



## Forum for American Leadership

### How Europe Can Help Deter China from Attacking Taiwan

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As the war in Ukraine drags on, the West must also address the looming threat of conflict over Taiwan. The People's Republic of China (PRC) is rapidly [building](#) a cross-strait invasion force, which it regularly [exercises](#) with aggressive actions. The threat of war is real and may be rising.

America's most powerful allies in Europe, however, are doing little to help decrease the likelihood of such a conflict. Instead, they often exhibit a scattershot approach toward Taiwan, reflecting a straddle between military alliance with America and economic dependency on China. The Biden administration must do more to encourage Europeans, both at the EU and national levels, to economically deter a Chinese attack.

The stakes are high for Europe. Taiwan is a crucial source of semiconductors, the lifeblood of advanced Western societies. Among the most vulnerable sectors are Europe's most dynamic industries: automobiles, chemicals, pharmaceuticals and biotechnology, and consumer manufacturing. A PRC takeover of Taiwan would puncture the first island chain, shifting the balance of power in Asia in ways that increase the long-term power and influence of Beijing to the West's collective geopolitical disadvantage.

The Biden Administration has struggled to vector this threat into a strong European policy toward Taiwan. Most U.S. allies in Europe treat China more as a trading partner to be courted than a threat to be deterred. In fact, since the start of the coronavirus pandemic, which laid bare the dangers of economic dependency on China, Europe has grown more, not less, intertwined with the PRC. Beijing continues to eye Europe's critical infrastructure, from [5G communications](#) to [shipping terminals](#).

As a course correction, the U.S. should launch a serious effort to align Europeans with the goal of deterring a Chinese attack.

- **Raise the economic costs of aggression**: European states lack the capabilities to impose significant military costs on China, but they have powerful economic tools at their disposal to dissuade it from attacking in the first place. The U.S. should press Europe to signal to Beijing in clear terms that it would respond to an invasion of Taiwan with a trade embargo backed by heavy sanctions. The EU and Germany are essential partners in this respect. The EU possesses key powers for coordinating the continent's economic activity, and Germany accounts for nearly half of EU foreign direct investment in China. Moreover, the U.S. should urge Europe to inform China that it will lose access to Euro-denominated debt in the event of military action against Taiwan. Xi Jinping's visit to Moscow gives the U.S. an opportunity to prod its European allies to prepare plans for the rapid imposition of sanctions and other economic countermeasures in the event of Chinese aggression.

- **Check China’s military modernization**: The U.S. should also urge Europe to take the following steps now, while their deterrence value is greatest, to demonstrate resolve to Beijing and limit China’s military modernization:
  - Tighten export controls on advanced dual-use technologies, especially semiconductors, computers, telecommunications technology, lasers and sensors, and information security equipment;
  - Institute and enforce reciprocal transparency and reporting requirements for all Chinese companies listed on major European exchanges;
  - Institute capital controls on European investments in sectors supporting China’s military, especially semiconductors, quantum information science, aerospace, telecommunications, maritime engineering, heavy machinery, robotics and artificial intelligence, biotechnology and pharmaceuticals;
  - Prohibit greenfield M&A by Chinese-owned companies used to support their military-industrial complex.
  
- **Mitigate Europe’s dependency on China**: Europe’s economic dependency on China represents a long-term strategic liability. While these dependencies vary across Europe, they are generally concentrated in trade and investment, supply chains, and corporate revenue. China’s position as a major global market and manufacturing power provides it with substantial leverage over Europe. China retains the ability to:
  - Block major European companies from its market by adding them to its [Unreliable Entities List](#);
  - Cut off European high-tech manufacturers from rare earth elements (REE). [16,000 tons](#) or 98% of the EU’s supply of rare earth permanent magnets (a critical component for EV motors, wind turbines, refrigerators, etc.) are imported from China;
  - Block European corporate earnings outflows from China;
  - Ban the export of ubiquitous goods like communications equipment (e.g., phones) and data processing machines from its supply chain.

That these dependencies have, in some ways, grown during the past year illustrates that U.S. policy is falling short. The EU-China trade relationship has so deepened since the pandemic—up to nearly \$732 billion [in 2021](#)—that China has now overtaken the U.S. as Europe’s largest trading partner. Moreover, China continues to eye Europe’s critical infrastructure. China recently [took](#) a 24.9 percent stake in the Hamburg port, and Huawei [expanded its role](#) in Germany’s 5G networks.

The U.S. should ramp up efforts to encourage European allies to mitigate critical dependencies on China and build [collective resilience](#). This will take time to achieve, but a good starting point would be to:

- Affirm support for European re-shoring and friend-shoring efforts that lessen the continent’s dependency on China by forging coalitions of like-minded countries;
- Direct greater investment into the Minerals Security Partnership with the goal of enhancing coordination among member states, expanding its European membership, and diverting rare earth supply chains away from Beijing;

- Strengthen U.S.-EU collaboration on research and development investment in strategic industries, such as renewable energy and artificial intelligence, to reduce Europe's reliance on Chinese technology;
  - Address [European anxieties](#) over a costly subsidy war sparked by the Inflation Reduction Act that distract from the greater challenge of tapering the continent's reliance on Chinese manufacturing, technology, and mineral exports;
  - Reassure European states most at-risk of Chinese economic coercion and provide targeted relief where possible to those that Beijing has sought to isolate.
- **Press Europe to improve its capacity for self-defense:** Despite renewed promises of increased military spending and some action on those promises since the start of the Ukraine war, European NATO members still lack the ability to provide for their defense. At a time when Washington must also focus on countering Beijing's designs on Taiwan, the Administration should push harder for sustained European military investment. The U.S. continues to shoulder the majority of the continent's security burdens. Washington has [contributed](#) the bulk of military assistance to Ukraine. It is also the single [largest provider](#) of heavy weapons, sending more tanks, howitzers, and multiple launch rocket systems (MLRS) to Ukraine than all of Europe's states combined. The Baltic States and Poland, for example, have made laudable efforts to improve their military capacity; however, the long-term trajectory of European defense investment remains politically uncertain.

Germany [walked back](#) its pledge to boost defense spending to 2% of GDP by this year, while the UK has [deferred](#) planned military investments. Although Europe has stepped up to provide military aid for Ukraine, depleted ammunition stockpiles have exposed [vulnerabilities in the European defense base](#), such as [Germany's reliance on Chinese components for artillery rounds](#). As the U.S. faces the possibility of managing a two-front war, Europe can relieve pressure on American forces by shouldering more of the conventional burden required for maintaining effective deterrence on its eastern flank.

- **Press Europe to help improve Taiwan's capacity for self-defense by ending export restrictions:** Currently, the U.S. is practically the only country that exports defense capabilities to Taiwan. The Biden Administration should vigorously encourage our European allies to lift any policy or other restrictions on providing Taiwan with defense capabilities that would strengthen deterrence. Some of Taiwan's much needed asymmetric defense needs can be most readily addressed by European manufacturers including sea mines. Furthermore, European restrictions on co-developed and or co-produced systems with U.S. partner companies also limits exports to Taiwan.
- **Encourage political alignment on China:** Increasing Europe's alignment with Washington on the challenges posed by Beijing would serve to build unity in the West and improve our combined deterrent credibility. At present, Europe's strategic outlook towards Beijing remains nebulous and contradictory. The EU's [three-pronged approach](#)—emphasizing, simultaneously, negotiation, competition, and rivalry with China—does little to clarify how Europe will balance its commercial interests against China's repeated trade and human rights transgressions. National governments have also struggled to articulate a coherent approach to China. The UK, after initially labeling

China a “threat” to its national security, has subsequently [downgraded its assessment](#) of Beijing to that of a “systemic challenge,” citing the Biden Administration’s National Security Strategy as its justification. The German government tends to offer a different position depending on which minister is speaking. On occasion, European officials suggest that they could serve as “mediators” between China and the U.S., as if Europe occupies an unaligned middle ground between the two. In a similar vein, G7 countries routinely strike an equidistant pose in calling for “peace and stability” in the Taiwan Strait.

From Beijing’s perspective, this confused picture suggests openings for splintering the Western Alliance and casts doubt on Europe’s political will to offer material support for Taiwan, thereby weakening deterrence. The U.S. should leverage its strategic influence in Europe to encourage clear positions on China in light of the shock produced by Russia’s full-scale invasion of Ukraine. Washington could do this by rewarding and incentivizing the behavior of countries willing to stake a clearer line on China, like Lithuania and the [Czech Republic](#), and by applying pressure on mercantilists, such as Germany and Hungary, and France, when its push for European “strategic autonomy” favors Beijing. Washington should set clear goals, such as withdrawal from China’s +1 format with Central and Eastern European countries following the lead of the Baltic States.

The U.S. global alliance network represents a reservoir of enormous power, and that begins with Europe. On such a grave question as the future of Taiwan, it would be a dereliction of duty if the U.S. did not do everything in its power to enlist its closest allies in keeping the peace. Rebalancing the relationship between Europe and China is an essential first step to improving deterrence over Taiwan and laying the political foundation for a common Western approach to China that keeps the peace.

*This paper is a product of the Forum for American Leadership’s [Europe](#) Working Group.*

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