A European Strategy for the Indo-Pacific

Garima Mohan

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While addressing a group of German diplomats in May 2020, the EU’s High Representative for Foreign Affairs Josep Borrell remarked, “we need a more robust strategy for China, which also requires better relations with the rest of democratic Asia.” In September 2020, the German government unexpectedly launched a comprehensive set of guidelines for engaging with the Indo-Pacific and announced that, together with France and the Netherlands, it will push for the EU to adopt a similar strategy. The debate around the Indo-Pacific has been gaining traction across the world, but Europe’s turn toward the region has surprised many—until almost a year ago, most European countries (except for France) were reluctant to even use the term “Indo-Pacific.” It is no coincidence that this recent embrace of the Indo-Pacific has come at a time when Europe-China relations have hit an all-time low.

Ironically, it is China’s expanding global reach that has ensured that challenges faced by the Indo-Pacific are now at Europe’s shores. European concerns today are not very different from those faced by Australia, Japan, and India. With rifts in transatlantic relations, Washington continuing to take a hard line on many China-related issues, and the growing economic importance of the region, many in Europe are also beginning to realize that these partners in the Indo-Pacific might be the allies Europe needs.

Over time, Europe has emerged as the top trade and investment partner for most Indo-Pacific states and has been gradually trying to increase its presence in the region, developing bilateral partnerships with major players and increasing engagement in regional institutions and security arrangements. Between 2014 and 2020, the EU invested around €800 million in different initiatives in...
Asia. Even though it is a non-resident power, Europe is certainly a stakeholder in the Indo-Pacific.

So, what is the role non-resident actors, who nonetheless have a stake in the region, can play in the Indo-Pacific? How can European member states like Germany and the EU contribute to maintaining a rules-based order in the region? Can they play a role in checking great power competition and work with other middle powers to ensure the region remains multipolar and is not dominated by an increasingly assertive, and at times aggressive, China?

This paper argues that as European foreign policy grapples with China’s rise on one hand and avoiding US-China competition on the other, it might find useful allies in the Indo-Pacific. A European approach to the region—both for countries like Germany and France as well as the EU—should focus on diversifying ties beyond China and building issue-based coalitions with other middle powers where necessary. On questions of infrastructure connectivity, 5G, and emerging technologies, Europe can be a valuable partner for Indo-Pacific countries and provide much needed alternatives to Chinese investments. Although Europe is not a traditional security actor with military deployments in the region, it can play a role in strengthening regional institutions and arrangements as well as building on its already existing ties and investments, particularly in the Indian Ocean theater. As questions of supply chain resilience and diversification gain ground, the EU as a major trading bloc can play a role in creating multilateral trade structures not centered around Beijing.

Having a clear strategy for the region will allow Europe to streamline and prioritize its already existing regional initiatives. And while European countries are unlikely to fully endorse the Trump administration’s version of a Free and Open Indo-Pacific, it might find much in common with the approaches and visions of Japan, India, Australia, and the Association of Southeast Asian Nations (ASEAN).

Reexamining Europe-China Ties

Years of growing European dissatisfaction around the economic partnership with China and increasing demands from European parliaments, businesses, and media to radically alter the approach to Beijing have been brought to a head by the coronavirus pandemic. Beijing’s attempts to exploit Europe’s political and economic vulnerabilities in the midst of the pandemic (by running disinformation campaigns around both the origins of the virus and the weakness of the European responses, conducting “mask diplomacy,” attempting to magnify divisions between Member States, and strategically targeting economic assets) have elicited a strong pushback from European leaders. Signs of a shift have been
visible over the last few years, reflected in the strategic outlook paper published by the EU in 2019 that characterized China as a “systemic rival promoting alternative models of governance.” While there has been much back and forth since then on what this systemic rivalry means in individual policy areas, the general divergence between China and the EU as well as its member states has never been clearer.

Questions of 5G networks; investment screening; the role of state-owned enterprises (SOEs) and subsidies; China’s attempts at disinformation in the wake of the COVID-19 pandemic; Chinese influence in European politics, media, and academia; and China’s increasing political, economic, and strategic influence in Europe and its neighborhood through the Belt and Road Initiative (BRI) have captured headlines and the attention of policymakers across Europe. In his very first op-ed, the EU’s top diplomat, Josep Borrell, chided China for its “politics of generosity” and called China’s mask diplomacy a ploy for geopolitical influence. Chinese attempts at disinformation around the coronavirus, portraying itself as a generous donor while calling out weaknesses of Europe’s response, have become a huge issue in Paris, Berlin, and Brussels. As Europe-China relations scholar Andrew Small notes, “Beijing’s handling of the pandemic has changed long-standing European assumptions about its reliability as a crisis actor and its approach to the European project.”

It is also important to note that Europe’s enthusiasm for economic engagement with China has tempered considerably, and a shift in economic thinking has underpinned this view of China as a systemic rival and competitor. European businesses no longer see it as possible to separate the political, ideological, and strategic from the commercial. BRI is a prime example. China’s conception and execution of BRI projects have hit European commercial interests in third markets as Chinese companies and SOEs have received a majority of tenders. Its lack of reciprocity in market access have had a direct impact on European companies operating at home and in China.

However, the European mood on China has not completely shifted. Some, particularly in countries like Germany under Chancellor Merkel, still hold hope for reciprocity and greater access to the Chinese market. But these seem more to be remnants of an old approach, as the virus and increasing visibility of China-related issues in public discourse and among lawmakers has made “governments’ pursuit of a business-as-usual approach to Beijing harder to sustain.” There is in fact a greater urgency for creating a new China strategy and trying to forge a common European position on China, amplified not just by China’s behavior but also by tensions in transatlantic ties. Europe sees itself caught in
between US-China competition, urgently thinking of what “EU interests and values” are, to chart its own path forward.

How Europe Sees the Indo-Pacific

Within this context, the debate on the Indo-Pacific has started to gain traction in Europe, although it is certainly not alone in looking for a new balance. As the world’s strategic and economic center of gravity has shifted to the interconnected Indian and Pacific Oceans, the idea of the “Indo-Pacific” has been gaining ground globally. The Indian Ocean has replaced the Atlantic as the world’s busiest and most strategically significant trade corridor.9 The Indo-Pacific is now home to the world’s largest and fastest growing economies, makes up 62 percent of global GDP, and is the second largest destination for European exports (around 35 percent), with four of the EU’s top ten trading partners.10

The region is also the location of great power competition, especially with China’s rise and assertiveness—visible in its attempts to change the territorial status quo from the South China Sea to the Himalayas and create a regional order centered around Beijng through economic, political, and strategic investments including the BRI. A number of countries and entities have formulated their own Indo-Pacific strategies, starting with Japan and Australia and followed by the United States, India, and now even ASEAN.

China sees these strategies and the Indo-Pacific as a threat aimed at containing China’s rise.11 For countries in the region, these strategies represent an attempt to counter “Chinese disruption and American dysfunction,”12 by creating middle-power coalitions in order to balance a rising China; take into account the growing role of India, Indonesia, and others; and strengthen regional institutions and a rules-based international order.

While Europe is a major trade and investment partner in the Indo-Pacific (and is in fact dependent on regional security particularly in the Indian Ocean, which carries around 90 percent of European exports),13 much of its engagement in the Indo-Pacific has lacked strategic direction. A push toward a European strategy for engagement in and with Indo-Pacific was pioneered, unsurprisingly, by France—which considers itself an Indo-Pacific nation given its vast Exclusive Economic Zone (EEZ) and deep historical, political, and security ties to the region.14

Initially, Brussels and other capitals were skeptical of the idea. Indeed, it was hard to imagine a European role in a far-away region when there were more immediate and urgent developments in Europe’s periphery. There was a lot of conceptual confusion as well about where the region starts and ends, with different definitions coming out of Tokyo, Canberra, and New Delhi. One senior EU official captured this confusion, expressing reservations about Europe “using a concept defined by others.”15
Another reason behind this initial reluctance was that the Indo-Pacific idea was associated with the Trump White House specifically, which fed into the notion of confrontation with China. There was little understanding in many European capitals of the role countries like Japan and Australia have played in shaping debate and policy around the Indo-Pacific. And while US and European officials have worked closely behind the scenes on a number of China-related issues, there were fewer successful attempts from the US side to bring Europeans on board their Indo-Pacific strategy.

In many ways, tensions in transatlantic China policy have fed into Europe’s perceptions of the Trump administration’s Free and Open Indo-Pacific strategy. While agreeing with the basic underlying principles, many European policymakers feel the US approach of system-level competition with China is too confrontational and, in practice, forces US partners to choose between whether they want to cooperate with China or the United States. Many still hold the view that the Trump administration’s Free and Open Indo-Pacific strategy fuels, rather than checks, US-China competition and will create a bipolar order squeezing out all other partners and players. Confrontational language coming out of Washington along with targeting of allies and partners in Europe didn’t generate much confidence in European capitals. Even countries like France that agree with more US engagement in the Indo-Pacific also found it difficult to balance the uncertain and uncoordinated approach of the Trump administration toward European partners.

How Germany and Europe Got on Board

The days of initial skepticism are over, however, and the mood in Europe has shifted. Largely due to sustained diplomatic outreach efforts by Japan and Australia, there is now a much better conceptual understanding of the Indo-Pacific idea. The motive behind many countries’ Indo-Pacific strategies has also become clearer—namely, they are a way for middle powers to work together to balance an increasingly assertive China and manage at times uncertain or transactional US engagement. Europe’s partners like Japan, India, Australia, and Indonesia have also underlined the need for more European engagement in the region, particularly burden-sharing on security in the Indian Ocean and investments in regional connectivity. Given that Europe is facing many of the same China-related challenges, many countries in the Indo-Pacific itself now see new opportunities to partner with Europe.
The first sign of a shift in European debates came from Germany. In early September 2020, the German government adopted new “policy guidelines on the Indo-Pacific,” making Germany only the second European country after France to have a strategy for engagement with the region. The 40-page policy guidelines recognize the strategic importance of the Indo-Pacific as “key to shaping the international order in the 21st century.” More importantly, they note that security dynamics in the region will have a direct impact on European security and prosperity, not least since Europe and the Indo-Pacific are “closely connected through global supply chains.” Unlike France, which sees itself as a resident power in the region, the German focus seems to be more on working with Indo-Pacific partners and aligning priorities and approaches in the face of common challenges. The guidelines say Germany will focus on diversifying its economic and political partnerships in the region beyond China, build closer ties with ASEAN, contribute to maritime security particularly in the Indian Ocean, and work with countries in the region to uphold a rules-based international order. Germany and France, together with the support of member states like the Netherlands, are now also pushing for the EU to adopt its own Indo-Pacific strategy.

While the European conversation on the significance of the Indo-Pacific has certainly evolved over the last two years, it is unclear what will come next. The German guidelines and the debate gathering across European capitals are signs that Europe understands the importance of developments in the Indo-Pacific and acknowledges that it will be affected by the regional dynamics. But what role can Europe play, as a non-resident actor, to ensure stability in the Indo-Pacific? Now that Germany and other European capitals have embraced the Indo-Pacific idea, how should they translate it into policy? What can an EU strategy for the region look like? What will it mean for Europe’s relationship with China and the United States?

**What Europe’s Indo-Pacific Engagement Should Look Like**

There are three reasons why Europe’s recent tilt toward the Indo-Pacific is a welcome development. First, Europe has long viewed the world through the lens of US-China competition. This attempt to walk the fine line between the United States and China has left very little room for maneuver and has led to a neglect of Europe’s other partnerships in the region. The fact is that on issues like 5G, connectivity, disinformation, supply chain diversification, and Chinese influence in regional and global institutions, the challenges faced by Europe today are the same as those faced by many partners in the Indo-Pacific. As countries around the world face similar dilemmas, it might be prudent for European policymakers to broaden their focus, seek new partnerships, and create issue-
based coalitions with other middle powers to further European interests, maneuverability, and policy priorities rather than obsess about how to position themselves between the United States and China.

Second, Europe’s attempts to create a coordinated China strategy will not be effective if they don’t consider how China behaves as an actor in international relations and outside of European borders with other partners. China’s behavior in other parts of the world and how it views the role and rule of law are not only important for Europe internally but will impact Europe’s political ties, its business, and investments in Asia and Africa. As a result, the China policy of any European country or the EU will not be comprehensive without understanding and addressing the broader impact of China’s rise in the Indo-Pacific.

Third, on a more practical level, an Indo-Pacific strategy will allow the EU and member states to link together various regional and thematic strategies already in place. In fact, the building blocks of a European Indo-Pacific strategy already exist, especially if the EU strategy on connectivity, the new strategic approach to China, India, policy on security engagement in and with Asia, and regions like the Indian Ocean, ASEAN, and the Pacific Islands are taken together. Having an Indo-Pacific strategy would help thread these various policies together, allowing Europe to strategically align with like-minded partners in the region.

Indo-Pacific strategies of most countries around the world have four key strands: building issue-based coalitions among middle players using various bilateral, trilateral, and mini-lateral formats; providing alternative pathways to regional connectivity beyond the BRI; strengthening regional security by investing in organizations and building capacity of partners; and enhancing economic security by diversifying supply chains. Taken together, the goals are to promote a rules-based order in the region, keep China’s revisionist tendencies in check, and maintain meaningful US engagement in the region. Europe has an interest in pursuing all four strands, not only because they provide an opportunity to contribute to a region where Europe has substantial ties of investment and diplomacy, but also to deal with problems and challenges Europe is facing at home.

**Building Issue-Based Coalitions**

China’s broadening global ambitions mean that many challenges faced by countries like Australia, New Zealand, India, and Japan are now at Europe’s shores. Moreover, on a number of these China-related challenges, Europe has much more common ground with partners in the Indo-Pacific, whose responses to China don’t necessarily take the hard line often advocated by Washington. The focus of the German Indo-Pacific guidelines, and most likely of any future
EU policy, is rightly on diversifying partnerships in the region. The guidelines, however, don’t specify how this diversification would be done.

Germany and other European countries should take advantage of the new bilateral, trilateral, and mini-lateral platforms between middle powers, which have emerged as the defining feature of the Indo-Pacific. The grouping of India, Japan, Australia, and the United States (known as “the Quad”) is the most frequently cited example. But equally important are the several track-1 and -1.5 dialogues among Australia, Indonesia, Japan, India, and even France that have recently emerged in different trilateral configurations. The necessity for and usefulness of these coalitions is apparent in the formation of new groups like the Inter-Parliamentary Alliance on China, formed by parliamentarians across the world in response to Beijing’s wolf-warrior diplomacy, crackdown in Hong Kong, economic coercion, and escalation in the South China Sea.

The recent meeting of Quad members along with New Zealand, South Korea, and Vietnam, also known as the “Quad Plus,” shows the expanding focus of these groupings—in this instance to exchange lessons on tackling the COVID-19 pandemic and to coordinate approaches to tackling the virus and reviving their economies. The UK’s idea of the D10 grouping of leading democracies to tackle 5G communications and protect supply chains is another example of creating new multilateral structures, since the existing ones are no longer adequate.

Europe cannot tackle challenges posed by China’s rise alone, not least because the standard response from China to any criticism has been tactics of intimidation and threats of economic retaliation. Europe will have to build new issue-based coalitions and partnerships, and having an Indo-Pacific strategy that focuses on diversifying relationships can help guide this process. The behind-the-scenes coordination between the EU and Australia around the origins of the coronavirus enquiry at the World Health Assembly is just one example of how middle-power coalitions and diplomacy can produce results. Even if formal coalitions are hard to manage, Europe will certainly benefit from cross-pollinating debates with shared experiences and best practices with Indo-Pacific partners facing similar challenges, particularly on issues of 5G communications, new technologies, and AI, where Europe has a lot to contribute to shape the global debate and norms.18
Partners on Connectivity

Infrastructure and regional connectivity are crucial pillars in the Indo-Pacific strategies of all countries. China’s BRI has put infrastructure and other forms of connectivity at the center of geopolitical competition. While it sounds technical, connectivity is very much about systems of political, economic, and technical governance. The EU’s Euro Asia Connectivity Strategy is an attempt to counter the influence of the BRI by providing an alternative narrative and sources of infrastructure financing. The EU advocates connectivity that is fiscally and environmentally sustainable, transparent, and conducted on a level playing field. It has currently pledged €60 billion for connectivity projects around the world, which according to interviewed sources could go up to €120 billion in the new EU budget.

This strategy can be a key instrument in Europe’s toolbox when engaging with the Indo-Pacific. The EU and its member states are already significant players investing in infrastructure in the region—according to EU officials, in total Europe has provided €414 billion in aid globally, compared to Chinese loans of €460 billion. However, Europe has taken a bureaucratic and technical approach to its aid and has “failed to gain political dividends despite massive contributions,” remaining a payer, not a player.

Secondly, Indo-Pacific markets are crucial for European companies, and the significance of these dynamic markets will only continue to grow. Who dominates these markets and which economic and technological standards are put in place will certainly have implications for European businesses. As the initial hopes of European companies participating in and gaining market share through BRI have fizzled out because most BRI-related project tenders have been awarded to Chinese SOEs or private companies rather than European ones, there is also a business case for Europe’s engagement in infrastructure financing in the Indo-Pacific.

It is telling that the EU’s first major partnership under this connectivity strategy was with Japan—whose long history of infrastructure investments across Asia and Africa has often ranked ahead of China in terms of reputation, local impact, engagement, and transparency. What is perhaps less widely known is that Japan is also stepping up its engagement and investments in Europe to counter Chinese investments, having created a Western-Balkan Cooperation Initiative last year and appointing an Ambassador-at-large for the Balkan region. It seems likely that the first joint project under this partnership will also be in Europe’s neighborhood.

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Like Japan, India, Australia, and the United States have also been working together in different constellations to provide alternatives to BRI financing. India and ASEAN are very keen to work with the EU as a potential partner and are looking to attract European financing for increasing both domestic and regional connectivity. The United States is very interested in engaging the EU on the question of standards and financing through the Development Finance Corporation (USDFC). Recently there were hints that the USDFC might use some of its US$60 billion budget to bolster alternatives to Huawei, which would have a positive impact on European companies like Ericsson and Nokia. As the EU is keen to set standards on connectivity, it needs to be a part of these conversation with partners in the Indo-Pacific including the US-Japan-Australia-supported Blue Dot Network, which aims to promote “high quality and trusted standards” for global infrastructure development.

Connectivity is a crucial instrument for EU foreign policy, both in Europe and abroad. The coronavirus crisis adds another layer of complexity to it as the funding available for such projects will shrink overall. At the same time, questions around surveillance and technological responses to tackling the virus have put digital connectivity into sharp relief, especially as the alternatives are often Chinese technology. If the EU wants to achieve the goals of its green agenda and digital agenda, it might have to work more closely with Indo-Pacific partners, including the United States.

European Security and the Indo-Pacific

Germany’s Indo-Pacific guidelines reiterate that Europe’s security and prosperity are inextricably linked to developments in the Indo-Pacific, given the deep trade relationships Europe’s export-focused economies have with the region. The coronavirus crisis has only underlined how developments in the region, and China’s behavior and actions, can have a direct impact on European security. In recognition of these developments, the EU in 2019 declared working on security with partners in Asia as a priority and has since launched a pilot project to explore greater security engagement with India, Indonesia, South Korea, Japan, and Vietnam.

Many argue that, given its limited defense and particularly naval capacities, Europe cannot be a security actor in the Indo-Pacific. However, security engagement is much broader than just military deployments. The EU and its member states are already engaged in several high-level security dialogues with partners in South and Southeast Asia on maritime security, cyber security, counter-terrorism, trafficking, and illegal and unregulated fishing, among other problems. Having an Indo-Pacific strategy would allow Europe to streamline these programs and align strategically with the priorities of its partners. For example, both Japan and India would like to see the EU play a larger role in burden-sharing on security
in the Indian Ocean, where China’s People’s Liberation Army (PLA) navy has an increasing presence.

With its Operation ATALANTA, a counter-piracy military operation, the EU has been a security actor in the Western Indian Ocean for the last few years. In June 2020, the EU announced that it will expand its CRIMARIO project—which focuses on maritime domain awareness, information sharing, and safer sea lines of communication—to South and Southeast Asia. The EU is already exploring possibilities of cooperation with partners like India on maritime security. The German Navy announced earlier this year that it will deploy its newly acquired frigate in the Indian Ocean for port calls and participating in the Indian Ocean Naval Symposium. The German Indo-Pacific guidelines also mention maritime security as a priority. Until the capacities of European navies increase, Europe can play a role in crucial areas such as increasing maritime domain awareness and information-sharing in the Indian Ocean, participating in joint naval exercises with partners in the Gulf of Aden, developing Blue Economies (which focus on sustainable use of ocean resources for economic growth), and tackling non-traditional threats linked to climate change, unregulated fishing, etc.

When it comes to the South China Sea, Europe has a limited role to play in freedom of navigation operations, due to limited capacity and other constraints. Regional partners, however, expect stronger European condemnation of Chinese attempts to alter the status quo in the region. The recent Note Verbale submitted on September 16 by the UK, Germany, and France challenging the legality of China’s maritime claims in the region shows the growing potential for more European cooperation on South China Sea-related developments.

But even more importantly, Europe can play a role in technical and legal capacity-building of partners in Southeast Asia, upholding maritime law and freedom of navigation, and withstanding pressures from China. The EU and member states like the Netherlands already have similar programs in place that can be scaled up in coordination with regional partners like Australia who are interested in working with Europe on these issues. Having an Indo-Pacific strategy at the European level could also be an opportunity for better intra-European coordination, particularly with member states like France who have assets in the region.

**Economic Security and Supply Chains**

A critical element driving German and European engagement with the Indo-Pacific is economic security and diversifying economic partnerships. The coronavirus has prompted Europe to rethink its dependence on China, starting a conversation around critical supply chains, sovereignty, and security. While there are
few takers for decoupling, many in Europe have started to reassess their reliance on Chinese manufacturing, particularly in critical sectors such as health and technology. In this context, there is a renewed interest in potential markets in Asia, particularly in Vietnam, India, and others.

There are also lessons to be learned from Indo-Pacific partners when it comes to supply chain resilience. For example, Japan, as “a target of Chinese sanctions in the past, has experience in reducing reliance on imports from China.” Thus, after the outbreak of the coronavirus pandemic, Japan was one of the first countries to actively encourage investments away from China. In their newly launched supply chain resilience initiative, Japan, Australia, and India aim to actively reduce their trade dependence on China. The three have underlined the need for a “free, fair and predictable trade environment” and have called on all like-minded countries in the region to join the initiative. Japan is reaching out to several European countries and the EU on the question of supply chains and other aspects of industrial policy already.

As a major trade and investment partner of almost all Indo-Pacific countries, the EU has a role to play in shaping global trade in the post-COVID-19 world. As the United States has retreated from multilateral trade arrangements, Europe has stepped in and signed comprehensive FTAs with Japan, Singapore, Australia, New Zealand, and Vietnam and is exploring agreements with India and with ASEAN as a block. Europe should use its Indo-Pacific strategy to focus on economic security and continue the conversation on supply chain resilience with partners in the region. Here, the added value of the world’s largest trading bloc is obvious.

**Diversification, Not Decoupling**

The debate on the Indo-Pacific has made significant strides in Europe over the last two years. In Paris, it is no longer a debate but a core part of French foreign policy. In Berlin and other capitals, discussions have shifted on how to get all of Europe to change its approach to the region. Both the EU and its member states are engaged in Asia on several levels, either through free-trade agreements, security partnerships, or in regional organizations like ASEAN. A conversation around the Indo-Pacific can be an opportunity to evaluate Europe’s Asia strategy and embed these various levels of engagement into a broader version of it. It can be an opportunity to evaluate what Europe’s interests
in the region are and how best to achieve them through flexible and issue-based coalitions with other middle powers and middle players.

Europe-China relations have been on a downward trajectory for several years now. But the current crisis in Europe and the desire to re-evaluate its foreign policy and approach to the world is also, to an extent, a result of rifts in transatlantic ties. Both these trends are unlikely to change in the near future. Even as most Europeans look forward to a Biden administration, when tactics and approach to China might be different, the demand from Europe’s partners and allies to do more to balance China’s rise will not go away. Working with middle powers and partners in the Indo-Pacific might be the solution Europe is looking for.

Notes

15. Author interview with senior EU official, Brussels, October 2019.