

**Europe's China Dilemma**

Jean-Marie Guéhenno

2023 will be the year when the Europeans will be under pressure by the United States to clarify their positions on China. The United States does not expect European powers to contribute much to the military balance in Asia, and they know that if Taiwan was attacked, a couple of European aircraft carriers won't make the difference. It is the US that would have to deliver. As far as the military posture is concerned, Washington only expects European powers to conduct freedom of navigation patrols in the South China Sea to keep the political pressure on China. However, low expectations on the military front do not mean low expectations on the economic front.

Two scenarios need to be considered. In a worst-case scenario of an attack on Taiwan, Washington, in addition to its military response, would try to assemble the broadest possible coalition of countries to adopt a package of wide-ranging sanctions. Key European countries would probably not dispute the need for hard economic sanctions, but economic relations with China are of a different order of magnitude than relations with Russia, including for the United States, and hard sanctions would trigger a global economic crisis, with a devastating impact in Europe, where Germany is particularly vulnerable to a reduction of trade with China. The political debate would quickly focus on the actions that need to be taken to mitigate the impact of the crisis and share the burden. Tensions would flare up with the US, as the magnitude of the crisis would test the commitments to international cooperation.

A less extreme and more likely scenario of continued rivalry between the United States and China without an attack of Taiwan is also the one that has the potential for the most serious tensions between the United States and the European Union. While the European Union identifies China as a "systemic rival" and both France and Germany are supportive of greater vigilance on Chinese investments in Europe and supply chain dependencies, they are not aligned with the US position, nor is the rest of the EU. While there seems to be a bipartisan consensus in the US that China must be prevented from becoming #1 in a number of critical technologies, Europeans, as number #2 or 3 in several technologies, don't feel the same urgency to protect the US position, which in any case the US would not be willing to share with them. European reservations vis-a-vis the US approach can only be reinforced by the perception that the US does not hesitate to put at risk European industry when its own interests are at stake: whether it is through much higher gas prices for European customers or direct subsidies to domestic American producers, Washington has recently shown that it prioritizes American industry, even when that policy has very negative consequences for its allies. At the same time, the Ukraine war has reinforced in most European countries the perception that a US security guaranty is an essential element of their national security, a fact that gives more leverage to the US, as they demand European alignment on US positions with respect to China.

Which consideration will eventually prevail in European – and particularly German – thinking is something to watch in 2023. The Ukraine war is making Europe more dependent on the US for its security, and eventually more dependent on China for its prosperity. How that contradiction will play out will be important for the transatlantic relationship and for the world economy. Even a limited decoupling with China will have a more severe impact on Europe than on the United States. On both sides of the Atlantic, it is likely to lead to protectionist measures and increased support for domestic industries. Whether such measures will be coordinated will determine the degree to which the world retreats into continental trading blocks or maintains a commitment to global free trade.



## **Jean-Marie Guéhenno**

Jean-Marie Guéhenno is an international security and foreign policy specialist. His previous positions include Head of Peacekeeping Operations at the United Nations, CEO of the International Crisis Group and Director of Policy Planning for the French Minister of Foreign Affairs.