

The Quest for Strategic Autonomy:

How the EU Handles Great Power Competition

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Source: TRT World Research Centre

This policy outlook examines the EU's handling of the emerging competition between the US and China and aims to analyse how transatlantic relations may be influenced by this competition. In the face of increasing US pressure and China's growing influence in the region, the EU has set out to achieve strategic autonomy in order to avoid being squeezed between the two. Owing to external and internal challenges and China's wedge strategy, the EU appears to have so far failed in its bid to develop collective defence and security policies. Additionally, both transatlantic relations and NATO may become less relevant if the US directs its full attention to the Asia-Pacific, requiring the EU to take on more direct responsibility for its security.

Introduction

The intensifying competition between the US and China has begun putting pressure on other countries with which they have significant economic, political and security relations. The Europeans are not immune to these pressures as they are a traditional ally of the US and an important economic partner for China. On the one hand, Europe's relations with the US have deteriorated during the Trump administration, particularly given the US President's consistent critique of EU policies. On the other hand, the strategic partnership with China envisioned in Europe has transformed into more of a strategic rivalry in the wake of China's growing regional and global influence. This is in addition to an increasingly resurgent Russia, which was also expected to become a strategic partner, and now poses significant geopolitical challenges, particularly after the annexation of Crimea in 2014. In a geopolitical [context](#) where the US acts unpredictably, China continues to increase its clout across the region and a resurgent Russia continues to pursue its regional ambitions, how European countries and the EU will handle the emerging great power competition – most importantly between the US and China – is critical for the future of transatlantic relations as well as for the future of the European unity. This has already produced far-reaching [implications](#) for global politics.

In addition to external challenges, Europe also suffers from internal backlashes resulting from ongoing implications of the 2008 financial crisis, refugee inflows, Euroscepticism, democratic backsliding, increasing economic inequality and Brexit. These problems have only deepened during the Covid-19 pandemic as European countries have arguably failed to show solidarity with each other. In the face of these challenges, the European Union (EU) adopted a new strategy [document](#) in 2016, replacing the old European Security Strategy of 2003, specifying the security and foreign policy priorities of the Union. After underlining the importance of transatlantic ties and the partnership with NATO, the document outlined a vision of strategic autonomy for the EU. The document also stated that the EU would continue to support and promote the rules-based and multilateral world order at a time when the world has become more complex and contested. Since then, the EU has taken several [measures](#) to upgrade its defence capabilities such as investing in common industrial and research projects, increasing information sharing among member states in the development of defence capabilities, enhancing joint defence investments and generating a fund for collaborative defence initiatives.

Although it has been four years since the adoption of its global strategy, the EU still appears to be lacking the ability to produce common foreign and security policy in the face of emerging challenges and runs the risk of becoming irrelevant as some analysts [contend](#). The level of collective action among member states seems to be insuffi-

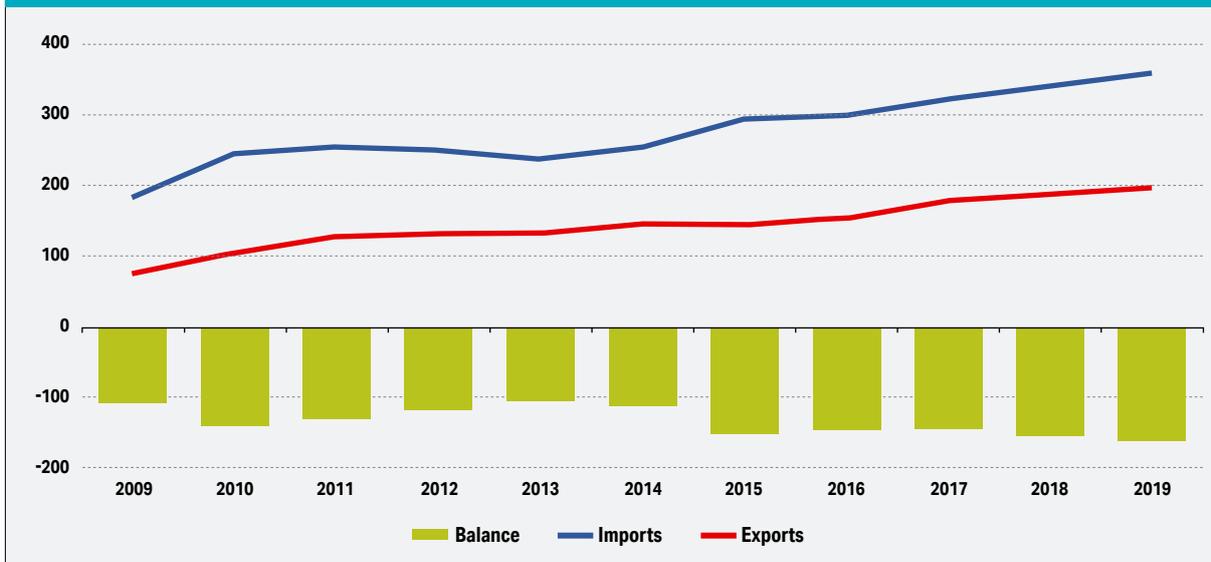
cient when it comes to handling the impact of US-China competition as member states continue to prioritise their national foreign and security policies in pursuit of their respective interests. This has already become evident in the EU's failure to produce joint action on issues ranging from adopting a collective strategy regarding the development of a 5G network to forming a unified bloc with regards to human rights, the rule of law and democracy.

From Strategic Partner to Systemic Rival

EU-China relations have gradually improved over the last three decades, culminating in a [comprehensive strategic partnership](#) in 2003, which aimed at improving relations beyond the economic to the political and security domains. Demonstrating growing bilateral relations, the two sides released separate policy papers in 2003. The EU's policy paper [drew attention](#) to shared interests with regards to global peace, development and security and shared responsibility in global governance. The paper also highlighted the significance of what the EU characterised as China's transition to an open society based upon the rule of law and respect for human rights. China's policy paper [noted that](#) "there is no fundamental conflict of interest between China and the EU and neither side poses a threat to the other." The Chinese paper also highlighted potential areas of cooperation ranging from economy to education. The two reiterated their commitment to the improvement of cooperation on global peace, prosperity, sustainable development and people to people exchanges by jointly adopting the [EU-China 2020 Strategic Agenda for Cooperation](#) in 2013, which constituted the basis of the future partnership. Member states have also engaged in cooperation with China through bilateral mechanisms. For instance, although no longer a member of the EU, the UK and China [signed](#) a partnership agreement in 2015 called a Global Comprehensive Strategic Partnership for the 21st Century, revealing the intentions of both sides deepen their cooperation.

China has become the [EU's second-biggest](#) trading partner behind the United States and the EU has become China's biggest trading partner. EU exports to China [increased](#) from €78 billion in 2008 to €198 billion in 2019, while imports increased from €215 billion to €362 billion. In 2019, China stood as the [third-largest country](#) for EU exports, consisting of 9 per cent of total EU exports, and a major source of EU imports accounting for 19 per cent of the Union's total. While the EU primarily imports industrial and consumer goods, machinery, equipment, and clothing from China, the Union exports machinery and equipment, motor vehicles, aircraft, and chemicals to China.

EU trade in goods with China, 2009-2019 (EUR billion)



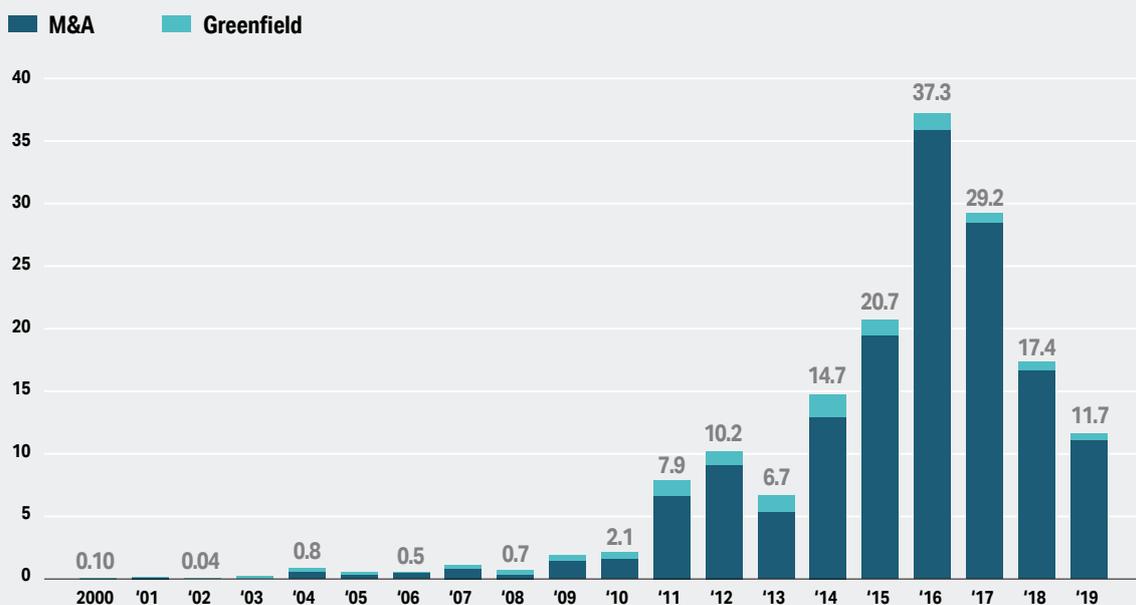
Source: Eurostat <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20200320-1>

China also increased its investments in Europe during this period. Chinese foreign direct investment in the EU has [increased](#) from €700 million in 2008 to €35 billion in 2016, reaching a historic high. Although China's investments dramatically [declined](#) in the ensuing years, falling to €12 billion in 2019, the overall trend is increasing. According to an [analysis](#) conducted by Bloomberg in 2018, China's investments in Europe, including mergers and acquisitions, amounted to at least \$318 billion since 2008.

During this period, Chinese investment activities were 45 per cent more than US investments. Additionally, Chinese state-owned and private firms [bought](#) over 360 European companies in this period – most of which were critical tech and infrastructure companies. However, compared to US investments, which account for 38 per cent of total foreign direct investment in Europe, Chinese investments, which stood around 2.2 per cent, are still [low](#).

Chinese FDI in the EU

Annual value of completed Chinese FDI transactions in the EU-28, EUR billion



Source: Rhodium Group. Graphic: <https://mencs.org/en/report/chinese-fdi-europe-2019-update>

POLICY OUTLOOK

Although both sides have benefited from improved relations, because China has gained access to a large and unified market, new technologies and knowledge, the increasingly asymmetrical economic relationship has raised concerns about China's present and future intentions among some European countries. As such, the Europeans have recently started acknowledging that China poses a series of economic, political and security challenges. Demonstrating this emerging recognition, the EU has officially defined China as a "systemic rival" and "economic competitor" in a document called "[the EU-China - A strategic outlook](#)" released in 2019. The document noted that "there is a growing appreciation in Europe that the balance of challenges and opportunities presented by China has shifted. In the last decade, China's economic power and political influence have grown with unprecedented scale and speed, reflecting its ambitions to become a leading global power." The outlook also draws attention to the fact that China should take its share of responsibility for upholding the rules-based international order, greater reciprocity, non-discrimination, and openness of its system. Hence, China's increasing ability and seeming willingness to shape the dynamics of the region and the globe through economic and political means is reflected in the EU's policy shift towards a more realistic and assertive approach.

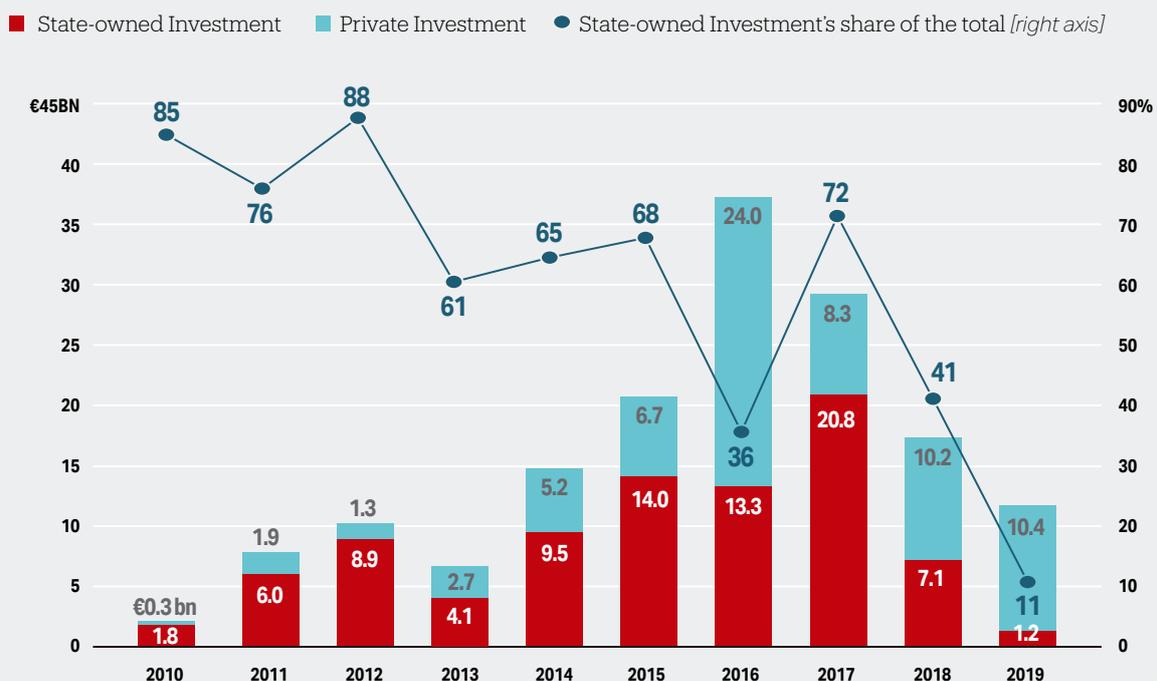
In addition to the ongoing divergence between the EU and China on multiple issues, including what they understand from rules-based order and multilateralism, the im-

portance of human rights and democracy and economic openness, the EU has [expressed](#) concern regarding what they see as China's unfair and discriminatory economic practices and has called on China to trade fairly, respect intellectual property rights and meet its obligations as a member of the World Trade Organisation (WTO). Europe is concerned that China's restrictions on, and unequal conditions for foreign investors, create asymmetrical relations as Chinese investors enjoy free access to European markets. This is in addition to the fact that the majority of Chinese investments are carried out by state-owned companies. To address these issues, the EU began a process to reach a [deal](#) with China in 2013 to ensure equal standards for both sides, fair competition for companies and the elimination of discriminatory practices. Lacking progress, the EU [ad- opted](#) a new regulation in 2019 to screen foreign direct investments that may have implications for the security and public order of Europe and to protect its companies, workers and citizens.

Europe is also worried about the possibility that China may use its knowledge and technology acquired from European companies for military purposes. The main concern here is that these advancements might be used as leverage against the EU and its allies or internal dissent. Additionally, Europe is concerned that smaller European states are increasingly becoming dependent on Chinese financing and investment, which may ultimately give China political leverage against the EU in regional issues.

State-owned investors' share of OFDI

Chinese OFDI in the EU-28 by investor type. EUR billion, percent share



Source: Rhodium Group. Graphic: <https://merics.org/en/report/chinese-fdi-europe-2019-update>

Wedge Strategies

For some [analysts](#), China's European strategy is based on driving wedges between European countries and between Europe and the US. Wedge strategy aims to prevent the formation of coalitions or to break up an already established grouping to ensure deterrence against future aggression. States [implement](#) wedging strategies to turn a member of a rival alliance into a friendly state at maximum and to erode cooperation between the target state and rival alliance, at minimum, by [using](#) rewards such as foreign assistance and financial investments and coercion such as sanctions and military intimidation. Accordingly, China appears to be following the objectives of eroding cooperation and collaboration among EU members through rewards and inducements, most of which come in the form of investments and loans. Additionally, China's growing influence in Europe can be considered as an attempt to drive a wedge between Europe and the US, which will be crucial if the competition between the US and China intensifies in the Indo-Pacific region. Regarding the efforts to create divisions among EU members, it is important to note that the Union has already weakened thanks to several recent developments. This complicates acting in unity, particularly when it comes to foreign affairs, facilitating China's implementation of wedge strategy. Most notably, the ongoing impacts of the 2008 financial crisis and ongoing EU austerity measures, increasing Euroscepticism, enduring democratic backsliding in member states and Brexit have arguably weakened the cohesion of the Union. Under these circumstances, countries in central, eastern and southern Europe have largely welcomed China's economic assistance in the form of financial and investment policies and have become politically closer to China. Regarding the wedge in transatlantic relations, it can be said that ongoing discord and divergences on key global issues between the US and Europe have also facilitated China's wedge strategies.

China's Wedging in Europe

In southern Europe, China's investments are welcomed by countries still facing the implications of the 2008 economic crisis and concomitant austerity-related privatisation as part of the EU's bailout deal. For instance, China has [increased](#) its foreign direct investments in Italy over the years, peaking in 2015 when China purchased 16.89 per cent of Pirelli for €7 billion, one of the preeminent tire manufacturers in the world. In Greece, Chinese state-owned COSCO Company [acquired](#) a 67 per cent stake in country's largest port, Piraeus in 2016. Portugal has become another key [destination](#) for Chinese investments particularly in strategic sectors including energy, oil and transportation, making it the largest per capita recipients of Chinese investments in Europe. In central and eastern Europe, China established the [16+1 grouping](#) in 2012 with EU member and non-member countries, which became 17+1 with the joining of Greece in 2019. Central and Eastern Europe are

[critical](#) for China thanks to the region's geographical importance for the Belt and Road Initiative (BRI) which may function as another entry point to Europe and its relatively more open and less regulated trade and investment framework. China's [promises](#) of €12.7 billion financing and investments in highways, railways, port and other critical infrastructure projects as part of the BRI are welcomed by countries experiencing infrastructure deficits. Although China [reiterates](#) that 17+1 is a supplement to China's relations with the EU and continues to show respect to the EU rules and regulations in their conducts with the members of the group, China's growing economic and political [leverage](#) vis a vis the EU continues to raise concerns in Brussels. Although these investments are still low compared to China's investments in core European countries, primarily in the UK, France and Germany, it is still considered as a key development that may deepen the division and competition among European countries.

[According to Jennifer Lind](#), China's wedge strategy has already produced a substantial outcome in preventing the EU from adopting policies against China on several occasions. For instance, in 2016 the EU [failed](#) to release a joint statement referencing Beijing upon the Permanent Court of Arbitration's ruling on China's actions in the disputed islands in the South China Sea because of the unwillingness of some members states to criticise China. Additionally, in 2017, Greece [hindered](#) the EU in the UN forum from making a joint statement criticising China's human right records by calling it "unconstructive criticism of China". This was the first incident of the EU's failure to release its statement at the UN rights body. In 2017, Hungary [objected](#) to signing an EU joint letter denouncing the alleged torture of lawyers in China. Last but not least, in 2019, Italy [announced](#) its decision to join China's BRI, making it the first big economy joining the initiative in Europe despite EU objections.

Germany has also been criticised for its perceived reluctance to counter China, which is [considered](#) as a crucial factor for the failure of a unified EU response to China. Under the lead of Chancellor Angela Merkel, Germany has been considered one of the EU countries that holds a favourable view of China. [Visiting](#) China twelve times in her fifteen years in office, Merkel has aimed at maintaining engagement rather than confrontation by following a policy approach of 'change through trade'. Germany is one of the biggest recipients of Chinese investments and around [half of the](#) EU exports to China come from Germany. Hence, Germany has long [eschewed](#) criticising China publicly in order not to face economic retaliation and protect its business interests. As such, Merkel has been [criticised](#) for taking a soft line on democracy and human rights issue in China, such as being [silent](#) to human right abuses in Xinjiang province and the crackdown on protestors in Hong Kong.

It should be also noted that certain countries in Europe have started adopting a harsher stance towards China

regarding human rights issues. Sweden has been considered one of the [most critical](#) of China, particularly since 2015 when a Chinese born Swedish citizen and book publisher Gui Minhai who resided in Hong Kong disappeared. Minhai was known for publishing books critical of the Chinese government. Sweden decided to close the last remaining Confucius Institute in the country in 2019 as a result of strained relations. Moreover, Sweden granted refugee status to Uighurs in a 2019 [decision](#) recognising that the group was facing collective persecution. This decision has meant that Uighurs do not need to prove that they face persecution individually in order to be granted refugee status in Sweden. France joined the group of European countries [expressing](#) concerns about the human rights violations in China's Xinjiang autonomous region. In condemning Chinese actions, French foreign minister Jean-Yves Le Drian [stated](#) that these practices are unacceptable. France also [called](#) for the monitoring of the situation by independent human right observers. The anti-China tone is also increasing in the UK, particularly after China passed the controversial security law in Hong Kong. Accordingly, the UK [suspended](#) its extradition deal with Hong Kong and [announced](#) that it would offer a path to British citizenship to around 3 million residents of Hong Kong. Additionally, the UK started to voice its concern with regards to the Uighurs with British Foreign Secretary Dominic Raab having [accused](#) China of engaging in gross and egregious human rights abuses, threatening officials with potential sanctions, such as asset freezes and travel bans. These are in addition to the UK's recent decision to exclude Huawei from the rollout of its 5G network.

China's Wedging in the Atlantic

Regarding US-Europe relations, Daniel Twining [claims](#) that China is challenging Washington's privileged position in Europe to impede the emergence of a counter coalition. In a similar vein, Andrew Michta [contends](#) that China's strategy in Europe seems to be grounded upon the notion of preventing the Europeans from forming a coalition to contain China. Reflecting similar concerns, the US Secretary of State Mike Pompeo [stated](#) that "it [China] is pushing disinformation and malicious cyber campaigns to undermine our governments, to drive a wedge between the United States and Europe, and is saddling developing nations with debt and dependency." The division within the transatlantic coalition became evident in 2015 when close US allies in Europe decided to join the China-led Asian Infrastructure and Investment Bank. AIIB was established with the participation of 57 countries across the world. Despite the Obama administrations' [efforts](#) to convince its allies not to participate, first the UK then Germany, France and Italy decided to join the AIIB. The US publicly [expressed](#) its concern regarding the establishment of AIIB, claiming that it would not carry high governance standards and might be used by China for purposes other than economic develop-

ment. The US also [denounced](#) the bank as a Chinese effort to undermine existing multilateral institutions including World Bank and IMF as well as the US-led liberal order more generally. However, these efforts proved ineffective in keeping European partners out of the Bank, which was considered as a [humiliation](#) for the US. The divergence between the US and Europe [continued](#) when European countries demonstrated an interest in the BRI.

Additionally, the Trump administration's battle on China's Huawei has constituted another point of division regarding US - Europe relations. The Trump administration has [launched](#) a global campaign to pressure its allies not to use Huawei for 5G networks as the administration claims that it will create security vulnerabilities that could be used for espionage. US officials announced that, because of the severe security concerns, the United States would no longer be able to share intelligence with any country whose network uses Huawei. In January, the EU endorsed a joint [toolbox](#) to address the security risks of the rollout of 5G networks, which primarily recommended limited use of high-risk components in the core network and diversification of vendors. However, the EU's guideline did not meet the expectation of the US that demanded a total ban on the use of Huawei. Although countries such as Poland, Latvia and Estonia [supported](#) the US position and signed statements with the US on 5G security, other countries choose different approaches or still have not reached a final decision. In January, the UK announced that it would use Huawei in limited parts of its 5G network, a decision that was later [reversed](#) after China's Hong Kong legislation and new US restrictions on the Chinese company. Germany, on the other hand, [appears](#) to be divided internally regarding the complete exclusion of Huawei from the rollout of its 5G network and have not reached a final decision. Despite the growing pressures from the US, lack of a unified strategy on this issue is telling of the current state of transatlantic cohesion. As the US and Europeans fail to offer less costly and technologically superior alternatives to Huawei, China's wedge strategies have gained ground while complicating the establishment of a collective transatlantic strategy towards China.

Transatlantic Relations and European Strategic Autonomy

The strength of relations between the US and Europe has been seriously tested on several occasions since the election of Donald Trump. The Trump administration's attitude towards multilateralism and international institutions, questioning of the value of NATO, harsh criticism of EU policies and persistent threats of economic coercion, have all contributed to the erosion of trust within the transat-

lantic coalition. The Trump administration's unilateral decision to withdraw from the Paris Climate Agreement and Iran nuclear deal further [strained](#) the relations. On one occasion, Trump [stated](#) that "European nations were set up to take advantage of the United States. They have worse trade barriers than China." Recent polls [demonstrated](#) that public support for the US in Europe has declined dramatically during the Covid-19 pandemic.

Regarding the Chinese challenge, the US and Europe recently demonstrated that they were on the same page regarding the challenges posed by an economically and politically growing China. However, they also differ on several points affecting their approach to the issue. From the European perspective, China does not pose a direct security [threat](#) to European interests because of the lack of geographical proximity. Additionally, Europe does not have security commitments in Asia, unlike the US who operate its Asian strategy through bilateral security relations. Moreover, economic opportunities provided by China are welcomed by Europe and they do not want to forgo these benefits. Hence, the Europeans [consider](#) the US reaction towards China overly aggressive while preferring to engage with China rather than counter it.

Under these circumstances, Europe does not want to have to choose between the US and China but rather strive to forge its own path. As such, the idea of European strategic [autonomy](#) has recently reappeared on top of the agenda in Brussels as some analysts [contend](#) that the EU should put a geopolitical equidistance between the US and China in pursuing strategic autonomy. In a similar vein, Carl Bildt, the former prime minister and foreign minister of Sweden, [pointed](#) out that if the EU fails to develop a unified foreign policy at the EU level that allows acting independently and incentivises unity among its members, it might become a playing field for the emerging great power competition. The idea of achieving autonomy from the US and NATO is not a new discussion. Since the adoption of Common Security and Defence Policy in 1999, the EU has [sought](#) to become autonomous in its out-of-area operations, concerned as it is with the EU's military operations outside of Europe and against transnational threats. However, to what extent Europe can become autonomous remains an open question given the fact that the US played a crucial role in the [formation](#) of the EU and its protection from security threats, past and present. The US also played a critical [role](#) in the inclusion of central and eastern European countries in the EU, countries that still acknowledged the importance of the US for their security and sovereignty. It should also be noted that, given the potential security risks from Russia, EU strategic autonomy is closely related to the deterrence of [possible](#) Russian aggression. In this vein, Luis Simon [suggests](#) that with the Russian annexation of Crimea in 2014, deterrence and defence has become a critical issue for the Europeans who have enjoyed US deterrence for decades. Coupled with Russia's efforts to mod-

ernise its nuclear capabilities, the answer to the question of how to achieve nuclear deterrence against Russia in the absence of US will be critical. Finally, with the ongoing division among the member states with regards to the formulation of common foreign and security policies has further complicated the possibility of European strategic autonomy.

The ongoing competition between the US and China has also influenced NATO, one of the crucial components of the trans-Atlantic partnership. In 2019, NATO [declared](#) that "we recognise that China's growing influence and international policies present both opportunities and challenges that we need to address together as an Alliance." However, there are structural [obstacles](#) that may render NATO as a military security organisation irrelevant when it comes to countering China. Firstly, NATO was established as part of the US containment strategy against the Soviet Union and functioned to protect the European continent from Soviet aggression. However, NATO may add little [value](#) to the US' China strategy as European countries do not possess power projection capabilities in the Asia-Pacific region. Secondly, NATO members do not share similar threat perceptions about China, which is a critical condition for alliance formation and maintenance. As such, in the absence of a common threat, NATO may become ineffective and irrelevant. Thirdly, economic factors create another impediment as the Europeans would need to increase defence spending, allocate resources to military purposes outside the continent and risk economic retaliation from China if they follow the US path. Hence, the fear of entrapment in a military conflict with China because of the US policies in Asia may result in the EU dragging its feet to join the US on this issue. Moreover, the US may still seek to prevent Europeans from maintaining economic relations with China in areas of strategic concern.

The US Indo-Pacific Strategy [Report](#), which was released in 2019, revealed that the Department of Defence will prioritise the Indo-Pacific region. Hence, the US may opt to withdraw forces from Europe in order to redirect these resources towards Asia in case of an intensified competition, which may result in NATO becoming a less important security organisation for the US. This may require the EU to deal with its own security and defence, particularly as it concerns Russia. If the threat perceptions of Russia increase, the Europeans may choose to contribute to the US efforts at the expense of its potential costs due to the fear of abandonment in the face of a Russian security threat. It is worth noting that the US will likely continue its alliance with the Europeans to counter China's [hybrid interference](#) in the form of [disinformation](#) campaigns, infiltration of critical infrastructure and dept manipulation, regardless of its pivot towards Asia.