The U.S.-China Race and the Fate of Transatlantic Relations

Part II: Bridging Differing Geopolitical Views

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Executive Summary

Technological—and therefore economic—dominance is one key dimension of global competition between the United States and China, although the competition between the two powers goes far beyond just the economy. For example, the Covid-19 pandemic is a new and different dimension in the struggle between China and the United States. Furthermore, what are the pandemic’s implications for the European Union and the transatlantic relationship? As Part I of this paper discussed, technological competition between the United States and China can have either a disruptive or healing effect on transatlantic relations. To stave off disruption, a new and unified transatlantic agenda related to China is needed.

This paper identifies and explores several areas beyond technology in which the European Union and the United States can and should find common ground. But any such exploration begins with recognizing the need to defend Western values, creating a broader transatlantic dialogue on trade and Chinese investments, developing a shared understanding of the military and security challenges posed by China, and finally, working toward a behavioral change in China on issues of transatlantic common interests. Today, China poses challenges to both the European Union and the United States in geographical areas—as well as functional and organizational ones—from which it was absent until fairly recently. But many factors bring the European Union much closer to the United States than to China on these issues. Further bilateral disputes between Washington and its European partners and allies must end, and a more common approach toward China must be developed.
**Introduction**

U.S. economic competition with China intensified under the Obama administration, as the United States contended with the implications of China transitioning from a developing economy (treated as such since its entry into the WTO in 2001) to the world's second-largest economy. As part of the U.S. “pivot toward Asia” or America’s “Pacific Century,” the Obama administration took measures such as negotiating the 12-nation Trans-Pacific Partnership (later disavowed by the Trump administration) and enhancing U.S. military presence and defense agreements in the Indo-Pacific region. However, it was the Trump administration that declared an era of great power competition with China, implemented trade sanctions against Beijing, and became more diplomatically active in Europe by warning against increased Chinese investments, particularly in the technological sphere.

The first paper in this series examined how the race for technological dominance between China and the United States could raise tensions in the transatlantic relationship and place strains on European unity. This second paper examines other geopolitical factors that could contribute to greater friction between the United States and the European Union in relation to China and proposes policies to reduce this tension, at least partially.

Europeans are finding it increasingly difficult to align with the U.S. government’s view on China because of the Trump administration’s policies and approaches toward the European Union, particularly the imposition of trade tariffs and President Trump's often stated views that the European Union is a “foe” or “worse than China.”

Europe, as Luis Simon puts it, is at the same time “subject and object” of the growing tension between the United States and China and has become again the “battleground of great power competition,” as Constanze Stelzenmüller presents it. Neither a great power nor a state, but something different, the European Union and its member states are experiencing pressure from: the United States, to decouple or distance from China; Russia, which is geographically closer to Europe but engaged in a competition with NATO; and China itself, which seeks to make Europe more economically dependent on China through various means. China knows that for Europe, as Stelzenmüller writes, decoupling from globalization “is not an option; it is existentially dependent on global economic integration.” Russia and China are now players in the European arena and are “ruthlessly effective at identifying and exploiting European weaknesses.”

Europeans had taken a positive approach to China, especially since many member states have sought Chinese investment and imports following the 2008 global financial crisis, which was longer and deeper in Europe than in the United States. But with the growth of Chinese economic and technological power, its mounting influence on some member states, and the geopolitical competition in areas of traditional European interests, Europe has changed its outlook, losing what French President Emmanuel Macron called its “naïveté” toward China. Europe no longer sees China as a developing country.

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but as an emerging global power that has become an “economic competitor” and “systemic rival,” after years of treating China as a “strategic partner.” In a telling sign, the European Union has officially noted that China “promotes alternative models of governance.”

But Europe also wants and needs to keep doing business with China and does not wish to completely extricate itself from China's technological ecosystem nor to disengage from it and its economy. As a result, the European Commission has constructed a policy approach that acknowledges “China is, simultaneously, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in pursuit of technological leadership, and a systemic rival promoting alternative models of governance.” But the Coronavirus crisis has also brought to the European consciousness its overdependence on China in its supply chains, especially in the medical field. We might see therefore a process of separation, in the midst of a general process of deglobalization.

Both the European Union and the United States seek a rules-based, level playing field to make China behave in a way that fits more closely with the Western view of the global order, but they desire to do so in dramatically different ways with very different tools. Although the transatlantic relationship is under strain, Europe remains much closer to the United States in terms of shared values, economic and political models, and security structures. There are several dimensions on which the United States and Europe do not necessarily agree but where they could find some common ground on policies toward China, apart from technology and security.

**Values and Global Order**

Europeans do not perceive China's rise to a major power as a central problem. Europe acknowledges that China is a dictatorial system, hardened under President Xi Jinping’s leadership, with values that are very different from the ones shared by the United States and Europe. Therefore, a transatlantic approach toward China should be underpinned by liberal values, including democratic freedoms, rule of law, freedom of expression and the press, and support for human rights. Both sides of the Atlantic must make soft power competition a central part of their approach.

At the start of the United States’ opening to China in the 1970s, values were not a central concern for most U.S. policymakers. Neither had they been a focus for Europeans, although this changed dramatically with the repression in Tiananmen Square in 1989. Over the past 20 years of Sino-American engagement, there has been American disappointment that interaction with China has not led to greater Chinese economic and political liberalization even as the number of mainland Chinese students studying abroad in the United States and Europe has grown. Transatlantic policymakers also thought that adoption of the internet and digitalization could become a force of transparency in China rather than an instrument for greater political control on society, which is what has occurred under Xi Jinping. For China, technology has meant greater control and repression, best exemplified in the concentration and re-education camps for Muslims Uighurs in the province of Xinjiang and the growing system of social credit used to exert control over the life of Chinese citizens.

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5 Ibid.
6 Ibid.
Both U.S. and European policymakers are beginning to reprioritize the role that values and human rights play in their differences with China. China offers its authoritarian system in other parts of the world as an example of economic, technological, and even political success. China views liberal democracy as inefficient and as a threat to the rule of the Chinese Communist Party (CCP). China is also very comfortable exporting its surveillance technologies (a fundamental instrument for techno-authoritarian systems) to all sorts of authoritarian regimes in Africa and even Europe.

It is not only governments that must grapple with the question of values when it comes to relations with China but also companies and civil society organizations. U.S. Vice President Mike Pence has made this point explicitly by noting, “far too many American multinational corporations have kowtowed to the lure of China’s money and markets by muzzling not only criticism of the Chinese Communist Party, but even affirmative expressions of American Values . . . American corporations should stand up for American values here, at home, and around the world.” But standing up for liberal values poses a real challenge when it comes to the cost of doing business with China. In October 2019, Daryl Morey, general manager of the National Basketball Association’s Houston Rockets, tweeted a message in support of anti-government protests in Hong Kong. Basketball is China’s most popular sport and a vast market for the NBA. The financial fallout from Morey’s actions quickly lead the NBA to distance itself from Morey’s tweet, and Morey issued a public apology. In another case, Apple, for whom China is its third largest market, removed an app used by protesters in Hong Kong to track police after pressure from the Chinese authorities.

Should foreign companies follow their business interests or their principles? China also uses foreign companies to disseminate the CCP’s propaganda by forcing them to suppress negative information, for instance, on Hong Kong protests, and by amplifying positive news of the regime. One such example of this is the “rectification plan” Marriot Hotels had to issue in 2018 after listing Hong Kong, Tibet, Taiwan, and Macao as countries. According to Isaac Stone Fish, Beijing wants more than the advancement of its own economic interests from foreign companies; it “wants them to advance its political ones, too. In subtle and sophisticated ways, Beijing convinces, cajoles, and cudgels American companies to promote the values of the ruling Chinese Communist Party, parrot the party’s views, and enshrine self-censorship about China in their corporate cultures.”

One arena related to values in which the United States and the European Union can work together is in addressing human rights issues in China. It will not be easy. To start, the European Union does not have a unified policy, as some EU member states differ in their interests toward China. This has impeded the bloc from adopting clear positions in defense of human rights in China, including in the case of the Uighur re-education camps or protests in Hong Kong or Tibet. The United States is taking a more active role in pointing

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out human rights problems in China, drawing attention to Chinese AI companies that are using facial recognition technology to help the Chinese authorities repress Uighur Muslims in Xinjiang. In December 2019, the U.S. House of Representatives overwhelmingly passed a bill that would sanction individuals responsible for human rights abuses against the Uighurs and restrict exports on technology that China uses in its detention camps in Xinjiang.15

The United States and Europe can work more effectively together to push back against China at the United Nations and other international organizations. China is trying to shape and bend these organizations to its values and interests (particularly by preventing criticism of China) by using such phrases as “community of a shared future for mankind” and “the democratization of international relations.” China is attempting to introduce its “values” on human rights and other issues in the UN framework through using Western expressions. According to Krystine Lee and Alexander Sullivan, “such terms deliberately degrade consensus around universal human rights.”16 But in order to push back against this effort, the United States must recover a stronger position in the rules-based world order that it created and which the Trump administration has undermined.

It is imperative to change China’s external and internal behavior, with U.S.-EU cooperation focusing on securing a change in the way China’s behavior affects U.S. and European interests.17

Economics and Geopolitics

Europe has had an almost exclusively economic approach to China in terms of mutual trade and investments. The United States has both an economic and security approach to China and has taken a more confrontational stance, such as engaging in a trade war with Beijing. Security concerns about Chinese investments have been growing for some years in the United States and have reached their peak under the present administration. However, the line between what is considered protection and protectionism is blurred both in the United States and Europe—particularly a Europe that wants to protect itself against unwanted acquisitions by Chinese capital (see Part I of this series).

European governments and institutions are usually resistant to using trade sanctions, though they have used some against Russia and Iran. Europe’s Eurasian trade, according to Bruno Maçaes of the Hudson Institute, amounts to “nearly three times the volume of transatlantic trade,”18 and Europe’s value chain is increasingly dependent on China.19 However, the United States is a much more important trade and investment partner to the European Union than China; this should in theory drive greater regulatory harmonization and trade, but this has not yet been the case. Both the United States and Europe have separately focused their attention on China.20

17 Pence, “Inaugural Frederic V. Malek Public Service Leadership Lecture”; and official sources in private conversations.
20 In 2018, the United States imported $683.9 billion of goods from the European Union and $557.9 billion from China. However, U.S. exports to Europe reached $574.5 billion, while only $179.2 billion went to China. China is the European Union’s biggest source of imports and its second-biggest export market; China and Europe trade on average over about $1.09 billion (€1 billion) a day. Total U.S. investment in the European Union is three times higher than in all of Asia. “European Union,” Office of the United States Trade Representative, https://ustr.
On multilateral trade, the European Union has worked with China in a more cooperative way than the United States. Following the 2019 EU-China Summit, the European Union and China released a joint statement that affirmed their commitment to, among other things, cooperate on the reform of the WTO. The statement also affirmed EU support for China joining the WTO Government Procurement Agreement.

In contrast, the Trump administration has taken an adversarial approach to the WTO, as it contends that China has skillfully gamed WTO rules. At the same time, the United States has benefited from a recent WTO ruling that allowed it to place tariffs on select EU member states for using state aid on Airbus planes (though the WTO may soon approve similar sanctions against Boeing). As a strong proponent of multilateralism and to ensure the WTO continues to function, the European Union is pursuing reform of the WTO, which could lead to a WTO 2.0 that is better adapted to the digital economy. This includes a reexamination of the WTO mechanism for dispute resolution and the nomination of necessary judges. Experts have also suggested that the European Union should aim, in preparation for the next WTO Ministerial Conference in mid-2020, for a set of plurilateral agreements based on “reciprocal concessions” on industrial subsidies, technology, and intellectual property. Perhaps most importantly, China should cease to have the status of a developing country.

Washington and Brussels are on common ground when it comes to pressuring China to reduce its subsidies and government control of state-owned enterprises (SOEs), but Xi Jinping’s policies have resisted such changes. The European Chamber in China has called for “competitive neutrality” and SOE reform to sustain China’s development. “Realizing competitive neutrality would level the playing field—which currently favors state-owned firms over both local and foreign private ones—and lay a strong foundation for resilient long-term development,” according to Jörg Wuttke, president of the European Chamber.

But Chinese SOEs are part of the control system of the Chinese state and the CCP, underpinning the latter’s resistance to change.

It is also time for both the United States and Europe to jointly consider an alternative to Chinese investments in connectivity, such as China’s Belt and Road Initiative (BRI). As Bruno Macaes argues, the BRI reduces transport costs, rivals northern European routes, and reconfigures Europe’s internal trade. European ports and other related infrastructure are sought after by Chinese investments, and many EU countries have signed memorandums of understanding (MOUs) with China to participate in the BRI despite security and transparency concerns (though it should be noted that not all MOUs lead to construction). Chinese SOEs now control 10 percent of European port container capacity. Though EU countries do not have united attitudes and interests toward China, it could be said that the most pro-Chinese member states (for investment reasons) are also the most pro-American (for security against Russia). Yet all realize that the BRI has a clear geopolitical

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22 Ibid.
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dimension and vision for this undertaking—a vision the transatlantic community has yet to develop for itself, including the self-proclaimed “geopolitical” European Commission. Through the BRI, Chinese presence has also grown in North Africa, sub-Saharan Africa, and the Middle East, all areas that are of major strategic interest to Europe and (though less than before) the United States.28

A potential alternative could be a scaled-up version of the EU Strategy on Connecting Europe and Asia, which is much less ambitious in scope than the BRI but insists on principles such as transparency and free competition. It also allows for business-led decisions by private companies rather than state-oriented directives on investment.29 Another model for the transatlantic community could be the agreement of connectivity partnership between the European Union and Japan, which builds infrastructure and creates development standards in joint projects around the world. The partnership has leveraged approximately $65 billion (€60 billion) and reinforces sustainability (e.g., in social, financial, environmental, and climate impacts).30 Another platform that has European applications is the Three Seas Initiative, which aims to augment investment in the region that lies within the Baltic, Adriatic, and Black Seas and is designed to be a counter first to Russian influence and now to China’s advances in Central and Eastern Europe.31 Although the European Union was initially skeptical of the scheme and viewed it as a competitor to the bloc, the Three Seas project has become a joint EU-U.S. approach to which the European Union is contributing approximately $2.7 billion (€2.5 billion) in structural funds.32

The United States also has several smaller connectivity initiatives for the Indo-Pacific.33 One of the newest ones is the Blue Dot Network, in which the United States, Australia, and Japan have joined together to establish a trilateral framework to help develop infrastructure in the Indo-Pacific and around the world in competition with the BRI (India could potentially join this framework). A U.S.-EU framework could bring together or at least coordinate some of these plans.34 The United States has also demonstrated its seriousness in addressing the need for greater private sector-led foreign investment with its designated financing arm, the U.S. International Development Finance Corporation, established through the BUILD Act.35 However, as Daniel Runde and Romina Bandura note, “[t]he BUILD Act is a useful addition to the United States in its competition with China, but it is not a sufficient response on its own. In addition to the BUILD Act, we will need a new international economic strategy and will need to reinvigorate our leadership in the multilateral development banks.”36

30 Michael Peel, “Japan and EU Sign Deal in Riposte to China’s Belt and Road,” Financial Times, September 27, 2019, https://www.ft.com/content/dd14ce1e-e11d-11e9-9743-db5a370481bc.
32 Ibid.
36 Ibid.
The European Union is also drafting artificial intelligence and data strategies alongside an industrial strategy to better compete with both China and the United States.37 Nationally, EU member states such as Germany have produced a “National Industrial Strategy 2030,” and Paris and Berlin have produced a “Franco-German Manifesto for a European industrial policy fit for the 21st Century,” which seeks to rebalance EU competition law away from protecting the individual and toward creating European, or at least Franco-German, industrial champions.38 This attempt has spurred resistance from other EU countries and European Commission officials such as Margrethe Vestager, the bloc’s vice president and commissioner for competition.39

The transatlantic community must work together. In order to adequately understand and respond to Chinese investments, the United States and the European Union should share information and intelligence about BRI projects more frequently, particularly when it comes to the geopolitical consequences of some projects. A formal dialogue mechanism, perhaps led by the European External Action Service (EEAS) and the State Department, is needed.

**European Strategic Autonomy**

Successive EU strategies have continued to reinforce the desire for European strategic autonomy or even outright “sovereignty,” which speaks to Europe’s interests in setting its own strategic priorities. At present, it remains a goal and not a reality, born from a desire to prove geopolitical relevance following the United Kingdom’s decision to depart the European Union and the election of Donald Trump in the United States. French President Emmanuel Macron has echoed this desire by stating that Europe is now dealing for the first time with a U.S. president who “doesn’t share our idea of the European project,” when Europe is confronted with the rise of China and the authoritarian turns of Russia and Turkey.40 Europe is also weakening due to internal political instability and managing Brexit, which was “unthinkable five years ago,” as Macron argued. “If we don’t wake up . . . there’s a considerable risk that in the long run we will disappear geopolitically, or at least that we will no longer be in control of our destiny. I believe that very deeply.” Economic and political implications of Covid-19 place even greater strains on the European project, placing its survival at greater risk.

But achieving European strategic autonomy is easier said than done—some have suggested it is “a mirage.”41 The European Union rhetorically seeks strategic autonomy in the field of defense but is far from achieving it.42 It has launched a modest European Defense Fund (EDF) and a scheme to increase integration and defense project coordination through Permanent Structured Cooperation (PESCO) initiatives, which have

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caused concern inside the U.S. administration due to potential duplication with NATO.

As for the military dimension, as opposed to the United States, the Europeans in general see China’s growth into a superpower as a possible, eventual (not present) threat, but they do not treat it as a military one, not being militarily present in the Pacific, except for the British and French vessels in the framework of the Free Navigation Operation in the South China Sea. Nonetheless, military relations between China and Russia, or how the Chinese factor reinforces Russia in Europe, are increasingly worrying. And while Japan is looking for a broad international coalition to contain China, both militarily and in other terms, Europeans are not too keen on this idea.43

In the military field, Europe is open to some dialogue with China. The European Union has had combined military exercises with China, in several instances, but most marked in 2018 in the Gulf of Aden, during which the People's Liberation Army Navy (PLAN) worked together with the European Union Naval Force (EU NAVFOR). It was not a completely new occurrence, but the level of coordination between European and Chinese naval forces was higher than seen in the past.44 Set in the current geopolitical context, this new development merits attention not only in the Gulf of Aden but also in the Mediterranean Sea. NATO, as we will see, is also developing an interest in China. But Europeans, in one way or another, will have to pay more attention and acknowledge U.S. military worries about China.

But greater European strategic autonomy could serve European and U.S. interests if it spurs real security and defense capabilities, which would be in keeping with the U.S. government’s long-standing desire for Europeans to contribute more to the transatlantic alliance.45 Greater EU autonomy could offer current and future U.S. administrations greater operational flexibility, but for now, European rhetoric is perceived in Washington as Europe seeking to decouple its security relationship from the United States. Even the United Kingdom has suggested that Europe must develop autonomous capabilities.46

The United States and the European Union should also have a clear discourse on digital and technological sovereignty. As the European Commission’s Political Strategy Centre notes, “in the 21st century, those who control digital technologies are increasingly able to influence economic, societal, and political outcomes. In this context . . . the growing geopoliticization of technology implies a paradigm change for the notion of strategic autonomy.”47 To achieve that autonomy, Europe will need a stronger tech sector, especially in the AI field where it is lagging behind, lest it becomes dependent on “foreign influence and control over key technologies as well as over providers of critical infrastructure and essential services.”

The United States should be supportive of Europe’s goal of greater strategic and digital autonomy, which should instead be referred to as “strategic responsibility” or “co-responsibility” to help other EU countries, such as the Baltic and Central European members, to more broadly support the concept.

Finally, there is the issue of cybersecurity, which China also refers to as part of its global connectivity initiatives and politics.48 Reaffirmed during the 2017 CCP Congress, Beijing identifies cybersecurity with “infor-
matization” for “[w]ithout cybersecurity there is no national security; without informatization there is no modernization.” It is not only a question of sovereignty but also of controlling information and the Chinese people. But it is an ever-growing threat in which the US and Europeans should cooperate even more than they do.

**China as a NATO Issue**

The United States has led NATO to focus on China. Last August, NATO Secretary General Jens Stoltenberg stated that “China is coming closer” to Europe in the Arctic, Africa, investment in critical infrastructure, cyberspace, and investments in modern military capabilities. NATO’s London Declaration, following the December 2019 Leader’s Meeting, was the first NATO declaration to mention China: “We recognize that China’s growing influence and international policies present both opportunities and challenges that we need to address together as an Alliance.” NATO is conducting an ongoing study, or “analysis exercise,” related to China that is, according to allied sources, looking into six main issues: cybersecurity; military deployments and Chinese military strategy; Afghanistan; Russia-China relations; Chinese investments in European critical infrastructure and strategic industries; and the impact of China on the rule-based global order.

China could also become an agenda item in EU-NATO discussions. Therefore, NATO could become another framework in which Europeans and Americans can discuss their positions and determine policy convergence (and divergence) as well as how to respond to China’s growing power in economic, technological, geopolitical, and even ideological terms. NATO can also cooperate more closely with its Indo-Pacific partners, such as Australia, Japan, South Korea, and New Zealand. NATO’s Enhanced Opportunities Cooperation Program could be useful in defense planning as well.

One new area of concern to NATO is the growing relationship between China and Russia. Russian President Vladimir Putin and Chinese President Xi Jinping have met 30 times in the last three years; Xi describes his Russian counterpart as a “best friend.” Despite their long-standing strategic differences, Russia and China have evolved from convenient diplomatic allies to operational partners in many respects. China and Russia enjoy a closer energy relationship than before—Russia represents 11 percent of Chinese energy imports and is moving toward becoming China’s largest supplier of oil—which deepens their economic relationship. China counts on Russia to support its views in international institutions and to recognize the “power shift” to Asia while Russia is integrating itself within Eurasia. The Russia-China military relationship is also deepening, as exemplified by joint maneuvers and arms sales, although China is less dependent on Russian military technologies. Some European leaders, particularly President Macron, have recognized this strategic conundrum and are trying to pull Russia toward Europe rather than Asia, at the risk of heightening intra-European and


50 NATO Secretary General Jens Stoltenberg, (remarks, Lowy Institute, NATO, August 7, 2019), [https://www.nato.int/cps/en/natohq/opinions_168351.htm](https://www.nato.int/cps/en/natohq/opinions_168351.htm).


54 Pothier, “How Should NATO Respond to China’s Growing Power.”

transatlantic tensions. But preventing Russia and China from forming an anti-Western axis should be both a European and U.S. priority.56

Another important issue is European countries’ sale of military or dual-capability technologies to China. Although the European Union has had an arms embargo in place against China since the 1989 Tiananmen Square massacre, some U.S. policymakers have floated a revival of the Cold War era export restrictions against the Soviet Union and other Warsaw Pact countries, except toward China. Returning to Cold War-era mechanisms, however, is not realistic, as China is integrated into the global economy to a degree that the Soviet Union never was. But interdependence runs both ways, and Europe would be equally reluctant to reintroduce such a body, particularly because its economy is much more technologically interdependent with China than it was with the Soviet Union.

The existing international framework to deal with these issues, the Wassenaar Agreement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies, is a multilateral export control regime with 42 participating states. It was established in 1996 to promote transparency and accountability when selling conventional arms and dual-use goods and technologies to prevent sales to malign state and non-state actors. According to former U.S. Assistant Secretary of Defense Randall Schriver, it is doubtful the Wassenaar Framework provides the United States or its partners or allies with sufficient “protection of [its] innovation base.” A new European initiative to curb arms exports to non-EU or non-NATO countries could build on the Wassenaar Agreement as well as the October 2019 agreement between France and Germany that creates arm exports control rules for jointly developed programs.57

Conclusion: A Transatlantic, Geopolitical Agenda in Light of the China Challenge

At present, there is an insufficient level of transatlantic policy activity related to China. Left alone, China has the potential to undermine transatlantic relations as well as European unity. Both the United States and the European Union should be cognizant of the amount of change they can induce within China while recognizing that some changes in behavior can be fostered, particularly on a number of critical issues that are important to both sides. The transatlantic relationship, in close collaboration with Japan and Australia, can meaningfully engage Beijing on an agreed agenda.

To do so, the United States and Europe should consider the following recommendations, which complement those of Part I of this series:

• Europe and the United States must defend their values in dealing with China without searching uselessly for regime change, instead seeking some opening. Both Europe and the United States should seek to start dialogues with China, and the issue is as much a matter for governments as it is for companies and the public.

• A transatlantic dialogue on trade should insist not on China dismantling its SOEs, which are an essential part of its system, but on controlling state aid. A de-escalation of the trade disputes between Europe and the United States is also necessary, as is reform and upgrade of the WTO, at least in its dispute resolution mechanism and to adapt it to the digital age.

• A U.S.-Europe dialogue on perceptions of Chinese military strategy and capabilities is needed, even if both sides approach it differently. NATO is a forum for discussion and analysis, especially on the issue of China-Russia cooperation and the position of Russia in Europe. Views should be shared in all frameworks, including NATO, NATO-EU, and EU-U.S. meetings.

• The United States and Europe must identify new ways to strengthen transatlanticism and their collective approach to effective multilateralism and the rules-based order, particularly following the effects of the global pandemic. If they do not, China will find common ground with Europe on issues such as climate change and trade. There is room for closer transatlantic cooperation in these fields.

• As Europe aims to have a more geopolitical perspective on China’s policies in Europe and in areas of special interest for the European Union (e.g., Africa, the Middle East) through the BRI and other investments, the United States and Europe should enhance intelligence-sharing in those domains.

• The United States and Europe should build on the Wassenaar Agreement to control military and dual-use exports to China. Cold War-style technology transfer regulations (e.g., CoCom) should be dismissed.

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