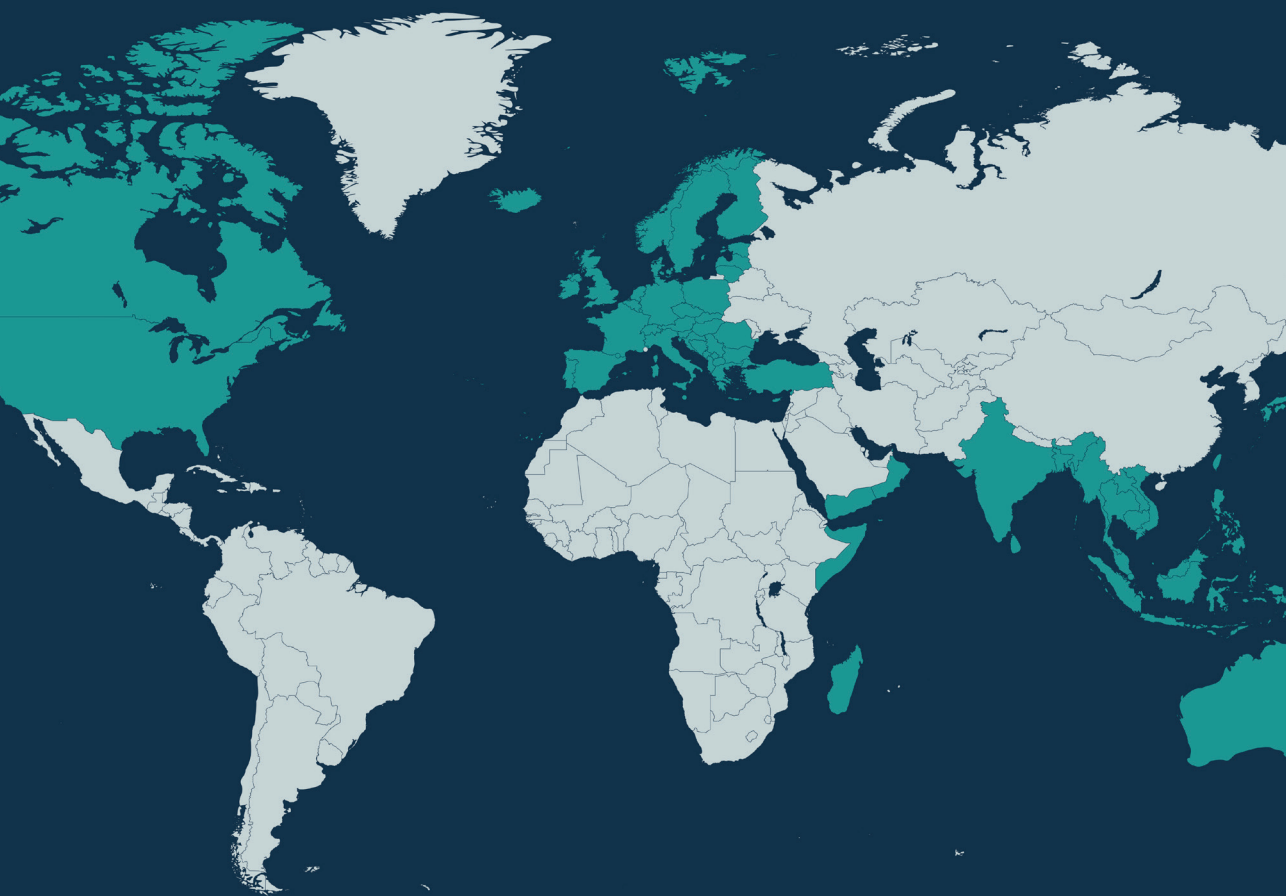


Europe and the Indo-Pacific





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The Club of Three

The Club of Three is a Franco-German-British leadership initiative, convening senior figures from business, politics, the media and academia. It provides an informal platform for cross-sector thinking on the major challenges that Europe faces. It also offers a mechanism to pursue a more strategic European approach to addressing these issues, and contributes to strengthening mutual understandings and nurturing critical relationships both within Europe and with key global players such as China and the US.

The Club of Three organises a range of high level meetings on an annual basis. These vary in size, format and focus and take place in different European capitals. Each year, we run a core programme which consists of a Plenary meeting, a Working Session and a number of more informal 'fireside chat' meetings, thanks to the support of a number of partner organisations.

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Speakers in the Club of Three / LSE IDEAS Discussions on Europe and the Indo-Pacific, January–September 2021

The following contributed as members of the panels of speakers during the course of the four discussions. None of the content of the report that follows may be assumed to reflect the views of any one participant. This report has been prepared by Francois Le Goff, General Secretary of the Club of Three, and Hugh Sandeman, Head of the Global Strategies Project, LSE IDEAS.

Ambassador Sylvie Bermann, formerly French ambassador to Russia, China, and the UK

Sir John Sawers, former Chief of the UK Secret Intelligence Service

Franziska Brantner, Bundestag Member, Green Party, and Member of the Bundestag Committee on European Affairs

Kori Schake, Director of Foreign and Defense Policy Studies, American Enterprise Institute

Dr Nicola Casarini, Senior Fellow, Istituto Affari Internazionali, Rome

Dr May-Britt Stumbaum, Director of the NFG Research Group 'Asian Perceptions of the EU', Freie Universität Berlin

Tobias Ellwood, Member of Parliament, Conservative Party, and Chair of the House of Commons Defence Committee

Professor Tomohiko Taniguchi, Keio University Graduate School, Tokyo, and former Adviser, Cabinet of Prime Minister Shinzo Abe

François Heisbourg, Senior Adviser for Europe, International Institute for Strategic Studies

Professor Lanxin Xiang, Director, Institute of Security Policy at the China National Institute for SCO International Exchange and Judicial Co-operation (CNISCO), Shanghai University of Political Science and Law

Hervé Lemahieu, Director, Power and Diplomacy Program, Lowy Institute, Sydney

Rajeswari Pillai Rajagopalan, Director, Centre for Security, Strategy and Technology, Observer Research Foundation, New Delhi

European strategies for the Indo-Pacific: A report on four discussions held in January–September 2021

LSE IDEAS and the Club of Three, the Franco-German-British leadership network, held a series of four online discussions on the strategies of European powers for the Indo-Pacific over the nine months from January to September 2021. Each of the discussions was led by a panel of distinguished speakers from the UK, France, Germany, Italy, the US, Japan, Australia, India, and China and other nations. The objective of the webinars was to examine what contribution European powers can make to security in the Indo-Pacific.

The first discussion, held as the Biden administration was taking office, examined the security and defence implications of the change of administration in the US for Europe's approach to the Pacific. The second discussion, in April 2021, switched the focus to the US, to ask what sort of contribution to Indo-Pacific security the Biden administration wanted from Europe. The third webinar in the series, in June 2021, canvassed views from the Indo-Pacific region on how the ambitions of European powers to contribute to regional security can most usefully be applied. The series ended in September 2021 with a perspective from China on the concept of the Indo-Pacific and a critique of European strategies in the region.

The span of nine months between the initial discussion and the final webinar, which took place the week after the September announcement of the trilateral security agreement between Australia, the UK, and the US (AUKUS), amplified the range of views expressed on European strategies in the Indo-Pacific. In the early days of the Biden administration, with its emphasis on resuming work with allies and partners after the rupture under President Trump, there was an expectation of some convergence between US and European approaches to China. In the final discussion, with

[T]he September announcement of the trilateral security agreement between Australia, the UK, and the US (AUKUS), amplified the range of views expressed on European strategies in the Indo-Pacific

European concerns about US unilateralism in the withdrawal from Afghanistan and the AUKUS surprise fresh in mind, there was a more overt emphasis on the need for continental European powers to ensure a degree of autonomy from US policy, in the Indo-Pacific as in other areas.

The panellists expressed a broad spectrum of views on how Europe should contribute to security in the Indo-Pacific, and thereby lend support to US strategic objectives in the competition with China. They ranged as far as extending the concept of strategic autonomy in Europe to a determination to avoid having to make a choice between China and the US. On the latter view, expressed in the final discussion by Chinese and European commentators, both China and the US might be seen as having pushed their claims to primacy too far, though the assertive determination of President Xi's China to project a more forceful regional and international policy had clearly been the main catalyst in raising tensions.

This switch in emphasis had been foreshadowed to some degree in the earlier discussions in the series. It had been argued, in relation to US objectives for Europe's role in the Indo-Pacific, that US foreign policy is inherently volatile, and that its allies should be expected to hedge against fluctuations in US policy that arise from a finely balanced political system. The disruptive impact of strong and defensive national competition for major procurement contracts, which fuelled the intensity of the row over AUKUS, was raised in the discussion in June in reference to the Galileo project. It was noted then that the intensity of such competition leaves openings for adversaries. There is an open question of how the UK, a European power with strong historical links in the region, will align itself more with US approaches or with the perspective of its immediate European neighbours.

As can be seen from the summaries of the discussions that follow here, European powers—and the European Union—are still feeling their way towards the role of the Indo-Pacific in formulating sustainable strategies for competing against, and co-operating with, China. The complexity of the Indo-Pacific region, with multiple players and no system of alliances, leaves room for initiative and experiment by Europe. ■

Europe and the Indo-Pacific in the Biden Presidency: What are the security and defence implications for us Europeans?

28 January 2021

CHAIR: PETER WATKINS, VISITING SENIOR FELLOW, LSE IDEAS,
FORMER DIRECTOR GENERAL STRATEGY AND INTERNATIONAL,
UK MINISTRY OF DEFENCE

The initial discussion, which took place in the opening weeks of the Biden administration, explored what France, Germany, the UK, and other European countries could do in the Indo-Pacific region to meet the growing challenge from China—and how European powers should best work together and with the United States. The expectation was that the Biden administration would maintain the previous administration's policy towards China as a geopolitical competitor, though with a different approach to execution.

There was consensus around the view that Europe's response to the expansion of Chinese power would need to be balanced between challenging and continuing to engage with China. A wide-ranging decoupling could encourage China to distance itself further from the West and to express yet more assertively its ambition to become the dominant power in Eurasia. Even if European unity were maintained in the face of significantly greater pressure from China, of the kind that Australia recently experienced after unilaterally calling for an investigation into the origins of Covid-19, the relatively small size of Europe's economy compared with China's would make it hard to resist coercive Chinese economic diplomacy.

Europe therefore must find a way to delineate areas where it will compete with China (trade and technology), where it will co-operate (climate change), and where it must challenge the extension of Chinese power (human rights and the independence of its friends and allies in the Indo-Pacific region).

Europe must find a way to delineate areas where it will compete with China, where it will co-operate, and where it must challenge the extension of Chinese power

Critical technologies are an obvious place to start reducing reliance on China, a process that cannot rely on market forces alone. In theory, Europe needs to create a home market large enough to generate powerful technology companies, with a supportive regulatory environment. European data regulation, for example, may inhibit development of European capacity in artificial intelligence, though following the Chinese model of minimal data protection is not an option. In practice, Europe may be too far behind in digital technologies to develop capabilities independent of China. The institutional basis for a powerful industrial policy aimed at out-competing China is also lacking: Europe has succeeded in setting up a clearing house for information on Chinese investments, but the creation of a European version of the Committee on Foreign Investment in the US is beyond the institutional capacity of the European Union.

The economic and political benefits of continuing to co-operate with China argue in favour of limiting the extent of attempts to de-couple the European and Chinese economies. There are clear advantages to keeping China closely integrated with the international financial system. Sanctions imposed by President Trump had not been helpful in this respect, as they create incentives for the Chinese—and Europeans—to seek long-term alternatives to the dollar. Maintaining the dollar's role at the centre of the international financial system, and the euro's place in it, is clearly in the interests of the Euro-Atlantic powers.

For Germany, striking the right balance between co-operation with and disengagement from China is particularly important given the extent of trade links between the two countries. Germany's strategy for the Indo-Pacific was a major step forward, providing the first attempt to link all elements of German government activity on the Indo-Pacific, and going far beyond its customary 'business first' approach. The caution in German

business about over-dependence on China, which underpinned this change of strategic direction, was deepened by the experience of the pandemic, which highlighted the need for Germany to diversify its supply chains. Through its Indo-Pacific strategy, Germany clearly expressed an ambition to contribute to the region's stability and security in a wide range of areas, focusing on institutions: multilateral entities (notably ASEAN), climate change, rule of law, culture and science, and education. But Germany would not simply 'fall in line' if pressed to choose between China and the US.

The position of US business vis-à-vis China is no longer so nuanced, at least in public. There is no significant remaining pro-China lobby in the US, a situation that can be expected to continue throughout the Biden administration. In that sense, America's attitude towards European security would be determined by whether Europe was perceived as having a positive or negative influence in its policy towards China and, more widely, the Indo-Pacific region.

The US will expect some form of defence and military support in the Indo-Pacific to help legitimise its presence there, for example, in relation to freedom of navigation. Europe will incur costs from diverging from US policy on China. This was already evident from the frustration caused in the US in December 2020, as President Biden was preparing to take office, by the EU-China Comprehensive Agreement on Investment (CAI).

The UK is likely to converge most closely with the US on its strategy vis-à-vis China. While France is a significant territorial player in the Indo-Pacific, Europe as a whole has limited reach. Its main contribution will be to support the United States indirectly through regional alliances and partnerships. France and the UK are alike in identifying India and Australia as important partners. With respect to India, Europe

can look for ways to help the country resist Chinese pressure. This could include working more closely with groupings such as the Quadrilateral Security Dialogue between the US, Japan, Australia, and India. Although sharing intelligence on the Indo-Pacific region will become increasingly important, the operational arrangement of the 'Five Eyes' intelligence agencies is not a basis for building out further regional co-operation.

Stability in the region is weakening as China hollows out its own 'One Country, Two Systems' policy in Hong Kong, with the risk of a confrontation arising over Taiwan. China's approach appears to be to apply steady coercion rather than launch an invasion, so while tensions are rising, a rapid escalation over Taiwan appears unlikely. The approach of European powers to a serious Chinese challenge to Taiwan remains undefined.

In principle, the US and Europe have parallel interests with respect to China. Like Europe, the US must talk to its strategic competitor about investment, trade, finance, and climate change. The US has the same challenge as Europe of developing what Henry Kissinger referred to, in the context of American relations with the Soviet Union, as an adversarial partnership. ■

Europe's emerging approach to the Indo-Pacific: With US leadership?

21 April 2021

CHAIR: LESLIE VINJAMURI, DIRECTOR, US AND THE AMERICAS PROGRAMME
AT CHATHAM HOUSE, AND MEMBER OF THE LSE IDEAS ADVISORY BOARD

The Trump years had been unsettling for Europeans, raising questions over whether the US could be a trusted partner

In the second discussion, held three months after the first, the focus switched from European approaches to the Indo-Pacific to looking at US expectations of the contribution of European powers to security in the region.

European strategies towards the Indo-Pacific can be effective only if the US shows clear leadership and a willingness to work with allies. The Trump years had been unsettling for Europeans, raising questions over whether the US could be a trusted partner. However, a degree of volatility in US foreign policy is inherent in the US political system, making it understandable—and even desirable—to Republicans and Democrats alike that European states should seek to hedge against unpredictable turns in the direction of American foreign policy.

In its early months in office, the Biden administration had shown resolve in promoting peace and stability in the Indo-Pacific and a sense of urgency, motivated in part by the possibility of losing Democratic control of the House of Representatives within two years. The administration aims to shift the management of China's rise from a predominantly military one to a broader response, organising allies and aligned countries to put pressure on China to co-operate within the existing international order and to respect the sovereignty of neighbouring powers.

The administration judges that this approach is most likely to encourage middle powers to take the initiative in the Indo-Pacific in specific areas where they feel comfortable making a contribution to international order, and where they have a comparative advantage. Early examples of this approach include the agreement by the Quad powers (India, Australia, Japan, and the US) on a common policy for sharing Covid-19 vaccines and Japanese initiatives to strengthen

the Vietnamese coast guard. India and Japan are also looking at developing more transparent investment alternatives to China's Belt and Road Initiative. Australia and Japan have launched a secure supply chain initiative to diversify supplies of materials such as rare earths and the UK has made the opening moves towards joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

From a positive perspective, Europe and the US are moving more closely into alignment in their views on the challenge from China, and it is not surprising that the US and Japan have been quicker than European powers to recognise the gravity of this challenge. We should not, in this view, be too concerned that some European powers—notably Germany, where the term Indo-Pacific is still generally regarded as an American political concept—are proceeding at a slower pace.

A less positive outlook on the potential for convergence by European and some Indo-Pacific powers on a more unified approach to China is suggested by a continuing lack of solidarity. Australia was left alone to deal with the consequences of calling for an independent inquiry into the origins of the Covid pandemic, until the Biden administration offered support. Italy signed up to the Belt and Road Initiative. New Zealand raised questions about its co-operation with the Five Eyes intelligence-sharing group. Europe failed to speak out against China holding Canadians as hostages. The European Union has been slow to support Montenegro's refinancing of Chinese infrastructure debt.

In this view, European and some Indo-Pacific powers had failed to stand up to China because they were too risk-averse, and too reluctant to share risks. There is no alliance system in the Indo-Pacific. China has progressively toughened its stance against the assertion of maritime order in the region—for example, in its response to

freedom of navigation operations. In this context, there are risks and potential costs for European countries to pursue strategies in the Indo-Pacific. Unless there is a more explicit agreement to share risks in the Indo-Pacific among European powers and between European powers and the US, China will be able to single out individual powers for retaliation, as it did against Australia.

Challengers to US and European conceptions of international order have effectively played the gap between the rhetoric of the US and European powers and their tolerance for risk and for incurring costs. Solidarity is the only effective response, and, so far, it has been insufficient.

The potential economic costs of solidarity in the face of Chinese pressure are particularly acute in Germany. Recognition in Berlin of Germany's over-reliance on trade with and investment in China has not yet evolved into a strategy for dealing with China's rise. Germany is still seeking a balance between co-operating with China, on global public goods as well as on economic relations, and taking a stand against China's authoritarianism and intrusions on sovereignty. The debate over 5G in Germany has, however, moved towards prioritising security over economic procurement.

Europe's military contribution to US strategy for responding to China in the Indo-Pacific was discussed from three perspectives: the role of European forces within the Indo-Pacific; the continuing importance of a strong US presence in Europe; and the still-inadequate extent of European co-operation on security and defence.

There is, according to some speakers, no case for a division of labour in which Europe leaves the US to provide security in the Indo-Pacific while Europe assumes responsibility for security in the Euro-Atlantic. European powers have specific security interests in the Indo-Pacific that involve a commitment of at least some hard power there—and vice versa for the US in the Euro-Atlantic.

With 1.6 million citizens living in French territories in the region and the world's second-largest maritime territories, most of them in the Indo-Pacific, France has an enduring interest in a military presence. For the US, participation by French, German, and British naval forces in exercises in the region provides legitimacy and support for the maritime order it seeks to uphold against claims by China. European forces, however, cannot make a decisive military contribution in the Indo-Pacific, as this would be far beyond the capacity of European powers to sustain.

Equally, US leadership and commitment in Europe remains essential to European security in the face of Russian national objectives. Within this commitment, a rebalancing of resources and effort to increase the extent and effectiveness of Europe's contribution to its own defence and security remains an important objective, as it has been for many years. Collaboration within Europe on defence and security is insufficient, as the dispute over participation in the Galileo system demonstrated. Adversaries of Europe and the US benefit from such conflicts. ■

Europe and the Indo-Pacific: Perspectives from the region

22 June 2021

CHAIR: SARAH RAINE

CONSULTING SENIOR FELLOW FOR GEOPOLITICS AND STRATEGY
INTERNATIONAL INSTITUTE FOR STRATEGIC STUDIES

The third webinar in the series looked at perspectives from the Indo-Pacific on how Europe can contribute to maintaining a rules-based international order in the region, and how it can offer support to Japan, India, Australia, and other regional powers in the context of an ever more assertive China.

Japan is concerned that its immediate neighbourhood is becoming increasingly dangerous, with the continuing nuclear programmes of North Korea, joint Russia-China military exercises near its border, and China's expansionism. There are fears in Japan that this could end up in a geopolitical 'cul de sac' if China asserts control over the contested Senkaku islands, which is seen as a possible first move before reclaiming Taiwan. Chinese control of these islands would severely limit the deployment of US forces and make Japan's position more vulnerable.

In India, the 2020 crisis in the Galwan river valley, the worst in Sino-Indian relations in over 50 years, had a profound impact on India's position vis-à-vis China. This was particularly true within the elite, which had been keen to avoid triggering an open rivalry until the crisis. In the aftermath, there were calls for a significant military build-up and India had become more fully invested in the Asian Quad as a way of pushing back against China.

Australia has experienced the most extreme exercise of Chinese economic statecraft, with sustained Chinese sanctions across several sectors of its economy after Australia called for an independent investigation into the origins of the Covid pandemic. This led to a severe deterioration in Australian relations with China and forced a reappraisal of Australia's strategic environment and ties with its largest trading partner.

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Europe can
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regional trade
arrangements

Growing Chinese pressure on regional powers in the Indo-Pacific is changing expectations of the potential for European engagement. In the past, Australia's attitude towards continental Europe was one of indifference, if not scepticism. There was therefore not much thought on the EU's role in the world or the Indo-Pacific. But tensions with China, as well as Brexit—removing the UK as an intermediary between Australia and the EU—means that Australia must now deepen its bilateral ties with at least some of the larger EU member states. Almost by default, the EU has grown in importance to Australia. This became evident when Australia and the EU successfully steered a resolution through the World Health Assembly in May 2020 calling for a review into how the pandemic started and the international health response.

In India, the response to Europe's Indo-Pacific strategies is more cautious. Among European partners, France is seen as most committed to engagement in the Indo-Pacific. The UK's recognition in its Integrated Review that China poses a systemic challenge to the UK's security, prosperity, and values has made a positive impression in India. Germany's approach to the Indo-Pacific is regarded as more a set of guidelines than a strategy. Close economic ties between European economies and China give an impression in India of some inconsistency in Europe's response to China and leaves open the question of how effective Europe may be in supporting Indo-Pacific partners in a crisis.

Japan does not expect that French or UK forces would intervene if a crisis with Taiwan erupted, but the Europeans could make clear that there would be political costs if China overstepped the mark. From the Japanese perspective, joint naval exercises between European powers and Japan, India, and Australia contribute to getting this message across to China. Japan had hoped that the UK would enhance its naval activities in the Indo-Pacific after Brexit, which made the recent dispatch of its new aircraft carrier there a welcome symbolic step.

Europe can make a parallel contribution to security in the Indo-Pacific by deeper engagement in regional trade arrangements. With the US showing no sign of resuming discussions on joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the CPTPP risks underachieving on its original goal of countering the influence of China's economic model and state capitalism. Despite a generally shared regional concern about the expansion of Chinese power, only Japan and Australia remain openly committed to a liberal trade and investment order,

making the potential for EU involvement more relevant. The EU could provide an ideal alternative to the US in driving the CPTPP's trade agenda, and involvement by the UK would reinforce this. The EU could also consider becoming involved in the Regional Comprehensive Economic Partnership (RCEP), despite some scepticism in the region—particularly in India—about the depth and effectiveness of this agreement. A further route for European engagement lies through financing alternatives to the Belt and Road Initiative.

There is strong support from the region for broadening partnerships of like-minded powers, to defend against the risk of being singled out for retribution by China. The Quad has worked well in signalling resolve to stand up to China, and benefits from a loose and informal structure. This leaves it open for other powers to gravitate towards engagement in the Quad, and France, the UK, Germany, and the Netherlands could be welcome additions to the arrangement. The Quad is a prime example of how smaller groupings can focus on particular issues and have the potential to develop a stronger, more ambitious agenda than is sometimes possible for larger multilateral bodies to achieve. The development of Indo-Pacific strategies by European powers increases the potential for seeding further loose coalitions.

This kind of 'mini-lateralism' is how diplomacy tends to be done in the Indo-Pacific, in the absence of broad alliances. It allows for the limited ambition that is suited to engagement by European powers in the Indo-Pacific, given the lack of close strategic convergence between Europe and China's more immediate neighbours. Mini-lateralism does raise a challenge for the EU, which is seen—at least in Australia—as an institution designed to tame power rather than to project it. But this does not preclude an active role for the EU, particularly in economic diplomacy. There is a strong case for using all available institutional channels—including the United Nations—to seek, as one participant put it, to “dominate legitimacy” in the Indo-Pacific region. ■

Europe and China: What scope for geopolitical co-operation?

23 September 2021

CHAIR: AMBASSADOR WOLFGANG ISCHINGER,
CHAIRMAN, MUNICH SECURITY CONFERENCE

The final discussion in the series on Europe and the Indo-Pacific took place a week after the announcement on 15 September 2021 of the AUKUS agreement between the US, Australia, and the UK.

The discussion opened with a challenge to the concept of the Indo-Pacific, and a warning that Europe risks 'adding fuel to the fire' by engaging with East Asia on the basis that it forms part of an Indo-Pacific region. There are parallels today, as Henry Kissinger has pointed out, with the world in 1914, evidenced by an offensive spirit on the part of both China and the United States, and a belief on each side that they can win. This is dangerous, as is the revival of secret diplomacy, for which the AUKUS agreement could be an omen.

There are three misconceptions that underlie the confrontation between the US and China. First, the concept of the Indo-Pacific arguably has no substance. There is little 'Indo': India has stayed out of the RCEP. Nor is there much Pacific: the US has shunned the CPTPP. The Indo-Pacific might be seen as a modern incarnation of the old notion of 'yellow peril'. The second misconception is that the US is in decline. 'Declinism' in the US exaggerates the strength of China and uses China to externalise the internal problems of the US. Finally, the hubris of Chinese foreign policy, and ill-advised 'wolf-warrior' diplomacy,

has been encouraged by American declinism. In this context, there is scope for miscalculation on both sides, particularly in the area around Taiwan.

It could be concluded from this that the priority for Europe in the face of this confrontation should be strategic autonomy in the Euro-Atlantic area rather than the pursuit of Indo-Pacific strategies. US Defense Secretary Lloyd Austin had stated in Singapore in July 2021 that the UK should focus on security in Europe. It is illusory to assume that that the UK's naval deployment in the summer of 2021 had a deterrent effect on China.

From a French perspective, the arrival of what can be seen as a cold war between the US and China amplifies the need for strategic autonomy in Europe. US paranoia and Chinese hubris have landed both powers in a Thucydides trap. China has been too tough on Australia, and AUKUS is the result. Europe should seek good relations with China on issues like climate change, but it will continue to react adversely if trade and investment are not free and fair. Europe does not want to be caught up in an American crusade, as it has been over the CAI. While the US already obtained its own initial objectives in Phase 1 of its negotiations with China, the EU is now in an irrational situation, with conclusion of the CAI on hold because of sanctions imposed by China on European parliamentarians.

The tension between continental Europe and the US prompted by the AUKUS agreement has exposed a difference in perspective in the US between Atlanticists and policy makers focused on China. Some speakers believed that it also opened up space for European initiative. Low points in trans-Atlantic relationships have in the past given momentum to policies that take a more independent line vis-à-vis the US. Europe could take advantage of the shock from AUKUS, and the manner of the US withdrawal from Afghanistan, to find a solution to Chinese sanctions against European parliamentarians, and conclude the CAI. Almost all industry associations across the EU are in favour of reaching this agreement. The two sides could also find common ground between the eurozone and China over renminbi clearing, and the EU should actively look for further areas of co-operation with China. US unilateralism will help to drive a more coherent European strategy on China. It is possible that scope for a rapprochement could also come from the Chinese side: China had already started to tone down its 'wolf-warrior' diplomacy in the first half of 2021, a recognition that it was a miscalculation.

Economic de-coupling from China is not an option, for the US or Europe. To effectively compete with China, both sides of the Atlantic will need to work together and the EU will have to learn to speak with one voice, not 27. Solidarity over European strategy on China and the Indo-Pacific can emerge only from the recognition among EU member states of common interests. Despite powerful economic interests in Europe that rely on close ties with China, European industry

and commerce continue to keep a low profile in the political debate over European-Chinese relations. If the current 'dual circulation' doctrine of Chinese economic management results in a marked inward turn of the Chinese economy, Europe could emerge as a significant loser.

Relations between the US and Europe have in the past survived bigger shocks than AUKUS. The US remains economically far more important to Europe than China and US direct investment in Europe remains well ahead of its economic commitment in China. The US may not be able to prevail in its economic competition with China without support from Europe.

Following the AUKUS announcement, the gap between the UK and continental European understanding of the Indo-Pacific has understandably widened. If a parallel is to be drawn between pre-First World War Europe and the Indo-Pacific, then AUKUS could be seen as analogous to the Entente Cordiale between Britain and France in 1904. Australia, like France a century ago, is looking to broaden its partnerships as it fears the growing hostile exercise of power by a big neighbour. The same goes for other members of the Quad, and for powers like Vietnam. AUKUS has its own specific logic: until now, the UK has been the only power with which the US has shared nuclear submarine technology. The agreement also covers other areas of concern to Australia, including technologies such as AI where China has linked its national security to the ambition of technological leadership. ■



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