Emerging Insights

Transatlantic China Policy: In Search of an Endgame

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EXECUTIVE SUMMARY

While China policy has changed markedly on both sides of the Atlantic in the past decade, transatlantic cooperation on China remains limited in extent and impact, ad hoc and reactive. Yet enhanced pooling of efforts and more systematic cooperation promises increased policy effectiveness. This paper investigates the reasons for this limited cooperation on China in three separate but related domains: economics; security; and the multilateral system and global norms. It identifies where there is a need for better mutual understanding of divergent positions, and where and through what mechanisms cooperation might be strengthened.

The transatlantic partners agree that China represents a challenge, even a threat. There is consensus on the need for de-risking, on the desire to maintain the security status quo in the Indo-Pacific, and on the need to counter China’s actions on the world stage. In its specifics, however, the challenge looks different on each side of the Atlantic. The US is concerned about threats to its technological, military and economic leadership, whereas Europe’s focus is on the risks of economic dependency, with some concern about China’s agenda for global governance. There is also significant divergence between European countries, which makes even a common European position challenging.

• In the economic domain, countries have different interpretations and priorities for de-risking. The US prioritises defending its leadership in certain key technologies, while European countries focus on diversifying their economic relationship with China and maintaining strong commercial connections. There is also a difference of pace and urgency, with the US wanting to move more quickly than most European countries.

• In the security domain, there is consensus across the Atlantic on the need to uphold the existing Indo-Pacific order against Beijing’s attempts to overturn it. In contrast with the US’s dominant role on security matters in the Indo-Pacific, European partners are best placed to do more in non-traditional security domains and to strengthen economic deterrence. Continued European reliance on the US security umbrella in Europe suggests the need for an explicit transatlantic discussion on how security efforts in Europe and the Indo-Pacific link together.

• On the multilateral system and global norms, there is agreement on the challenge but divergence on specifics. Recent years have seen a more cohesive G7 and its informal expansion at times to a G7+. However, the transatlantic partners have done much less than China in proposing an updated vision of global governance that is appealing to the Global South.

Effective transatlantic cooperation requires alignment, if not agreement, on the urgency and severity of the challenge posed by China. But joint action demands specifics and granularity and, on this level, there is as much
disagreement as agreement. More effective transatlantic cooperation begins with the recognition of this plurality.

In order to strengthen transatlantic cooperation, this paper proposes that partners invest in a process that articulates a realistic shared vision for future China relations; a target ‘endgame’ to guide cooperation. Without a clear view of what future relations with China would look like, it is hard to develop policy and judge if that policy is appropriate or effective. The different positions on each side of the Atlantic mean that there is also benefit in investing in a structured transatlantic process to narrow perception gaps about the risks and benefits that China brings. The security domain offers the greatest potential for increased clarity on roles and activities.

INTRODUCTION

Over the past decade, China policy in North America and Europe has shifted dramatically from seeing Beijing primarily as an economic partner of choice to framing it as an economic, technological, diplomatic and security challenge. This transformation has been accelerated by changes in China as Xi Jinping, the general secretary of the Chinese Communist Party, has centralised power, curbed opposition and adopted a more assertive foreign and security policy. Understanding that such an ‘epoch-defining challenge’, as the UK government puts it, requires a coordinated and comprehensive response, the US and its key allies have toughened their policies towards China and explored various forms of policy coordination across a wide spectrum of issues.¹

Coordination both enhances policy effectiveness (for example, on technology controls) and allows cost- and burden-sharing (for example, on security provision). However, the transatlantic approach to date remains more reactive and ad hoc than systematic and cooperative. Effective cooperation requires more than a list of abstract principles and disparate grievances about aspects of the current challenge. It requires the governments concerned to have a clearer view of an ‘endgame’, in other words, to articulate the outlines of a desirable future relationship with China.

This paper concludes a Chatham House–RUSI research project (supported by the Carnegie Corporation of New York) focused on transatlantic cooperation in the Indo-Pacific.² The first paper in the project profiled the priorities of

the US and Europe in the Indo-Pacific. The second reviewed how key Indo-Pacific partners assessed this engagement. This final paper outlines the limits and possibilities of transatlantic cooperation by examining the current state of China policy in key areas of mutual interest. It explores the extent to which transatlantic partners’ objectives, both explicit and implicit, are truly shared, and considers how to best manage divergent interests within a broader frame of cooperation. The paper seeks to clarify the tensions in discussions about transatlantic China policy, rather than exhaustively examining all China-related questions. Understanding these perspectives, and their underlying rationales, is vital for effective future transatlantic cooperation on China.

The research for this paper is situated within the findings of several studies that approached aspects of this subject between 2019 and 2022. The paper is designed to complement these studies by eliciting observations and proposals from policy practitioners (public officials and experts) drawn from across the US and Europe who agreed to discuss possible endgames for their respective China policies. Workshops with these practitioners were held throughout 2023 in London, Berlin and Washington, DC with the aim of promoting a forward-looking debate among key policymakers about the trajectory of transatlantic China policies in the areas of economics, security and global governance. Participants were selected based on their seniority, expertise and breadth of professional backgrounds, spanning.

foreign ministries, defence ministries, intelligence agencies, think tanks, academia and the private sector. In all, workshop participants joined from all the largest transatlantic countries to provide a diversity of views. The workshops applied the Chatham House Rule to ensure that participants could speak openly about sensitive issues. Clarity on areas of divergence as well as convergence is vital to fostering deeper cooperation on China that fully accounts for the financial and other costs that accompany – but should not outweigh – the benefits of cooperation.

This paper has three sections, reflecting the three domains at the heart of transatlantic China policies: economics; security; and the contest for the multilateral system and global norms. These domains are interlinked but reflect distinct areas of policy focus. The paper argues that, in the economic domain, the absence of a shared vision for the preferred future relationship with China makes it difficult to reach agreement, both on the scale of sacrifice justified in gaining the strategic payoff and on how to distribute the cost. In the security domain, differences in capacity and role specialisation produce complementarities that can make cooperation more effective, through a division of labour. When it comes to the multilateral system and norms, transatlantic cooperation has been most effective in the context of a revived, more prominent role for the G7 (at the expense of the G20), its informal extension to a G7+, and the formation of new issue-specific minilateral frameworks. The outlook in established multilateral institutions is cloudier. While the G7+ now cooperate more effectively at a tactical level to counter China’s growing influence, they do not offer a common and compelling grand narrative about world order. US engagement is particularly prone to change depending on the administration. In light of this, purchase on the wider global governance agenda is faltering.

**ECONOMICS**

The biggest shifts in China policy across the US and Europe have come on the economic front. Liberal democracies have substantially reassessed the risks and rewards of doing business with and in China. After some initial calls for a broad ‘decoupling’ from China, the US, Canada, Japan and key European allies settled on the concept of ‘de-risking’ at the G7 leaders’ meeting in Hiroshima, Japan, in May 2023. However, according to a participant in the London workshop, ‘De-risking is ambiguous. It can mean all things to all people’.

For China, ‘de-risking is just decoupling in disguise’, added another participant, quoting Chinese state media. One objective of the workshops was to identify areas of agreement and substantive divergence

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among transatlantic partners on de-risking, as well as promoting more open recognition of these tensions.

There was broad consensus about the economic risks posed by China. These included: a perceived over-reliance on China for critical imports such as processed rare earth minerals; Beijing’s use of outbound direct investment and research partnerships to acquire sensitive, often dual-use, technologies; and the presence of forced labour in some, especially Xinjiang-linked, supply chains. These come on top of longstanding concerns about intellectual property theft and lack of reciprocal market access. China’s use of economic coercion – for example, against Lithuania and Australia – was also mentioned, although less frequently by US participants.  

Across Europe and the US, governments have implemented a range of defensive measures to mitigate these risks. These include enhanced inbound investment screening; intensified scrutiny of Chinese university partnerships and research students; export controls; legislation to ban the use of forced labour in supply chains; and the EU’s Anti-Coercion Instrument. The modest extent of cooperation in this area is made clear by the varied scope and stringency of these measures, both between EU member states and between Europe and the US, especially relating to outbound investment and export controls, where the policy debate has only just started in Europe. This reflects differing views on the scale and urgency of the risks relative to the benefits of continuing economic engagement. Such differences come in part from different starting points: unlike Europe, the US is a global military and technology leader and therefore faces unique risks to its power from China’s growing technological sophistication.

This fissure on the extent and purpose of de-risking emerged during the workshops. The US is seeking to maintain its technological lead over China, not to simply reduce risks; in the words of National Security Advisor Jake Sullivan, the US wants to keep a ‘small yard and high fence’ to protect key US technologies from China. In September 2022 he said: ‘Given the foundational nature of certain technologies, such as advanced logic and memory chips, we must maintain as large of a lead as possible’. Treasury Secretary Janet Yellen

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has since argued that measures would be ‘transparent, narrowly scoped, and targeted to clear objectives ... not used by us to gain economic advantage’.\(^1\) Indeed, US commercial engagement with China remains strong outside the targeted technologies. Workshop participants acknowledged, however, that these targeted technologies are inherently dual use. As such, export controls also affect China’s economic development. For some, this is an inescapable by-product of the national security objective, for others, a welcome brake on China’s growth. Many workshop participants were concerned that the yard would get bigger and the fence higher as US–China relations became locked in an escalating cycle of economic countermeasures.

The European perspective is different. As one participant put it: ‘De-risking is a question of degree and time: the US wants a rapid de-risking. Italy and many others in the EU agree with de-risking, but don’t want to move so quickly or widely’.\(^2\) For Europe, resilience and diversification in the face of China’s coercive use of trade relations are the priorities, which by and large allow the benefits of bilateral trade and investment to continue. The large business delegations that German Chancellor Olaf Scholz and French President Emmanuel Macron took to Beijing in 2022 and 2023 suggest that the EU’s biggest economies remain hopeful about economic opportunities, despite the continuing challenges facing China’s now slower-growth economy.\(^3\) Other European workshop participants made clear their appetite to partner with China to gain access to electric vehicle technology. Given China’s leadership in renewable technologies, workshop participants questioned whether there could be a ‘green Europe’ without China.

The US drive to maintain technological and economic supremacy over China is intimately linked to the Biden (and previously the Trump) administration’s efforts to revitilise the US economy through trade protectionism and industrial policy. The Biden administration is quite explicit about its pursuit of a ‘foreign policy for the middle class’.\(^4\) The adoption of large subsidies and incentives for those investing in the US, under the 2022 CHIPS and Science Act

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4. The White House, ‘Remarks by President Biden on America’s Place in the World’, 4 February 2021, <https://www.whitehouse.gov/briefing-room/speeches-
and the 2022 Inflation Reduction Act (IRA), represents a direct competitive threat to the industrial development of European nations, which seem less able to offer similar incentives for companies to invest in Europe. Although one participant in the Washington, DC workshop argued that the CHIPS Act and the IRA would present companies from key ally states with substantial opportunities to invest in the US, most officials and experts acknowledged that this is a fundamental tension in transatlantic China policy.

Numerous joint statements from US and European leaders have called for cooperation on supply chain resilience and coordination in combating China’s use of economic coercion. The 13-member Minerals Security Partnership is a rare example of transatlantic cooperation (and beyond) to secure resilient supply chains. Other initiatives are not transatlantic in nature. For the US, both the Indo-Pacific Economic Framework for Prosperity (IPEF) and the Quad plan to address supply chain resilience in broad terms, while numerous European initiatives do not include the US.

Beyond rare earth minerals, however, participants across the three workshops argued that many countries have yet to work out which are the most critical economic chokepoints and what are the realistic options for diversification. A participant in the Berlin workshop said: ‘On economic security, there are so many instruments that often the tail is wagging the dog’. Another suggested that: ‘We need to ask what we want to achieve, and we need to differentiate between trade volume and trade quality. What is “safe” trade with China? There’s a difference between dependence and vulnerability’. Workshop participants from Eastern Europe placed a greater urgency on diversifying away from China than did those from southern Europe. According to one: ‘We are already decoupling and learning lessons from Russia’.

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17. Participants in Washington, DC workshop, 12 September 2023.


However, the results of EU risk assessments are more consistent with US policy than might be suggested by these differing views across Europe and the lack of an analytical mechanism supporting transatlantic cooperation; the first proposed set of restricted export technologies from the EU mirrors the US list.\(^{23}\)

Participants also highlighted the need for a more broadly contextualised conversation about the potential costs of de-risking for governments, companies and society. This needs to go hand in hand with an assessment of the costs of inaction. Many multinationals are reducing their reliance on China-based manufacturing, even as overall trade with China remains strong.\(^{24}\) German Chancellor Scholz has gone as far as to say that ‘de-risking ... is mainly about decisions that need to be taken by companies’.\(^{25}\) But commercial interests alone are not sufficient to de-risk vulnerabilities in critical national infrastructure. How willing are governments to impose national security decisions that harm commercial interests? Greater transatlantic coordination on areas such as export controls would likely make such measures more effective. But more coordination would require explicit agreement on burden sharing, not only between the transatlantic governments, but also with other allies, including Australia, Japan and South Korea, to ensure that no country’s companies benefit unduly at the expense of others. According to one participant: ‘There’s still no answer as to who bears the cost of de-risking’.\(^{26}\)

Many of the biggest questions about vulnerabilities and de-risking can only be answered at a sovereign, national level. But participants did call for transatlantic governments to deepen their conversation about the competitive and cooperative elements of de-risking. The EU–US Trade and Technology Council, established in 2021, is intended to take on part of this role.\(^{27}\) However, several participants argued that it was yet to show much progress, and that time is taken up more with resolving differences between the US and the EU. The development of G7 (and G7+) processes to some extent brings in the UK and other non-EU partners, chiefly Australia, Japan and South Korea.\(^{28}\) Beyond talking, several participants argued that the best


\(^{25}\) Sabine Siebold, ‘Companies Rather Than Countries Must De-Risk Relations with China, Scholz Says’, Reuters, 30 June 2023.

\(^{26}\) Participant in Berlin workshop, 7 June 2023.


way to ensure more resilience and deeper transatlantic cooperation in the face of China's manufacturing strength is for the US to embrace trade and economic liberalisation once again, indicated by one participant's comment: ‘True diversification will require a level playing field in the US’. Political realities may stand in the way of this for some time.

SECURITY

While transatlantic governments are seeking to alter the economic status quo with China, in the area of security they see themselves as trying to uphold the existing order against Beijing's attempts to overturn it. Compared with the economic domain, China's challenge to the security status quo appears more clearly defined and views on it are broadly shared on both sides of the Atlantic. But there are significant differences in perceptions of the urgency of the China challenge, in estimates of the acceptable costs of deterring potential crises, and in views on how those costs should be fairly distributed.

The prime example is Taiwan, where the US and its European allies agree that their interests are best served by the preservation of the current position, ensuring no use of force and no unilateral change to the island's ambiguous international status. While there has been no change in Beijing's formal position on Taiwan (commitment to reunification and not renouncing the use of force if necessary), there has been increased Chinese military and grey-zone activity, especially since 2020. Workshop participants broadly shared the view that the risk of Beijing acting on Taiwan has increased significantly as its military capabilities grow and its regional behaviour has become more assertive.

Regarding the South China Sea, as well as the Indo-Pacific more broadly, workshop participants consistently stressed that the US and Europe wish to maintain freedom of navigation and overflight, and to ensure that any disputes are resolved through negotiation according to the UN Convention on the Law of the Sea (UNCLOS), and not by coercion. They reported that they view Beijing's island-building, the aggressive behaviour of its maritime and air forces, and its claims to almost the entire South China Sea (and rejection of the 2016 UNCLOS Permanent Court of Arbitration ruling on China's excessive claims to maritime rights in the South China Sea) as unilateral attempts to alter the status quo.

32. Participants in workshop, 7 June 2023.
For many European governments, Russia’s invasion of Ukraine heightened concerns about China’s security ambitions. This is both because of the Russia–China partnership, however substantive, and the stark reminder, very close to home, that expansionary wars under the threat of nuclear weapons are not consigned to the past. Some workshop participants argued that the war in Ukraine might presage an eventual ‘division of labour’ between the US and Europe, with the former taking the lead in deterring China in the Indo-Pacific while Europe focuses on countering Russia in its own backyard (requiring Europe to substantially increase defence spending).34 However, most participants argued that the war had highlighted the indivisibility of the Euro-Atlantic and the Indo-Pacific, with some warning of the risks of tackling the two geographies separately. This all highlights the need for broader and deeper security consultation, and perhaps even deeper cooperation, between US allies in Europe and the Indo-Pacific. As Japanese Prime Minister Fumio Kishida said in June 2022: ‘Ukraine today may be East Asia tomorrow’.35

While the US and its European allies have broadly similar interests, they assign different degrees of importance to these interests, and bring very different capabilities to bear. In terms of military power, participants agreed that within Europe, only the UK and France have the capacity and geographical reach to maintain a continuous – albeit limited – presence in the Indo-Pacific, although Germany too is keen to show that it can do more.36 Other European nations can contribute in areas not requiring conventional power projection, such as cyber security and countering disinformation.37 The UK and France, with or without the rest of Europe, clearly have much less effect on the military balance of power in the Indo-Pacific than does the US. Beyond military deployments, workshop participants argued that European nations could contribute the most by helping to reinforce the US alliance system and by doing more in non-traditional security, such as maritime law. Both areas strengthen deterrence, which is the priority in maintaining the status quo. As one participant in the workshop in Washington, DC explained, ‘the perception of a network of allies and partners is important for deterring China’.38

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34. Participants in Berlin workshop, 7 June 2023 and Washington, DC workshop, 12 September 2023.
Largely in response to China’s growing assertiveness, the US’s European and Indo-Pacific allies have been deepening their security links. Since 2022, the leaders of Australia, Japan, New Zealand and South Korea (the ‘AP4’) have attended NATO summits. However, even after China appeared in the 2019 NATO Strategic Concept, NATO’s role in the Indo-Pacific continues to be debated. France in particular has argued for countries to engage individually in the region rather than as Alliance members, blocking a NATO liaison office in Tokyo. Other workshop participants mentioned NATO’s existing out-of-region liaison offices and the AP4’s appetite for a higher NATO profile in the region.

The UK stands out among its European allies in being part of two strategically important defence procurement partnerships that could, if successful, affect the region’s military balance of power over the medium to long term. One workshop participant described the Australia–UK–US (AUKUS) partnership announced in 2021, through which the UK and the US are helping Australia to acquire nuclear-powered attack submarines and are cooperating on advanced technologies, as ‘the jewel in the crown’. AUKUS training arrangements will also see UK attack submarines regularly deployed to the region from 2027, bolstering the persistent presence in the Indo-Pacific that Britain restored in 2021. The Global Combat Air Programme, in which Italy has joined Japan and the UK to develop a next-generation stealth fighter that will come into service in the mid-2030s, is a second instance of a strategic commitment to the region.

There was widespread agreement in the workshops on the value of increasing cooperation on non-traditional security across the Indo-Pacific, and with respect to Taiwan specifically. China is especially active in grey-zone tactics that project power beneath the threshold of overt armed conflict. Such tactics make the calibration of responses more challenging. Chinese cyber activity and influence operations are widespread across the region, including in Australia, New Zealand, Singapore and the Pacific Islands. The UK and other European countries should support Taiwan on cyber resilience and undersea cable protection. In the case of Taiwan, one participant in London proposed Finland and Switzerland as countries that could share

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41. Participants in Washington, DC workshop, 12 September 2023.
42. Ibid.
lessons on whole-of-society defence and resilience. European support on disaster relief and countering illegal fishing, smuggling and narcotics activity would also be welcomed in the region. This would be less sensitive than traditional security engagement, and could complement the higher-profile US hard security presence and US Coast Guard activities. Just as with hard security, participants spoke of the need for better coordination of such activities between countries.

Cooperation here is seen in patterns of execution and implementation, within broadly agreed complementary roles for each side of the Atlantic, rather than being a product of formal multilateral arrangements. A deeper divergence was, however, clear and consistent across all three workshops: there were striking differences between the US and many European participants on the urgency of the need to strengthen deterrence of Chinese action on Taiwan.

With smaller militaries, and without collective defence commitments in the region requiring their militaries to deploy forward at scale, Europeans are staking less than the US on maintaining the security status quo in the Indo-Pacific. And they are more risk averse. While the Pentagon talks about China as the ‘pacing challenge’, participants across all three workshops expressed concern that European governments were too optimistic about the odds of avoiding conflict over Taiwan. One participant said: ‘Europe is not alarmed enough about the risks to Taiwan’. The US may not have large numbers of troops based in Taiwan, but it does have a commitment under its own domestic legislation to ensure Taiwan has the means to defend itself, putting its credibility on the line. One participant argued that European partners could do more to contribute to deterrence by making ‘clear to China publicly and privately that war over Taiwan would have disastrous economic consequences’, adding that ‘any perception of European indifference over a Taiwan conflict makes it more likely’. Closed door discussions seem to be taking place, but deterrence requires more. It requires signalling and demonstrating the preparation of credible sanctions that would follow a Chinese attack. Given China’s grey-zone tactics and potential to, say, impose a blockade on Taiwan, work is needed on a spectrum of responses to different triggers. But without political, let alone legal, commitments to Taiwan, Europe does not face a credibility risk comparable to that of the US. The different stance on de-risking also reflects the fact that sanctions policy

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47. Participants in workshops in London, 25 May 2023; Berlin, 7 June 2023; and Washington, DC, 12 September 2023.
is within the competence of the EU and as such requires unanimity, making it a more difficult weapon to unsheathe.

Increased sharing by the US of the intelligence underpinning its security threat assessment in the Indo-Pacific may lead to greater, more urgent efforts in Europe. Additionally, any move by the US to link its security support in Europe to a more formal European commitment to Indo-Pacific security would incentivise a more serious discussion. This might result in a commitment to economic sanctions over Taiwan in specific circumstances, or a further shifting of resources from the European theatre to the Indo-Pacific. The case of Taiwan suggests that, while such a serious discussion might be the basis for coordinated security policy on the Indo-Pacific, it does not seem to be taking place. Unsurprisingly, then, beyond the question of Taiwan, there seems to be little agreement on or thinking about the outline of a new security equilibrium in the Indo-Pacific in response to China’s perceptions of what constitute its own legitimate security interests.

While maintaining the status quo remains a shared transatlantic objective, China’s own security ambitions continue to grow alongside its military capabilities. Xi’s Global Security Initiative, launched in 2022, offers an all-encompassing if vague ‘vision of common, comprehensive, cooperative and sustainable security’. It is again the US leading the pushback in the Indo-Pacific against China’s attempts to sign security partnerships – successful in the case of the Solomon Islands, but unsuccessful with 10 Pacific Island states. The Partners in the Blue Pacific initiative does, however, represent a renewed allied willingness to engage and invest in the Pacific Islands, where China has become more active, with the UK, Canada and Germany as members.

There remains too the question of where discussion and agreement with China on security matters is desirable and possible, with the Middle East an obvious area of potential cooperation, as well as competition. European workshop participants saw a greater need than those from the US to include China, and find ways where engagement can work. Potential areas include smuggling, piracy and illegal fishing. At a global level there is a need to define agreements in emerging areas such as AI and space, but making progress remains challenging while China sees its own opacity and unpredictability as a source of leverage. China has only just agreed to restore the military-to-


military contacts with the US that were broken off for over a year following the visit of US House of Representatives Speaker Nancy Pelosi to Taiwan in August 2022.\(^5^3\)

**MULTILATERAL INSTITUTIONS AND GLOBAL NORMS**

In the area of global governance, most participants maintained that Beijing represented a serious challenge to US and European global interests, although several argued that China’s global ambitions were far more limited than most analysts assume. US and European governments are in broad agreement about the need to support the multilateral system in a way that addresses today’s global challenges, while reinforcing the rules-based international order (RBIO). There is increasingly a tendency in Chinese rhetoric to equate the RBIO with the US-led global order, and therefore to seek a stronger position for China in existing multilateral institutions by various means.

China has become increasingly active on this front, emphasising the importance of UN institutions, seeking reform, competing more actively for leadership roles and investing in acquiring posts for its citizens.\(^5^4\) Chinese diplomats repeatedly position China as the champion of the UN system.\(^5^5\) In areas such as human rights, cyber sovereignty and the setting of some technology standards, China seeks to redefine key elements of the RBIO in ways that differ markedly from what is acceptable to the transatlantic partners. On human rights, China is seeking to shift the narrative away from universal individual political rights, of the sort enshrined by liberal democracies, to communal development and security rights as determined by each nation.\(^5^6\) This all comes at a time when there is a pressing need to develop rules, norms and standards in areas such as climate, technology, data and AI. Additionally, China has at times not complied with rulings that run counter to its own position, notably the 2016 UNCLOS ruling on the South China Sea. During the Covid-19 pandemic, China’s actions to obfuscate


and block World Health Organization (WHO) investigations reinforced these concerns. In parallel to seeking increased influence within the UN system, China has launched a series of expansive, loosely defined initiatives including the Belt and Road (BRI) Initiative, the Global Security Initiative, the Global Development Initiative and the Global Civilization Initiative. While deriding US-led minilaterals such as the Quad and the G7 as examples of ‘forming “blocs”, Beijing is driving an expansion of groupings such as the BRICS and the Shanghai Cooperation Organization, where it has a leading role.

While participants in the Berlin, London and Washington, DC workshops confirmed this shared view of this challenge, they identified clear differences about how best to respond. Policy experts and officials acknowledged several fundamental tensions. Firstly, between a US that is increasingly sceptical about the effectiveness of global institutions and is in many places creating its own new minilateral structures, and its European allies, which are much more committed to a more-inclusive multilateralism, both in principle and as a function of their status as middle powers. Secondly, between the need to reform global institutions to incorporate a bigger voice for developing nations, and the desire to maintain the dominance of the US and its allies. And thirdly, between the ambition to pursue pragmatic cooperation with influential nations in the Global South and to compete more effectively there with China, and practical limitations on financial resources, coupled with a desire to defend human rights and advance democracy.

In the workshops there was little agreement on how to reform existing multilateral institutions in ways acceptable on both sides of the Atlantic. One participant said ‘the US has been on the wrong side of the argument’

in opposing quota changes at the World Bank.\(^6^3\) The US decision not to nominate members to the WTO’s Appellate Body after 2011 undercuts the argument that China must fulfil promises it made about transitioning to a market economy.\(^6^4\) While the Biden administration has rejoined the Paris climate agreement, the WHO and UNESCO, a future Republican president may change course again and be less interested in reform of the UN system.

Many participants argued that this reflected the reality that the US and China were increasingly at odds in multilateral forums, and that global institutions had struggled to make meaningful contributions on both Covid-19 and Ukraine. One participant said: ‘In future, global multilateral institutions will be places of contestation between the US and its allies and partners against China and other illiberal powers’.\(^6^5\) Reaching agreement in the G20 has also become more difficult, in the wake of Russia’s invasion of Ukraine. Increasingly, transatlantic partners have turned to the G7 for policy coordination, extending invitations to a select group of G7+ countries such as India, South Korea and Australia.

More positively, several participants argued that Western countries have responded well on a tactical level to China’s increased efforts in the UN system. Coordination and responsiveness between the allies have improved. One participant cited as an example the appointment of Singaporean Daren Tang as head of the World Intellectual Property Organization over China’s candidate.\(^6^6\) However, another participant described the West as having ‘walked off the pitch’ in pushing back against China’s reinterpretations of UN resolutions.\(^6^7\) Chinese diplomats are investing substantial time in embedding Chinese initiatives such as the Global Development Initiative into UN processes and statements.

Many other participants, however, warned of the dangers of viewing global institutions and the contest for global values and norms in such Manichean terms. Many called for the US and European allies to cooperate more effectively in their engagement with the Global South, offering more tangible development benefits and supporting the agency of these countries even when they do not agree with Western policy. This becomes more critical as the G7 grows in importance relative to the G20 for the US and Europe. According to one participant, ‘We need to be more comfortable with countries in the Global South saying no to us ... We need to embrace regional bodies like the Association of Southeast Asian Nations and the Pacific Islands Forum because they’re binding China to the regional architecture’.\(^6^8\)

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Instead of the reform of global institutions, US participants spoke of the benefits of ‘variable geometry’ and ‘coalitions of the willing’, of pragmatically including different countries on different topics.\textsuperscript{69} This is consistent with a 2021 speech in which Jake Sullivan referred to a ‘latticework of alliances and partnerships’.\textsuperscript{70} The US has indeed launched a series of minilateral initiatives, such as the Quad, the IPEF, AUKUS, Partners in the Blue Pacific and the Minerals Security Partnership – some only with Indo-Pacific countries and some with its larger transatlantic partners. One European participant questioned whether the US wants Europe as an ally in the Indo-Pacific, or whether it is content to develop separate Indo-Pacific-facing structures.\textsuperscript{71}

Narrative was a major point of contention in discussions about the multilateral order, reflecting the importance of what the Chinese Communist Party calls ‘discourse power’.\textsuperscript{72} There was agreement that China has a more appealing narrative to many countries in the Global South, one that prioritises non-intervention and economic development over international law and individual human rights. China’s initiatives and its engagement with the UN appear to offer the Global South more than the West does, even if the initiatives lack detail and are met with healthy scepticism in much of the Global South. China continues to expand its ambitions here, launching in September 2023 its proposals and actions for ‘A Global Community of Shared Future’.\textsuperscript{73} Several participants noted that there was no competing narrative from the US and its allies.

The Biden administration and the UK government have in the past year dialled down any rhetoric about facing China in a battle between autocracies and democracies.\textsuperscript{74} Participants broadly agreed that framing competition with Beijing in terms of values would alienate many developing countries, including key partners such as India and Indonesia, with one stating: ‘The narrative that works for the US and Europe doesn’t work for much of Asia’

\begin{itemize}
  \item \textsuperscript{69} Participants in Washington, DC workshop, 12 September 2023.
  \item \textsuperscript{71} Participant in Washington, DC workshop, 12 September 2023.
  \item \textsuperscript{72} Toni Friedman, ‘Lexicon: “Discourse Power” or the “Right to Speak” (话语权, Huàyǔ Quán)’, Digichina, Stanford University, 17 March 2022, <https://digichina.stanford.edu/work/lexicon-discourse-power-or-the-right-to-speak-huayu-quan/>, accessed 19 January 2024.
\end{itemize}
and ‘rules resonate more than values in Asia’. However, several participants warned that Europe and Asia could not afford to sit on the sidelines as China promotes its alternative vision of the global order. Japan and India were both proposed as countries that could take a more prominent role in advocating visions that are different from China’s and not suffer from perceptions of Western hegemony. Participants noted too that narrative alone was not enough. Perceptions persist that China offers development support unrivalled by the US and Europe, although China prioritises lending over development assistance and its terms are often opaque and unattractive.

The discussions about global institutions and norms yielded the least consensus among participants, largely because there is little consensus within Europe and the US about how much to invest in reforming the multilateral system at a time when confidence within the West about the universal applicability of human rights and democracy seems to be waning. Most participants could agree, at least, on the need for new thinking, with one saying, ‘The post-war unipolar moment is gone … Rather than trying to prop it up, how do we shape the new emerging order? China has competing visions of the international order across the digital, technology, climate and security domains. How can we generate a collective response?’.

This leaves unresolved the question of how and where to engage China on global governance. European countries have shown a greater appetite to engage with China through multilateral structures. The Asia Infrastructure Investment Bank, which has its headquarters in Beijing, continues to have 14 European members, while the US did not join. Several European countries enthusiastically joined the BRI, although Italy has now exited. The EU has resumed its human rights dialogue with China. Within the Indo-Pacific, however, engagement with China is integral to international relations – either through Asia-Pacific Economic Cooperation, or the Regional Comprehensive Economic Partnership trade agreement, or the ASEAN+3 discussions, or China’s applications to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Digital Economy Partnership

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75. Participants in Washington, DC workshop, 12 September 2023.
Agreement.\textsuperscript{82} Perhaps, as one participant suggested, ‘The Indo-Pacific is the crucible for the rules-based order of the future’.\textsuperscript{83}

\textbf{CONCLUSIONS AND POLICY IMPLICATIONS}

The trend towards enhanced transatlantic coordination on China policy has intensified under the Biden administration. Yet, as discussions move beyond broad principles to specific policies, uncertainties arise and threaten to blunt implementation. Are objectives and desired endgames really shared, or even brought into focus at all? Do governments have similar assessments of the China challenge, of the urgency and need to act, and of their respective roles?

Across economics, security and global governance, policy practitioners at the workshops highlighted agreement on objectives among the transatlantic partners, but only in terms broad enough to allow space for different interpretations. There is consensus on the need for de-risking, the desire to maintain the security status quo in the Indo-Pacific, and the need to counter China’s actions on the world stage and its alternative vision for world order. But joint action demands specifics and granularity, and on that level, there is as much disagreement as agreement. More effective transatlantic cooperation begins with the recognition of this plurality. This would allow the transatlantic partners either to strive for a common understanding or to design complementary – or, at least, non-contradictory – actions that take account of what may prove a chronic divergence of views. European officials know that Beijing tries to play them off against each other and against the US. Indeed, China’s persistent efforts to create such divisions are a strong signal of the benefits of closer cooperation for transatlantic partners where objectives are truly shared. But Europeans also want the US to better understand their own interests. There is no reason to fear that acknowledging differences signals disunity to China if broad overall agreement remains.

In the economic sphere, the US sees de-risking as an urgent imperative to preserve its technological leadership so as to protect its national security while building better capabilities at home, even where this limits its continuing and very large commercial relationship with China. For most of Europe, the China threat feels less urgent. Two years into the war in Ukraine, Xi continues to express his friendship with Russian President Vladimir Putin, but European policy on China remains defined by a logic of economic security, with resilience at the centre, pursued largely through diversification,
while maintaining beneficial commercial engagement. Differences in risk assessment and economic interests within Europe make extensive pan-European cooperation difficult. In the case of EU members, the division of policy responsibilities between the European Commission and the member states makes it more difficult still.

Truly powerful transatlantic cooperation requires alignment, if not agreement, on the urgency and severity of the security threat posed by a more technologically capable China. Absent that, the greatest potential for cooperation lies in continuous case-by-case engagement on the specifics of the highest priority cases and why action is justified. Adjusting US industrial policy so that European partners see it as less of a competitive threat to Europe’s own ambitions would also enhance cooperation, accelerating ‘friendshoring’ for resilience. European partners seek reassurance, too, that American companies will not benefit at their expense if they go along with US controls. The political and practical challenges of implementing this in the US remain significant.

On matters of Indo-Pacific security, agreement on policy objectives goes beyond the broad principles and is more specific. The current limited number of European actors able to project military capabilities in a crisis scenario leaves the US as the dominant security provider in the Indo-Pacific. This makes for a clear division of roles and capabilities between the transatlantic partners, and would seem to lay the ground for complementary, mutually reinforcing actions. The workshops confirmed a US perspective that Europe’s most important role is economic, but also identified areas of soft security where a larger number of European actors are well placed to act. However, this structural stability is at odds with divergent threat perceptions across the Atlantic, and with divergences over the need to build credibility and deterrence now with China with regard to the economic consequences of an attack on Taiwan.

There is an urgent need to put into action a range of continuing non-traditional security measures through which European countries help strengthen Taiwan’s resilience and support regional security. Greater information sharing by the US of its risk assessments may change views in Europe on the urgency of action, especially beyond the UK, France and Germany. Alternatively, the US might choose to make an explicit link between its continued security support in Europe and the actions it sees as required in the Indo-Pacific. Although evidence collected for this paper focused on Taiwan, such an understanding might apply to other aspects of European soft security in the Indo-Pacific.

The outlook for cooperation is least promising in global governance. There is, again, broad agreement on the need to counter the adulteration of universal principles (for example, human rights) that has resulted from China’s attempts to elevate its influence in the UN and other global institutions. Through the stronger role for the G7+, and a burgeoning number of minilateral ‘latticework’ structures, transatlantic partners and other like-minded countries are creating issue-focused structures. However, larger-scale cooperation, for example a revival of the Transatlantic Trade and Investment Partnership agreement or an integration with the similar CPTPP agreement in Asia, appears beyond the realm of the possible.

Also lacking is a credible plan for global governance that goes beyond the primary focus on like-minded countries. As China positions itself as champion of the Global South in the UN system, transatlantic partners do not have practical reform proposals that will help developing nations gain a greater voice in global institutions. The US’s appetite to engage is uncertain. A change of administration may bring clarity, albeit in the form of reduced engagement. For the Global South, China has a narrative and continues to provide, albeit on terms that are sometimes onerous and opaque, convincing quantities of financing. The US and Europe should put more effort into articulating a similar compelling narrative for the Global South – indeed, simply listening to the perspectives of others would be a good start. Initiatives such as the Just Energy Transition Partnerships in Indonesia and Vietnam indicate movement in this direction, but finding the money to scale this up will be difficult at times of competing budgetary pressures at home and abroad.85

Given the scale of the challenge from China, cooperation will be vital for an effective China policy in the US and Europe. The research for this paper has highlighted the benefit of taking the time to understand the foundations and mechanics of successful cooperation. These include: shared assessments of the nature, scale and urgency of the challenge; an understanding of where specific objectives are shared and where they are not; and a willingness and ability to take action in pursuit of these objectives. These principles are even more important at a time of heightened political uncertainty in the US and Europe.

Changes continue in China too. Alongside stronger technological capabilities and increased military spending, China’s economy is struggling to find new sources of growth amid a real-estate crisis, high debt levels and an ageing population.

population. Notable in the workshop discussions was a sense that China's
direction is fixed, known and not amenable to influence from within or
without. This marks a sharp shift from the over-optimistic views of the
past, that engagement by the West would put China on the path to political
liberalisation. Now the pendulum may have swung too far the other way.
There was extensive discussion during the workshops on the essentially
defensive measures needed to address challenges from China, but few
contributions on how the transatlantic partners view relations with China
in the round, as China continues to play a major role in the global economy
and safeguard its own security concerns. A serious search for a vision of the
‘endgame’ for relations with China as a basis on which to structure long-term
transatlantic cooperation would benefit from placing less weight on China's
cohesion and strength, and paying more attention to some of its underlying
domestic weaknesses, not to mention its ability to change course, well
demonstrated by Communist Party leadership in the past.

Hopes that the end of the Trump presidency would improve conditions for
transatlantic cooperation on China have not been entirely fulfilled. Two
points may help explain this. First, while investment in understanding China
on the part of the US and Europe has increased, institutional support for
transatlantic understanding and dialogue is relatively neglected. Without
a determined and resourced effort to develop channels for regular, open
and honest dialogue on commonalities and differences, transatlantic
cooperation will continue to fall behind. Second, levels of knowledge and
political confidence on both sides of the Atlantic seem insufficient to project
a positive picture of what relations with China could or should become in the
future. The result is a mismatch: on the one hand, grandiose assessments of
China, described by the UK as an ‘epoch-making challenge’ and by the US as
‘the only competitor with both the intent to reshape the international order
and, increasingly, the economic, diplomatic, military, and technological
power to do it’, and on the other, a set of primarily defensive policy actions
taken by countries individually and G7 declarations that communicate
alignment but deliver limited specific action. How an endgame vision for
desired future relations with China can help set transatlantic allies on a path
of closer cooperation to make that vision a reality is an urgent question for
future research.

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