallower.

Conclusion

There is tremendous potential for both the U.S.-EU relationship and for Europe’s engagement in the Indo-Pacific. The two are in fact tied together. The stronger U.S. and EU relations become, the more these two democratic unions will do together in the Indo-Pacific.

While the Biden administration has used its first two years to successfully reset relations with Europe and lay the foundation for a strong U.S.-EU partnership, there are challenges ahead. Europe is uncertain about being pulled into an American-led new Cold War with China, especially as the direction of the U.S. may be significantly altered by the 2024 presidential election. After Ukraine, Europe realizes the need to reduce dependence on autocracies. But, at the same time, the economic

headwinds also will create opportunities for China to pull Europe in and divide it. The U.S. and EU have successfully moved beyond the acrimonious trade disputes that roiled relations during the Trump administration. Although, new trade disputes are emerging when it comes to clean energy.

The Biden administration will need to navigate these issues with energy and dexterity. It also will need to show results from its efforts—both to Europe and to a Washington still skeptical about EU engagement. There is tremendous potential for the U.S. and EU to cooperate, to become more aligned economically and on climate, and to coordinate its diplomatic efforts. Europe’s renewed increase in defense spending also will make it a more potent geopolitical actor and partner in the Indo-Pacific. The U.S. and EU now see the great opportunity to be had in strengthening relations. The hard part will be seizing it.

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