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# **Hedging by Default: The Limits of EU “Strategic Autonomy” in a Binary World Order**

RICHARD HIGGOTT & SIMON REICH



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# Hedging by Default: The Limits of EU “Strategic Autonomy” in a Binary World Order\*

RICHARD HIGGOTT & SIMON REICH

## Europe’s quandary: A bifurcating world?

A growing body of evidence suggests that the erstwhile American-led world order<sup>1</sup> is succumbing to a trend towards a growing global geopolitical bifurcation between China and the USA. The continuance of this centrifugal trend is likely but not inevitable. The direction and its speed will depend primarily on the policy choices of the two great powers. As we discuss, it is a multidimensional process, built on the growing competition between the USA and China in four broad but distinct issue-areas: (i) security (military hard power), (ii) economy (trade, finance and infrastructure), (iii) advanced technology (especially artificial intelligence, 5G switching systems, quantum computing, cyber and digitalisation), and (iv) what we call civilizational issues (education, science and culture as vehicles for political influence). In combination, these areas are building towards a generic-level contest between the world’s two dominant powers.

We may be evolving toward a new bifurcated geopolitical order with major implications for Europe.

In some of the more alarmist analyses we are witnessing the dawn of a new Cold—if not eventually hot—War.<sup>2</sup> Minimally we may be evolving toward a new bifurcated *geopolitical order* with major implications for Europe,<sup>3</sup> the focus of this paper. It raises the question of how, can and should the EU respond to this new dynamic? This is not, we should stress at the outset, a tight binary order in which other actors will be reduced simply

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\* We wish to thank Markus Kornprobst and Rosa Balfour for helpful comments on this paper. One of Rosa’s comments led to the title of the paper.

1 Always a problematic term, the idea of “order” is used here descriptively not normatively.

2 Graham Allison, 2017, *Destined for War: Can America and China Escape Thucydides’ Trap?* Houghton Mifflin Harcourt, New York; Hal Brands and Evan Braden Montgomery, “One War Is Not Enough: Strategy and Force Planning for Great-Power Competition”, *Texas National Security Review*, 3(2), Spring 2020, pp. 80-92. <https://tnsr.org/2020/03/one-war-is-not-enough-strategy-and-force-planning-for-great-power-competition/>

3 Europe and the EU are used interchangeably in this paper.

to choosing one of the two powers to the exclusion of the other. The world is moving in a more complex direction. American and Chinese positions will firm. But this will not lead to consolidated and discreet coalitions across multiple policy spheres. Instead, they will do so in what we see as a hybrid manner—exhibiting shifting coalitions of constituent actors, state and non-state alike, moving fluidly between the two great powers on a compartmentalised issue-by-issue basis. America's unipolar moment may have passed, but what we see as a hybrid binary or bifurcation of the world order is not to be confused with a multipolar world, nor a bipolar one resembling the Cold War. But rather one resembling far more what Amitav Acharya characterizes as a multiplex world.<sup>4</sup>

The contours of this great power competition and ensuing bifurcation have been developing for much of the 21st Century. This competition has been accelerated by both the rhetoric and practices of the Trump administration and Xi Jinping's leadership, respectively, in the last five years, and further exacerbated, both generally and across specific sectors of the policy spectrum, through the tensions wrought by COVID-19.<sup>5</sup> Yet declarations of the arrival of a 'post-American world' remain premature,<sup>6</sup> although an acknowledgment of diminishing US international influence and standing on the back of the pandemic, as much analysis attests, is not.<sup>7</sup> But we do not make the mistake, as some have done in the past, of prematurely writing off the United States.<sup>8</sup> The USA's ability to confound the "declinists" has far too strong an historical pedigree.<sup>9</sup>

To-date, Europe is struggling to develop a coherent position towards the emerging binary. While it profoundly, and genuinely, welcomes the return of Joe Biden, it is nonetheless wary of a full-blown recommitment to the transatlantic relationship in the wake of four years of Donald Trump, during which the US showed itself as an untrustworthy ally. As a YouGov survey of 15,000 Europeans for

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- 4 See Amitav Acharya, "After Liberal Hegemony: The Advent of a Multiplex World Order", *Ethics and International Affairs*, 2017, <https://www.ethicsandinternationalaffairs.org/2017/multiplex-world-order>
  - 5 For debates on this issue see John Allen, Nicholas Burns, Laurie Garrett, Richard N. Haass, G. John Ikenberry, Kishore Mahbubani, Shivshankar Menon, Robin Niblett, Joseph S. Nye Jr., Shannon K. O'Neil, Kori Schake, Stephen M. Walt, "How the World Will Look After the Coronavirus Pandemic", *Foreign Policy*, March 20, 2020, <https://foreignpolicy.com/2020/03/20/world-order-after-coronavirus-pandemic/>. See also Richard Haass, "The Pandemic Will Accelerate History Rather Than Reshape It", *Foreign Affairs*, April 7, 2020, <https://www.foreignaffairs.com/articles/united-states/2020-04-07/pandemic-will-accelerate-history-rather-reshape-it>. For a less than sanguine view see Barry Posen, "Do Pandemics Promote Peace? Why Sickness Slows the March to War", *Foreign Affairs*, April 23, 2020, <https://www.foreignaffairs.com/articles/china/2020-04-23/do-pandemics-promote-peace>
  - 6 Kishore Mahbubani, *Has China Won? The Chinese Challenge to American Primacy*, Public Affairs, New York, 2020.
  - 7 Howard French, "How America's Pandemic Failures Threaten its International Standing", *World Politics Review*, January 6, 2021, <https://www.worldpoliticsreview.com/articles/29329/how-u-s-pandemic-failures-threaten-america-s-international-standing>; Simon Reich and Peter Dombrowski, "The consequence of COVID-19: how the United States moved from security provider to security consumer", *International Affairs*, 96 (5), 2020, pp. 1253–1279, <https://academic.oup.com/ia/article/96/5/1253/5901375>
  - 8 See, Samuel P. Huntington, "The U.S.—Decline or Renewal?" *Foreign Affairs*, 67 (2), 1988/1989: Winter, pp. 76-96 and Paul Kennedy, *The Rise and Decline of the Great Powers*, Vintage, New York, 1987.
  - 9 See the discussion in Ruchir Shrama, "The Comeback Nation: US Economic Supremacy Has Repeatedly Proved Declinist Wrong", *Foreign Affairs*, May/June 2020, <https://www.scmp.com/comment/opinion/article/3116596/eu-deal-milestone-chinas-globalisation-can-help-build-new-world>; and the various contributions to a special edition entitled "Can America Recover?", *Foreign Affairs*, January/February 2021, <https://www.foreignaffairs.com/issue-packages/2020-12-08/can-america-recover>

the European Council on Foreign Relations noted:

"Europeans' attitudes towards the United States have undergone a massive change. Majorities in key member states now think the US political system is broken, and that Europe cannot just rely on the US to defend it. They evaluate the EU and/or their own countries' systems much more positively than that of the US – and look to Berlin rather than Washington as the most important partner.<sup>10</sup>

As one senior German diplomat said on an assumption of anonymity, "America will forever be the country that elected Trump." But Europe is also cognizant of the sometimes ruthless nature of a growingly influential China, and evidence of its increasing bullying – reflected in the rise of its "wolf diplomacy" during 2020.<sup>11</sup> Thus, even as an EU scepticism towards a strong relationship with China as a global actor grows, the EU is yet to formulate a recognisable joined-up strategy.<sup>12</sup> A Pew survey recently found European (especially German) distrust of China at an all-time high.<sup>13</sup> In Europe, a lack of trust in Xi Jinping was mirrored by a lack of trust in Donald Trump and uncertainty about Joe Biden. Indeed, trust of both US and Chinese leaderships is low. According to Gallup's 2020 analysis, only 17 and 19 percent of Europeans approved of Chinese and US leadership, respectively.<sup>14</sup> The views of the EU's leadership that accompany this popular opinion reflects a complex, if not a little contradictory, rhetoric and behaviour implying that they can, to use Boris Johnson's infelicitous Brexit phrase, "have their cake and eat it", EU policy, they judge, can simultaneously act as a genuine good liberal internationalist and multilateral citizen at one end of the spectrum and a realist geopolitical strategic actor at the other.<sup>15</sup> This, we will suggest, is not a viable longer-term strategy.

In Europe, a lack of trust in Xi Jinping was mirrored by a lack of trust in Donald Trump and uncertainty about Joe Biden.

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- 10 Ivan Krastev and Mark Leonard, "The Crisis of American Power: How Europeans See Biden's America", European Council of Foreign Relations, <https://ecfr.eu/wp-content/uploads/The-crisis-of-American-power-How-Europeans-see-Bidens-America.pdf>
- 11 Chun Han Wong and Chao Deng, "China's 'Wolf Warrior' Diplomats Are Ready to Fight", *The Wall Street Journal*, May 19, 2020, <https://www.wsj.com/articles/chinas-wolf-warrior-diplomats-are-ready-to-fight-11589896722>
- 12 See, Sven Biscop, "No Peace from Corona: Defining EU Strategy for the 2020s", *Journal of European Integration*, 42 (8), 2020, <https://www.tandfonline.com/doi/full/10.1080/07036337.2020.1852230>
- 13 Laura Silver, Kat Devlin, Christine Wang, "Unfavourable Views of China Reach All Time Highs in Many Countries", Pew Research Center: *Global Attitudes and Trends*, <https://www.pewresearch.org/global/2020/10/06/unfavorable-views-of-china-reach-historic-highs-in-many-countries/>
- 14 See, "Views of China and the US in Europe", Gallup Analytics, <http://app.e.gallup.com/ees?s=831949997&e=610227&elqTrackId=efd74c1a1b7a40299e524d6e5aa03bea&elq=63acd4e2bc66415f9f74fd713bd7e415>
- 15 For an early articulation of this argument see Richard Higgott and Luk Van Langenhove, "The EU and the Unravelling of World Order in the Time of COVID-19", <http://cris.unu.edu/eu-covid19-unravelling-world-order>.

Certainly, the character of a future world order is an as-yet-to-be-determined work-in-progress and the EU is correct to keep its options open. But the issue for the EU, in 2021 and beyond, is clarifying how it seeks to manage its relationship with these two superpowers as they prospectively bifurcate the world order. Early signs are that this emerging version of two 'spheres of influence'—a second Cold War—will be very different in form from that which dominated the first Cold War. China, or perhaps more precisely Xi Jinping, has overreached in recent years, with attendant negative consequences and trust issues for China.<sup>16</sup>

Yet Biden's desire to secure a new alliance of liberal democracies, via a *Summit for Democracy*, similarly risks the danger of overreach following four years of Trump's wrecking ball diplomacy.<sup>17</sup> A good idea in principle, the proposed summit nevertheless risks appearing to be an attempt to put the genie back in the bottle—simply rehashing a G7-style view of world order. Furthermore, the insurrection at the Congressional Capitol in early January 2021, although quickly thwarted, has undermined any American claims to democratic exceptionalism and superiority.<sup>18</sup> Like it or not, allusions to American leadership of the "free world" no longer carry the moral authority they may have done when Joe Biden first entered the US Senate decades ago. Adding several other countries to this summit—say, Australia, South Korea and India (thus creating a 'D10')—would make it look no less elitist, exclusionary or divisive.

Unlike the first Cold War, a second one will not involve "hard" and "fast" blocs. China is not primarily seen as representing the existential threat of mutually assured destruction that drove strategy and diplomacy in the US-Soviet Union bipolar era. Yet it is noteworthy that a growing consensus of Americans inside the Washington Beltway security establishment do worry that China poses a regional military challenge in the Indo-Pacific that may then be used as a platform for future Chinese military aggression.<sup>19</sup> But China's primary challenges to the US now arise in the domains of technology, economy and ideology. The change of presidential administration in the US will not change that view of China's motives, rather only how to best address them.

Much store—indeed too much store we believe—is therefore being placed on the potential of the new American administration to restore a global equilibrium in a dynamically evolving context. Fewer states in the current era, than was the case in the past, are awaiting the US to guarantee their security. In contrast, most can be expected to flow between the American and Chinese spheres,

16 For a notable example, stemming from its activities in the South China Sea, see Robert D. Williams, "Tribunal Issues Landmark Ruling in South China Sea Arbitration", Lawfare Blog, July 12, 2016, <https://www.lawfareblog.com/tribunal-issues-landmark-ruling-south-china-sea-arbitration>

17 A personal statement of his views can be found in Joe Biden, "Why America Must Lead Again: Rescuing US Foreign Policy After Trump", *Foreign Affairs*, March/April 2020, <https://www.foreignaffairs.com/articles/united-states/2020-01-23/why-america-must-lead-again>. For a commentary, see Joseph E Stiglitz, "Reclaiming America's Greatness", *Project Syndicate*, 2020, <https://www.project-syndicate.org/commentary/reclaiming-american-greatness-by-joseph-e-stiglitz-2020-09?barrier=accesspaylog>.

18 Emma Ashford, "America Can't Promote Democracy Abroad. It Can't Even Protect It at Home", *Foreign Policy*, January 7, 2021, <https://foreignpolicy.com/2021/01/07/america-cant-promote-protect-democracy-abroad> and Brian K. Muzás, "US Exceptionalism is Dead: Long Live US Uniqueness", *The Globalist*, <https://www.theglobalist.com/united-states-democracy-american-exceptionalism-society>

19 See, for example, US Department of State, "China's Military Aggression in the Indo-Pacific Region", <https://www.state.gov/chinas-military-aggression-in-the-indo-pacific-region>

traversing them in response to the specific policy issue in a manner that was not the case during the 20<sup>th</sup> century Cold War. We characterise these more porous blocs as hybrid and fluid, rather than segmented and consolidated.

The extent to which, and in what way, a Biden administration will influence the liberal international order is unknown at this stage. For sure, the rhetoric will change, as will some US practices—especially with regards to a range of multilateral activities such as the Paris Climate Agreement, which the US re-joined on day one of the new administration. This is the same with regards to the WHO and the WTO, where it has been determined that reform, rather than exit, will be the administration's orders of the day. But we can only speculate at this stage regarding the degree to which collective policy action will halt, let alone roll back, the wider structural, geopolitical and geoeconomic trends currently occurring in multilateral institutional settings. Biden, one can only assume, has concluded that he needs to deal with the world as it is, not as it was prior to Donald Trump's term. The new administration recognizes it needs to shift away from a Trumpian transactional approach. The question remains how far it will shift towards recognizing that delusions (for that is what they are in the 2020s) about unconditional American leadership and of its exceptionalism can no longer drive US foreign policy.<sup>20</sup> Biden's early rhetoric about restoring America's global eminence suggests that process will be strained when it comes to policy engagement with Europe's leadership.

In the remainder of this paper, we therefore offer an analysis of the trend towards bifurcation, the various directions they may or may not take, and—more pointedly—their implications for Europe and its professed desire for strategic autonomy in the decade ahead.<sup>21</sup> We will do so by looking at two things:

- (i) At an applied policy level, the core issue areas in which processes of bifurcation are taking place.
- (ii) And, as the major aim of the paper, the agenda and corresponding strategy of the European Union in addressing this process of bifurcation. This role will be examined in two ways:
  - a. From a reactive perspective, the paper asks how evolving EU strategy and policy towards bifurcation might defend EU political, economic and institutional values that have become its foundation in the course of successive expansions in the second half of the 20th century.

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20 For an early critique of this common misconception see, Simon Reich and Richard Ned Lebow, *Good-bye Hegemony! Power and Influence in the Global System*, Princeton, Princeton University Press, 2014. See also, Alexander Cooley and Daniel Nexon, *Exit from Hegemony: The Unravelling of American Global Order*, Oxford, Oxford University Press, 2020.

21 Articulated by President Charles Michel in "Strategic autonomy for Europe - the aim of our generation", Bruegel, <https://www.consilium.europa.eu/en/press/press-releases/2020/09/28/l-autonomie-strategique-europeenne-est-l-objectif-de-notre-generation-discours-du-president-charles-michel-au-groupe-de-reflexion-bruegel>. See also the essays in Ester Sabatino, et al, "The Quest for European Strategic Autonomy: A Collective Reflection", Istituto Affari Internazionali, Rome, 2020, <https://www.iai.it/sites/default/files/iai2022.pdf>



- b. From a proactive perspective, the paper examines how the EU might mitigate the trend towards further bifurcation. We particularly examine what we see as the EU's hedging game (it cannot be called a strategy at this point) in its relationships with China and the US.

As our title suggests, the product now is an EU strategy that attempts to hedge between these two powers. But it hedges, we would suggest, more by default than design.

## The European dimension: Adapting to bifurcation.

As scholars have pointed out, the EU routinely strains to develop a grand strategy—of sorts.<sup>22</sup> But Europe's potential as an international actor is always constrained by its internal divisions in the economic, political and security domains. In brief caricature, the economic divide is between the "frugal north" and "profligate south." The divide in the political domain is philosophical and cultural. It reflects differences between a liberal west seeking adherence to a common set of values specified in negotiated accession agreements, and an increasingly illiberal east (notably, Poland and Hungary) bent on resisting the idea of a set of common one-size-fits-all values for all member states, particularly western opposition to state political control of their media and legal systems. These divisions found expression in 2020, as the EU searched for a strategy for dealing with the COVID pandemic and the failed endeavour to tie the distribution of funds to adherence to the rule of law. In the security domain, the principal divide is between those who want all the EU's eggs in the NATO security basket and those who wish to take forward a more autonomous European security capability. Britain's departure, for example, exposed a fundamental difference between the two major EU states, Germany and France, in response to this question.

It is these differences over values and practices, and political will and policy capability, that will determine the ability of the EU to play an autonomous, mitigating role in the bifurcation of global order. At first blush the challenges seem overwhelming. In a more confident era, captured in the *2003 Strategic Plan*, there was a commitment to *promoting* European values in a time of proactive optimism. In more recent years, as captured in the *2016 Strategic Plan*, it has been about *protecting* them in a time of reactive "existential" pessimism.<sup>23</sup> The shift to a more geopolitical discourse is very much about protecting EU values from both dissidents within, and the challenges posed

22 See, as some notable examples, Daniel Fiott and Luis Simón, "The European Union", in Thierry Balzacq, Peter Dombrowski and Simon Reich (eds.), *Comparative Grand Strategy: A Framework and Cases*, Oxford University Press, 2019, pp. 262-283; Jolyon Howorth, "EU Global Strategy in a changing world: Brussels' approach to the emerging powers", *Contemporary Security Policy*, 37 (3), 2016; Markus Kornprobst, "Building agreements upon agreements: The European Union and grand strategy", *European Journal of International Relations*, June 2014, 21 (2), pp. 267–292, <https://journals.sagepub.com/doi/pdf/10.1177/1354066114535273>; Michael E. Smith, "A liberal grand strategy in a Realist World? Power, Purpose and the EU's changing Global Role", *Journal of European Public Policy*, 18 (2), 2011, pp. 144-163.

23 Contrast the 2003 and 2016 strategic plans: European Union, "A Secure Europe in a Better World, *European Security Strategy*", <https://www.consilium.europa.eu/en/documents-publications/publications/european-security-strategy-secure-europe-better-world> and European Union, *From Shared Vision to Common Action: The EU's Global Strategic Vision*, [https://eeas.europa.eu/topics/eu-global-strategy\\_en](https://eeas.europa.eu/topics/eu-global-strategy_en)

by the US and China externally.<sup>24</sup> Yet, it has often resulted in paralysis. One notable example is in the domains of security and defence. There, the relationship with its major ally, the USA (via NATO), has effectively been stalled for the last four years. A consensus in Europe on a more autonomous security strategy has yet to emerge.

Major disagreement over EU policy is perhaps less so the case with climate and environment, international economy (trade and finance) and digital technologically. These are domains where policy is more joined up, albeit imperfectly, and where the fundamentals of a community-wide consensus is at least identifiable. Nowhere is this foundational concurrence better demonstrated than in the Brexit negotiations, where a common EU position held despite the UK's best efforts to divide and rule. Again, in the economic domain, notwithstanding some genuine concerns and continuing asymmetries (20% of official global reserves) vis-à-vis the dollar (60% of official global reserves), the international strength and reasonable stability of the Euro continues to exceed widely held expectations of a crisis lurking around the corner and EU policymakers now freely discuss bolstering its role as a reserve currency vis-à-vis the dollar.<sup>25</sup> The USA—unsurprisingly and in sharp contrast to the EU, China and other important trading nations angered by the US weaponization of the dollar—is the only country that does not think that a multipolar global reserve currency regime is not a desirable goal.

The EU lacks the innovation of both the US and the Chinese but is more aware of the ethical and regulatory dimensions of global digitalisation.

In the digital domain, the EU lacks the innovation of both the US and the Chinese but is more aware of the ethical and regulatory dimensions of global digitalisation. Of course, it could be argued that the EU position arises from a recognition of its weakness vis-à-vis China and the US, but the EU does hold a genuinely different normative position on both core issues: (i) digital privacy versus national security, and (ii) the regulation of digitalisation. Neither transatlantic differences on digitalisation nor trade are likely to be mitigated by the end of the Trump administration.

24 See *inter alia*: Strhinja Sobic, "A Geo-political Commission: What's in a Name?" <https://cep.org.rs/en/blogs/a-geopolitical-commission/>; Steven Blockmans, "Why the EU needs a Geo-political Commission", <https://www.ceps.eu/why-the-eu-needs-a-geopolitical-commission/>; "Meet Von der Leyen' Geo-political Commission", <https://www.politico.eu/article/meet-ursula-von-der-leyen-geopolitical-commission/>

25 Viktoria Dendrinou, "EU Eyes Dollar's Global Dominance in Bid to Bolster the Euro", Bloomberg, January 18, 2021, <https://www.bloomberg.com/news/articles/2021-01-19/eu-eyes-dollar-s-global-dominance-in-a-bid-to-bolster-the-euro>, and EU, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_21\\_108](https://ec.europa.eu/commission/presscorner/detail/en/ip_21_108)

But such divisions do not axiomatically imply paralysis in the EU's international abilities. We do not have to subscribe to Jean Monnet's oft-cited dictum that it is through its crises that Europe advances. It is all too easy to gloss over the successes and strengths of the EU. As Andrew Moravcsik, a US observer of EU affairs, has recently noted, there is a longstanding tendency among "journalists, analysts, diplomats, and politicians to underestimate Europe. For a generation, observers have bet against Europe's future, arguing that it lacks the high growth, centralised political institutions, domestic legitimacy, and hard military tools required to have an effective global presence."<sup>26</sup>

But for all its problems, as Moravcsik has argued, Europe has not failed, and its material and social resources are indeed significant.<sup>27</sup> Brexit has not proved to be the disintegrative trend, anticipated by some. The Euro has not collapsed; indeed, it has strengthened against the dollar after Brexit. Populism, migration, and Euroscepticism, as destabilising as they have been, are thought by some to have peaked.<sup>28</sup> Whilst we might not share this view *in toto*, neither populism nor the accompanying Euroscepticism have torn the EU asunder. Moreover, Europe did not give in to President Trump's trade bullying and still stands as a champion of multilateral cooperation.<sup>29</sup>

Nothing is written in stone and for the EU's idealists, and its critics, the pace of progress—two steps forward, one step back—is too pedestrian, slow and dull. And in some key foreign policy issue-areas, such as trade and the global regulation of digitalisation, the EU's approach has proven every bit as effective as the more ostentatious approaches to diplomacy and international relations employed by strongmen leaders such as Trump, Xi and Putin. It is this complex EU that both analysts and practitioners, especially in the USA, will need to deal with. Europe is not an equal to the USA and China in the great power stakes but nor is it Donald Trump's "hopeless", even impotent, Europe on the other.

The EU does not see its resolution of US-China competition as responding to each of them in comparable fashion. Unlike the USA, it does not see its relationship with China as one of super-power rivalry. Rather it is a question of the EU's concern about China's authoritarian politics, its behaviour in its relationship with the EU, and indeed in its attitudes towards the management of international order more generally that must coalesce into a strategy. For sure, the EU is suspicious of China as a competitor. But unlike the US—who sees China as a zero-sum strategic rival in the

26 Andrew Moravcsik, "How Europe Wins", *Foreign Policy*, September 2020, <https://foreignpolicy.com/2020/09/24/euroskeptic-europe-covid-19-trump-russia-migration>

27 Andrew Moravcsik, "Europe is Still a Superpower and it is Going to Remain one for Decades to Come", *Foreign Policy*, April 13, 2017, <https://foreignpolicy.com/2017/04/13/europe-is-still-a-superpower>. Moravcsik is not the only one to offer a more positive spin on Europe's capabilities. See for example, Rosa Balfour, "Europe Still Matters", *Carnegie Europe*, 14 May 2020, <https://carnegieeurope.eu/strategieurope/81793>.

28 We are not suggesting that populism is a spent force in Europe. Far from it. But it is clear from the poll data that populism is holding less political appeal than has been the case over the last few years. See, Shane Markowitz, "Will Europe Part Ways with Populism in 2021", *World Politics Review*, January 12, 2021, <https://www.worldpoliticsreview.com/articles/29345/in-europe-populism-could-be-on-its-way-out-in-2021>

29 Alberto Nardelli, Bryce Baschuk, and Jonathan Stearns, "EU Looks Past Trump to Defuse Transatlantic Trade Conflict", *Bloomberg*, January 11, 2021, <https://www.bloomberg.com/news/articles/2021-01-11/eu-looks-past-trump-to-defuse-transatlantic-trade-conflict>

contemporary era—the EU is open to stronger economic cooperation, conditional on it being on a reciprocal basis and that it is not used as a Trojan Horse for the insinuation of a Chinese normative view of international relations into the European value system.<sup>30</sup>

Of course, the roots of a normative competition between China and the transatlantic world are already present in China's claim to be not simply a normal state but a "civilisational state", and the USA's growing concern that it faces a competitor for its global hegemony.<sup>31</sup> Europe's erstwhile resolve to remain unambiguously in the US camp has been tested by the domestic political instability in the US generated during the life of the Trump administration, especially its dying days. For trust to be rebuilt, the Biden administration's needs to demonstrate its determination to put America's foreign policy house in order.<sup>32</sup> For Europe, proof will be found in a renewed US commitment not just to the language of international cooperation but also reflected in its policy behaviour.

Biden's desire to reassert American transatlantic leadership through a diplomatic reset with China economically and Russia militarily is problematic. After four years of Donald Trump, both Europe's leaders and its general public have indicated that they will only cautiously and selectively support American rapprochement. As a recent German Marshall Fund survey found, there is little support from the French or German publics for their governments to get involved in a number of current international issues central to US policy.<sup>33</sup>

Despite its expressed preference for global multilateral cooperation, Europe's leaders have ambivalently indicated an intent to hedge geopolitically when faced with a growing prospective bifurcation of American and Chinese positions in key policy domains such as ecology and climate, trade, investment, finance, infrastructure, digital, military and the educational, cultural and scientific spheres. Emmanuel Macron provides a tangible example. Rhetorically, he has advocated "European solutions for European problems."<sup>34</sup> But he went further in a recent speech at the Atlantic Council. While diplomatic in his language and proposed approach, Macron both explicitly endorsed the notion of a European strategic autonomy to a largely American audience and also implicitly advocated a hedging strategy—albeit one where the EU was closer to the US than China when it came to the question of values. As examples of the former, he discussed the specifics of a distinct, autonomous European strategy in the Sahel and the Middle East. On the latter, critically, he laid out an agenda

30 See, High Representative, "EU-China: A Strategic Outlook", 2019, <https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf>

31 For a specific discussion of this increasing competition see DOC, *Civilisations, States and World Order*, pp. 37-56, <https://doc-research.org/2019/09/civilisations-states-and-world-order/>. And generally, see Christopher Coker, *The Rise of the Civilizational State*, New York, Polity, 2019. For just three representative examples of American realist scholars increasing focus on China's rise over the last two decades see Aaron L. Friedberg, "Competing with China", *Survival* 60 (3), 2018, pp. 7-64, <https://www.tandfonline.com/doi/pdf/10.1080/00396338.2018.1470755>; John J. Mearsheimer, "The Gathering Storm: China's Challenge to US Power in Asia", *The Chinese Journal of International Politics* 3, 2010, pp.381–396; Ronald L. Tammen and Jacek Kugler, "Power Transition and China—US Conflicts", *Chinese Journal of International Politics*, 1, 2006, pp. 35–55.

32 For a discussion see, Kelebogole Zvogbo, "Foreign Policy Begins at Home", *Foreign Policy*, January 15, 2021, <https://foreignpolicy.com/2021/01/15/human-rights-foreign-policy-domestic/>

33 Transatlantic Trends, 2020, [https://www.gmfus.org/sites/default/files/TT20\\_Final.pdf](https://www.gmfus.org/sites/default/files/TT20_Final.pdf), pp. 12-13. See also Bruce Stokes, "Joe Biden must think about the transatlantic alliance if he wins", *The Hill*, June 30, 2020, <https://thehill.com/opinion/international/505312-joe-biden-must-think-about-the-transatlantic-alliance-if-he-wins>

34 Alexandra Brzozowski, "In Munich, Macron presents EU reform as answer to 'weakening West'", Euroactiv, February 15, 2020, <https://www.euractiv.com/section/future-eu/news/in-munich-macron-presents-eu-reform-as-answer-to-weakening-west/>.

of climate, trade and human rights; areas where the EU could cooperate with China (although describing it as “a partner, a competitor and a systemic rival”) and where it could cooperate with the US (bilaterally as a NATO partner). Indeed, unlike many in Washington, Macron unequivocally rejected the notion of a coherent, consistent coalition against China as “counterproductive.”<sup>35</sup>

Echoing a similar sentiment, Josep Borrell, the EU High Representative for Foreign Affairs and Security Policy, has pointedly called for EU “strategic autonomy” or “strategic sovereignty.”<sup>36</sup> Initially originating in the context of EU security and defence policy, this rhetoric is increasingly reflected in other areas of EU policy behaviour, such as industry and digital policy, leading to the designation of Ursula von der Leyen’s commission as a “Geopolitical Commission.”<sup>37</sup> The evolving use of the language of “strategic autonomy” and “European sovereignty” should also be seen as a reflection of changing, indeed questioning, European views of the US as both a problematic democratic polity and international actor and partner.

As an example of Europe’s complex hedging strategy, it signed an investment agreement with China in December 2020, the diplomatic importance and strategic significance of which is well understood. Indeed, it is seen in influential quarters of the Chinese foreign policy community as a “milestone for China’s globalization” and an important asset in the development of its view of a new world economic order.”<sup>38</sup> And while the agreement has been welcomed by some prominent American analysts, as assisting the opening of the Chinese economy,<sup>39</sup> it is still primarily seen in establishment Washington foreign policy circles as a major snub to the Biden administration’s intentions to bring collective pressure on China to reform its trade practices.<sup>40</sup> Yet even as negotiations ensued, British and French aircraft carriers conducted freedom of navigation operations in the South China Sea, much to China’s ire and America’s delight.<sup>41</sup>

35 See, Atlantic Council, “In Conversation with French President Emmanuel Macron”, February 4, 2021, <https://www.atlanticcouncil.org/news/transcripts/transcript-president-macron-on-his-vision-for-europe-and-the-future-of-transatlantic-relations/>

36 Josep Borrell, “The pandemic should increase our appetite to be more autonomous”, European Union External Action, July 4, 2020, [https://eeas.europa.eu/headquarters/headquarters-homepage/82060/pandemic-should-increase-our-appetite-be-more-autonomous\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/82060/pandemic-should-increase-our-appetite-be-more-autonomous_en)

37 Ursula Von der Leyen, *A Union that Strives for More: May Agenda for Europe*, [https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf); Speech to the European Parliament, [https://ec.europa.eu/commission/presscorner/detail/es/speech\\_19\\_6408](https://ec.europa.eu/commission/presscorner/detail/es/speech_19_6408) and European Parliamentary Research Service, “On the path to ‘strategic autonomy’”, 2020, [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/652096/EPRS\\_STU\(2020\)652096\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/652096/EPRS_STU(2020)652096_EN.pdf)

38 Wang Huiyao, “EU Deal is a Milestone for China’s Globalisation that can help build a new world economic order”, *South China Morning Post*, <https://www.scmp.com/comment/opinion/article/3116596/eu-deal-milestone-chinas-globalisation-can-help-build-new-world>

39 See, Jeffrey Sachs, “Europe and China’s year End Breakthrough”, *Project Syndicate*, December 2020, [https://www.project-syndicate.org/commentary/eu-china-investment-agreement-by-jeffrey-d-sachs-2020-12?utm\\_source=Project+Syndicate+Newsletter&utm\\_campaign=10de40350f-sunday\\_newsletter\\_01\\_03\\_2021&utm\\_medium=email&utm\\_term=0\\_73bad5b7d8-10de40350f-107044401&mc\\_cid=10de40350f&mc\\_eid=d775e5422c](https://www.project-syndicate.org/commentary/eu-china-investment-agreement-by-jeffrey-d-sachs-2020-12?utm_source=Project+Syndicate+Newsletter&utm_campaign=10de40350f-sunday_newsletter_01_03_2021&utm_medium=email&utm_term=0_73bad5b7d8-10de40350f-107044401&mc_cid=10de40350f&mc_eid=d775e5422c)

40 “US Proposes Fresh Alliance with the US in Face of China Challenge”, *Financial Times*, November 29, 2020, <https://www.ft.com/content/e8e5cf90-7448-459e-8b9f-6f34f03ab77a>

41 Ian Storey, “Britain, Brexit, and the South China Sea Disputes”, *The National Bureau of Asian Research*, February 3, 2020, <https://www.nbr.org/publication/britain-brexit-and-the-south-china-sea-disputes/>; Tuan Anh Luc, “Are France and the UK Here to Stay in the South China Sea?”, *The Diplomat*, September 14, 2018, <https://thediplomat.com/2018/09/are-france-and-the-uk-here-to-stay-in-the-south-china-sea/>

Individual examples of policy behaviour do not represent a coherent and consistent approach to diplomacy. Coming on the heels of the EU's November 2020 proposal for a far-reaching reset of the transatlantic alliance across core policy areas, these contrasting actions do not augur well for a coordinated EU-US approach towards the China challenge. The investment agreement particularly reflects a residual European willingness to be as uncooperative and transactional with the US as the US was with Europe during the Trump era. It would be naïve to believe that a European strategy, and a re-booting of transatlantic unity, can be built on a process of independent EU issue-by-issue hedging between China and the US.

Multilateralism may be instinctively preferable for Europeans, but there are no simple panaceas in a world of prospective growing binary spheres of influence. First, establishing operational strategic autonomy entails the EU developing a member-state-wide consensus on the best means to consolidate an independent yet complementary position between the two behemoths. Neither the 2003 version nor the 2016 version of EU global strategy identified earlier anticipated the development of such a position. Secondly, but still significantly, EU policy will need to develop some kind of workable coherence with a post-Brexit UK, especially in the security domain, in their approach to their transatlantic ally if it is to be successful. As important as this is, it will be no easy matter and will require a greater flexibility of strategic thinking than either side demonstrated in the final stages of the Brexit negotiations.<sup>42</sup> Both will also require greater diplomatic skill than they showed in the negotiations. It will also require a nuanced use of material resources, adaptable to a variety of contexts.

EU policy will need to develop some kind of workable coherence with a post-Brexit UK, especially in the security domain, in their approach to their transatlantic ally if it is to be successful.

42 On the difficulties see Rosa Balfour, "European Foreign Policy After Brexit", *Carnegie Europe*, September 10, 2020, <https://carnegieeurope.eu/strategieurope/82674> and especially her trenchant, "After Brexit: Recasting a UK-EU Dialogue on Foreign Policy", in Adam Hug (ed.) *Finding Britain's Role in a Changing World*, London, Foreign Policy Centre, <https://fpc.org.uk/wp-content/uploads/2020/12/Partnerships-for-the-future-of-UK-Foreign-Policy-December-FPC-publication.pdf>.

In an era when populist leaders try to normalise nationalist postures, it falls to the EU to provide both the intellectual and practical leadership necessary... to at least mitigate this trend.

### **Containing bifurcation: A role and an agenda for an autonomous European strategy**

In this section, we identify a set of issue-areas in which the EU will need to develop consistent and coherent policy positions as components of a viable, as opposed to simply rhetorical, “*strategic autonomy*” if it is to meaningfully help mitigate global bifurcation. The EU leadership is surely correct in adopting a more strategically independent approach towards a troubled and increasingly bifurcating world order. But a full-bore commitment to a geopolitical *realpolitik* disposition is at odds with the path the EU has chosen over the last several decades, especially in its longstanding public commitment to collective problem-solving conducted in multilateral institutional settings.

For all the challenges it poses, a common view is that multilateral collaboration is still the best approach for the EU to articulate, propagate and implement; it is also the best option for a more peaceful, stable and prosperous world order.<sup>43</sup> Of course, legitimate objections to the rationalist, liberal multilateral endeavour exist. And there is a growing body of literature that asserts that liberal internationalism has failed and that attempts to secure common, collective-action solutions to global challenges are, for want of a better expression, no more than globalist-cosmopolitan meanderings.<sup>44</sup> Thus, in an era when populist leaders try to normalise nationalist postures, it falls to the EU to provide both the intellectual and practical leadership necessary if not to halt then, to the extent possible, at least mitigate this trend if a realist reading of contemporary world history is not to be proved correct. The EU will best do so by reasserting the core values that underpin the European project.

When it comes to operationalising a strategy, the immediate question concerns its substance. We identify seven propositions as part of the formulation of a recognizable, coherent strategic position in a way that is consistent with EU core values and that simultaneously resists both the populist-nationalist discourse and the realist geopolitical discourse with which the Commission appears to be dabbling.

43 Although this argument can only be asserted here, we have fully elaborated it in the 2020 Rhodes Forum report: *Can Multilateral Cooperation be Saved?* [https://doc-research.org/wp-content/uploads/2020/12/Rhodes-report\\_Download-file2.pdf](https://doc-research.org/wp-content/uploads/2020/12/Rhodes-report_Download-file2.pdf)

44 See, John Mearsheimer, *The Great Delusion: Liberal Dreams and International Realities*, New Haven, Yale University Press, 2018, and Walter Russell Mead, “The End of the Wilsonian Era: Why Liberal Internationalism Has Failed”, *Foreign Affairs*, January/February 2021, <https://www.foreignaffairs.com/articles/united-states/2020-12-08/end-wilsonian-era>

- (i) *Military capacity.* The EU—while embracing the US security relationship and supporting the rebuilding of the transatlantic relationship in a post Trump era—should do more to autonomously defend itself, given that the US has demonstrably become a less reliable actor and partner. There is a long list of damaging long-term splits in the EU's relationship with the US that need to be repaired: notably the future of NATO, strategy towards Iran, trade and protectionism, the importance of international institutions (especially the UN and its agencies and the WTO) and global environmental and public health policy in and beyond the WHO. A strategy of European Defence—albeit one often marked by tension—can coexist with NATO,<sup>45</sup> especially with the EU continuing to buy over 80% of its military hardware from the US.

Russia should also be engaged, but in a distinct, European way. On an issue such as Russian readmittance to the G7, the EU might best be advised to adhere to President Macron's view of re-engagement with "necessary prerequisites", rather than former President Trump's condition-free approach. This could start with the articulation of joint transatlantic concern about the imprisonment of Alexei Navalny.

- (ii) *A refocus on multilateralism.* Europe must lead on the reform and (re)-strengthening of multilateralism in the absence of either US or Chinese leadership on this issue. This is especially pertinent in the wake of the 75<sup>th</sup> anniversary of the creation of the UN. As both High Representative Josep Borrell and President von der Leyen have argued, multilateralism is an obvious choice for the EU. As von der Leyen noted in her Mission Letter to Borrell, "cooperating and working with others is what our Union is all about."<sup>46</sup> But multilateralism must itself change. It needs to adapt to the growing hybridity in international relations, become less organizationally bureaucratic, and correspondingly more open to those non-state stakeholders (and the people who populate them) invested in its success.

A reset multilateral system will require new rules, or at least reform of the old rules. Sensitively espoused and properly contextualised, a "rules-based order" need not be simply the cliché it has become. Preferences emanating from long-standing liberal democratic norms still have considerable purchase, and Europe remains a laboratory of multilateralism and multi-level governance. Furthermore, both China and the US minimally need elements of an effectively regulated multilateral system. And whether the US likes it or not, China's interests in, and influence over, global norm setting needs to be given space.<sup>47</sup> While recognising the need for the

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45 One illustration of coexistent European, NATO and US forces was the case of anti-piracy operations off the East African coast. See, Simon Reich and Peter Dombrowski, *The End of Grand Strategy: Maritime Operations in the Twenty-First Century*, Ithaca, Cornell University Press, 2017, pp. 85-102.

46 Ursula Von der Leyen, "Mission Letter" to High Representative for Foreign Policy and Security Policy, Josep Borrell, [https://ec.europa.eu/commission/sites/beta-political/files/mission-letter-josep-borrell-2019\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/mission-letter-josep-borrell-2019_en.pdf)

47 Tharun Chhabra et al, "Global China: Global Governance and Norms", *Global China*, Brookings, October 2020, [https://www.brookings.edu/wp-content/uploads/2020/10/FP\\_20201012\\_governance\\_norms\\_chapeau.pdf](https://www.brookings.edu/wp-content/uploads/2020/10/FP_20201012_governance_norms_chapeau.pdf).



regulatory reform of some of its more contentious elements, the EU must act as a defender of these principles and support the reform of institutional practice in the face of dissent from both the US and China.

The venues of diplomacy and dialogue need reinvigoration or, as with both the WTO and WHO, they will continue to atrophy. The challenge is to get the balance right between a tired-looking international institutional technocracy and the need for a multilateral diplomacy to provide public goods in a nuanced, moderated and effective fashion. This should be a diplomacy that exhibits an appropriate compromise, reflecting the demands of *all* major players in the modern order, and taking advantage of modern communicative technologies.<sup>48</sup> The EU must support multilateralism with all the vigour it can muster. It must put real material support, not just rhetoric, behind the Franco-German led *Alliance for Multilateralism*. But, while the EU must tread firmly in the pursuit of modern-day multilateralism, it must also tread deftly. What might be the self-evident benefits of multilateralism to the EU might not be such amongst those new states that have emerged from the colonial era and that have for so long been the world's rule takers.

- (iii) *Strengthening inter-regional relations*. The EU should strengthen its role in support of inter-regional relations, especially in its neighbourhoods. In a world drifting away from global multilateralism, inter-regional multilateral relations will become increasingly important. This is especially so regarding Eurasia, East Asia, the MENA and sub-Saharan Africa regions. EU-Asia relations will grow as trans-Atlantic relations become more strained.<sup>49</sup> The EU understands the global "China issue". But, in contrast to US policy towards China, the EU should work towards accommodation and mutual benefit, not confrontation. This does not mean unconditionally accepting questionable Chinese behaviour. Cautiously nurturing the relationship clearly differs from passive acceptance.
  - a. *Rediscovering Eurasia*. The EU should treat the concept and practice of Eurasia seriously. It is gaining momentum as both an economic and a geopolitical fact of life. The relationship between Russia and China might be fitful, but it would be imprudent to assume that it will not consolidate in the security and/or economic domains in the near term, especially since the relationship is now developing more based on strategic pragmatism rather than, as in the past, assumed shared ideology. Their core membership in the Shanghai Cooperation

48 See, *Can Multilateral Cooperation be Saved?*, Dialogue of Civilisations Research Institute, pp. 54-86, [https://doc-research.org/wp-content/uploads/2020/12/Rhodes-report\\_Download-file2.pdf](https://doc-research.org/wp-content/uploads/2020/12/Rhodes-report_Download-file2.pdf)

49 Xinchuchu Gao, "Bridging the Capability Expectations Gap? An Analysis of the New Dynamics in the EU's Security Strategy Towards Asia", *Asia-Pacific Journal of EU Studies*, 18 (3), 2018, [https://www.researchgate.net/profile/Xinchuchu\\_Gao/publication/348077730\\_Bridging\\_the\\_Capability-Expectations\\_Gap\\_An\\_Analysis\\_of\\_the\\_New\\_Dynamics\\_in\\_the\\_EU's\\_Security\\_Strategy\\_Towards\\_Asia/links/5fee5745a6fdccdc81e9db2/Bridging-the-Capability-Expectations-Gap-An-Analysis-of-the-New-Dynamics-in-the-EU's-Security-Strategy-Towards-Asia.pdf](https://www.researchgate.net/profile/Xinchuchu_Gao/publication/348077730_Bridging_the_Capability-Expectations_Gap_An_Analysis_of_the_New_Dynamics_in_the_EU's_Security_Strategy_Towards_Asia/links/5fee5745a6fdccdc81e9db2/Bridging-the-Capability-Expectations-Gap-An-Analysis-of-the-New-Dynamics-in-the-EU's-Security-Strategy-Towards-Asia.pdf)

Organization (the largest regional organization in the world in population terms), with the two state's primary focus on issues such as (Jihadist) terrorism, energy and joint military exercises, provides an instrumental basis for them in potentially counterbalancing against NATO.<sup>50</sup>

- b. *Reconceiving Africa as a partner.* The EU should recognise that events across the Mediterranean will have an adverse impact in the longer run if sustainable governance and growth and development strategies cannot be put in place to contain the pressures of economic and political migration. Again, China's role on the continent has grown dramatically in the last decade. In this context, Europe needs to talk less of itself, in Federica Mogherini's infelicitous phrase, as a "cultural superpower" and talk more of pragmatic partnership and business potential that takes the relationship beyond a residual colonial legacy if the atmospherics of the relationship are to change. Generating and exporting solar power to Europe, for example, has become a central plank of development policy in Morocco.<sup>51</sup> This provides just one example of how the two continents are going to be more integrated across a range of economic and political issue areas in the years to come, providing a wealth of opportunities. Now is the time to think comprehensively about a systemic strategy that balances both optimism and pessimism about the future of the African continent. The development of a "*continent-to-continent*" relationship, with North and Sub Saharan Africa treated as a single entity, should be an important development.
- (iv) *Combating Climate Change.* The EU needs to—and can—take the lead in combating climate change: The European Green Deal is premised on the widely accepted assumption, identified in the 2019-24 *New Strategic Agenda for the EU*, that climate change is "an existential threat." The EU cannot solve this challenge on its own. It is a good example of a foreign policy issue requiring partnerships in the state, private and NGO sectors. The new Commission has the formidable ambition to combine growth with sustainable development. In theory, the proposed 100 billion Euro deal will cut emissions while also creating jobs and improving the quality of life. But to do so it will require massive investment in infrastructure, research, innovation and green technologies, as well as a commitment to stimulating a circular economy.

Moreover, it will also need policies to decouple economic growth from resource depletion and environmental degradation. This implies levying carbon taxes on imports, becoming carbon neutral by 2050, and developing the various technologies needed to get there as the EU becomes the partner of countries (like Morocco) also

50 Gennady Sysoev, "SCO vs. NATO," *The Kommersant*, June 15, 2006. <http://www.kommersant.com/page.asp?idr=520&id=682211>

51 Salman Zafar, "Renewable Energy in Morocco," *EcoMena*, December 22, 2017, <https://www.ecomena.org/renewable-energy-in-morocco/>; Amine Bennis, "Power surge: How the European Green Deal can succeed in Morocco and Tunisia", European Council on Foreign Relations, 26 January 2021, <https://ecfr.eu/publication/power-surge-how-the-european-green-deal-can-succeed-in-morocco-and-tunisia/>

wishing to address the climate change challenge. This task is not simply an internal affair, but one that will change EU external policy. Its ambition should be threefold:

- a. To affect EU trade and possibly development policy linked to its policy of scientific and technological cooperation.
- b. To ensure that—along with China and a re-engaged US under President Biden—the EU is if not the leading, then a leading voice on the global environment.
- c. While the Biden administration's return to the Paris Agreement is welcomed it is not assumed in Europe that the US should axiomatically return to pole position in the climate conversation. Europe has a jealously guarded its international intellectual leadership role on climate policy through actions such as the Green Deal.<sup>52</sup> As High Representative Josep Borrell asserts:

“Europe must complement these internal efforts with a proactive foreign policy... To that end, Europe will need to put its economic and diplomatic weight behind the climate cause, becoming a global power in climate diplomacy.”<sup>53</sup>

- (v) *Dealing with digitalisation and digital disruption.* Again, these issues are foreign policy and international relations questions as much as questions for EU internal resolution. The desire of states to preserve their “information sovereignty” is a major policy issue, as issues of sovereignty and jurisdiction compete with freedom and openness. The EU will need to respond to both the *hierarchical* behaviour of the digital “superpowers” (the US and China) and aspiring great powers (notably Russia and India) and the hybridity and power of the principal corporate digital players that have driven digitalisation in the 21<sup>st</sup> century: notably the FAANG companies in the US and Tencent, Huawei, Baidu, Alibaba and Weibo in China.

The major states are now harnessing privately developed technological platforms of power to enhance the rhetoric and practice of nationalism in the battle to safeguard (and control) national digital economies. Current tensions over design, governance and jurisdiction reflect broader global fissures. In the contemporary era, the US and China are creating two sharply defined technological and online systems—or separate digital ecologies.<sup>54</sup> To give but one example here, the Chinese

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52 European Commission, “A European Green Deal: Striving to be the First Climate Neutral Continent”, 2019, [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)

53 See Josep Borrell, “Europe Must Become a Global Climate Power”, *Project Syndicate*, 2021, [https://www.project-syndicate.org/commentary/eu-climate-policy-is-foreign-policy-by-josep-borrell-and-werner-hoyer-2021-01?utm\\_source=twitter&utm\\_medium=organic-social&utm\\_campaign=page-posts-january21&utm\\_post-type=link&utm\\_format=16:9&utm\\_creative=link-image&utm\\_post-date=2021-01-22](https://www.project-syndicate.org/commentary/eu-climate-policy-is-foreign-policy-by-josep-borrell-and-werner-hoyer-2021-01?utm_source=twitter&utm_medium=organic-social&utm_campaign=page-posts-january21&utm_post-type=link&utm_format=16:9&utm_creative=link-image&utm_post-date=2021-01-22)

54 This argument is developed in Kate Coyer and Richard Higgott, “Sovereignty in an Era of Digitalisation”, 2020, <https://doc-research.org/wp-content/uploads/2020/09/Sovereignty-in-a-digital-era.pdf>

national blockchain project, the Blockchain Service Network, is currently planning to pilot integration with global central bank digital currencies—a move that would begin to circumvent American influence through the dollar.<sup>55</sup> The American system is still primarily private sector-driven, while China’s is state-driven. But, both systems envelop the development of AI, big data, 5G and instruments of cyber warfare.

Indeed, the American “China Strategy Group”, formed in July 2020, was created with the intent of addressing broader, related questions. Composed of such leading figures as Eric Schmidt, former CEO of Google and technical adviser at Alphabet, Richard Fontaine, the CEO of the Center for a New American Security, and Jared Cohen, CEO of Jigsaw and former adviser to Condoleezza Rice and Hillary Clinton, among its 15 members, it recently submitted a confidential memo to the Biden administration entitled “Asymmetric Competition: A Strategy for China & Technology”. There, it explicitly advocated bifurcation in areas such as “platform dominance”, technological innovation, human capital development and supply chain management. They provided a startling set of recommendation given the group’s corporate composition and its historic commitment to integration with China.<sup>56</sup>

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The European leadership appears to understand the implications of this for the EU, especially the growing impact of the digitalisation of finance. Importantly here, it is time for the EU to act upon its tentative steps towards overcoming its inferiority complex vis-à-vis the US dollar, especially as the US has become increasingly accustomed to using it as an economic weapon of sanction.<sup>57</sup> As Russia and China look to trade in roubles

55 See, “BSN 2021 Outlook”, January 14, 2021, <https://medium.com/bsnbase/bsn-2021-outlook-e2e6841db51b>

56 Bethany Allen-Ebrahimián, “Former Google CEO and others call for U.S.-China tech “bifurcation””, *Axios*, January 26, 2021, <https://www.axios.com/scoop-former-google-ceo-and-others-call-for-us-china-tech-bifurcation-46fa8ca1-a677-4257-8b22-5e7fe1b7e442.html>. For a copy of the memo itself see China Strategy Group, *Asymmetric Competition: A Strategy for China & Technology*, Fall 2020, <https://beta.documentcloud.org/documents/20463382-final-memo-china-strategy-group-axios-1>

57 Viktoria Dendrinou, “EU Eyes Dollar’s Global Dominance in Bid to Bolster the Euro”, *Bloomberg*, January 21, 2021, <https://www.bloomberg.com/news/articles/2021-01-19/eu-eyes-dollar-s-global-dominance-in-a-bid-to-bolster-the-euro>

and renminbi, the EU should ensure that European financial instruments are used strategically to enhance Europe's leadership and influence in the world of digital practice and governance. It falls to Europe to ensure that a bifurcated global digital ecology does not consolidate to the exclusion of European technology, its corporations, and, ultimately, its consumers.

- (vi) *Maintaining the global supply chain.* The EU must not follow the US in seeking a major decoupling in the manufacturing and industrial sectors. Both Trump (and now Biden) have proposed elements of decoupling in the name of national security as a US response to China as a strategic competitor. As the early stages of the pandemic demonstrated, American supply chain reliance on Chinese sourcing for PPE and ventilators left it strategically vulnerable with alarming public health consequences.<sup>58</sup> China manufactures 60% of all protective garments, 59% of respirators and surgical masks, and 51% of goggles.<sup>59</sup> This has led to Biden calling for the broad reconstitution of the US manufacturing base, a process that would accelerate decoupling.<sup>60</sup>

Notwithstanding a basic commitment to multilateralism, China is already showing signs of a decoupling strategy of its own in parts of the IT sector as it seeks to diminish reliance on the USA.<sup>61</sup> But while supply chain integration is greater than “decouplers” appreciate, support for this trend is still alarming. Integrated supply chains are still one of our best hopes for avoiding the consolidation of a new Cold War. The EU should be a major player, but to date it has “muddled through”, so it must now make the best of its economic and trade assets to remain the champion of global commerce.

As a top three global trader, the EU must confront any residual American protectionist recklessness by the incoming Biden administration if an open trading regime is not to further deteriorate. In this case, the source of opposition may not continue to be Trump's nationalist base but will likely be progressives in the Democratic Party, equally fervent to protect high-paying jobs. Bernie Sanders and his supporters are vehemently opposed, to joining organisations such as the reconstituted Trans-Pacific Partnership (now the CPTPP), which Trump abandoned. Biden himself has already reversed course on this issue, and express

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58 Scott Paul, “Why Can't America Make Enough Masks or Ventilators?”, *New York Times*, April 14, 2020, <https://www.nytimes.com/2020/04/14/opinion/coronavirus-industry-manufacturing.html?searchResultPosition=6>

59 Chad P. Bown, “China should export more medical gear to battle COVID-19”, Peterson Institute for International Economics, May 5, 2020, <https://www.piie.com/blogs/trade-and-investment-policy-watch/china-should-export-more-medical-gear-battle-covid-19>

60 The Biden Plan to Ensure the Future Is “Made in All of America” By All of America's Workers, <https://joebiden.com/made-in-america/>

61 See, “Tech De-Coupling: China's Race to End Its Resilience on the USA”, *Wall Street Journal*, 8 September, 2020, <https://www.youtube.com/watch?v=mTFmBWIMxJE>

support for their position.<sup>62</sup> One concern is that this protectionist lens will exacerbate rather than mitigate both the ongoing transatlantic trade disputes initiated by Trump and the wider failure to recognise how important a reformed WTO is for the future stability of the international trade system.<sup>63</sup>

The EU will not be alone in supporting a resuscitated global trading system. Others too will support it, especially Australia, Canada and states along the East Asian seaboard from China down through Japan, and into the major Southeast Asian trading states. Support will also be found in outward-facing Africa and Latin America. At the same time, forging an independent but consistent position, the EU should also show resolve towards excessive Chinese intrusion into its economic affairs, especially in AI and digital information technologies. But it should equally avoid decoupling from China simply to conform to American pressure.

- (vii) *Containing Civilisational and Cultural Populism*. It is not necessary to accept Samuel Huntington's "Clash of Civilizations" thesis to see how populist-nationalists have learned to harness a pan-European identity to further their goal of a racially pure, white, Christian continent. Nationalists have done this by adopting a broader civilisational outlook on international relations which, ironically focuses on European, not nationalist, culture. Conflict is moving in a cross-cultural civilisational direction, although nationalist views of European values focus less on universalistic issues of freedom, democracy, equality, the rule of law and respect for human rights than they do on racial and identity politics and a privileged status for a white, Christian Europe.

The EU should also show resolve towards excessive Chinese intrusion into its economic affairs, especially in AI and digital information technologies.

62 Max Ehrenfreund, "How the TPP became the most divisive policy in the Democratic Party", *Washington Post*, July 26, 2016, <https://www.washingtonpost.com/news/wonk/wp/2016/07/26/how-the-tpp-became-the-most-divisive-policy-in-the-democratic-party/>; On Biden, see, Sean Sullivan and Jeff Stein, "Biden releases U.S.-centered economic plan, challenging Trump's 'America First' agenda", *Washington Post*, July 9, 2020, [https://www.washingtonpost.com/politics/biden-releases-700-billion-plan-to-spur-american-economy/2020/07/09/f51b846c-c173-11ea-b178-bb7b05b94af1\\_story.html](https://www.washingtonpost.com/politics/biden-releases-700-billion-plan-to-spur-american-economy/2020/07/09/f51b846c-c173-11ea-b178-bb7b05b94af1_story.html); on Elizabeth Warren's opposition see Elizabeth Warren, "A Plan for Economic Patriotism", June 4, 2019, <https://medium.com/@teamwarren/a-plan-for-economic-patriotism-13b879f4cfc7>

63 For a discussion of the importance of securing reform of the WTO see Simon Evenett and Richard Baldwin, "Revitalising Multilateral Trade Cooperation: Why, Why Now and How?", in Evenett and Baldwin (eds.), *Revitalising Multilateralism: Pragmatic Ideas for the New Director General of the WTO*, London, CEPR Press, 2020

64 See the essays in, Caterina Carta and Richard Higgott (eds.), *Cultural Diplomacy in Europe: Between the Domestic and the International*, London, Palgrave MacMillan, 2019

Brussels will need to confront pan-European, anti-Muslim occidentalist rhetoric and policies that nationalists, if successful, would mobilise in the pursuit of its view of EU external relations. To counter this, the EU should enhance its strategic approach to international cultural relations that resists competitive civilisational cultural diplomacy if it is to combat European populism and nationalism and enhance a collective European identity that nevertheless embraces diversity. For all its constraints and limitations, cultural relations and cultural diplomacy remain one of the EU's key sources of international soft power.<sup>64</sup> The EU needs to take the lead in mitigating competition between the US and China based on civilisational difference increasingly stoked by what we might call the "Clash of Civilisations 2.0" discourse.

Adjusting old narratives to new environments will not be enough to restore the former practices of liberal order. New mindsets will need to take account of the impact of modern communicative technologies on international relations as we strive to maintain an open (and increasingly digitally networked) new order. Digital communication changes the nature of inter-state bargaining, their negotiations with growing and increasingly influential technological behemoths, and possibly cooperative strategies in both dimensions. The governance dilemma is no longer simply democracy versus autocracy; it is also open governance versus closed governance.<sup>65</sup> This applies in particular to the role of those self-empowered international civil society networks outside the scope of governments, for many of whom traditional core liberal values remain salient.

There will (must) still be a place for democracy (of many variants), freedom of thought, rule of law and human rights. Europe must be their advocate. But these values will have to co-exist within a context of greater respect for national values and civilisational identity. We should anticipate that power will be distributed more horizontally in an open order—both publicly and privately and with flatter, reciprocal structures—than in the past. The points of access and levers of influence are clearly multiplying, and a European strategy must proactively identify, prioritise and prepare for the spectrum of those changes, rather than only retroactively responding with regulatory instruments or tax measures that risk instant obsolescence. So-called soft power will become increasingly, not less, important and increasingly digital in its application.

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<sup>65</sup> Anne Marie Slaughter, *The Chessboard and the Web: Strategies of Connection in a Networked World*, New Haven, Yale University Press, 2017.

## Conclusion: Is Europe's hedging strategy a strategy at all?

Rhetoric aside, America's and China's leadership are increasingly signalling a trend towards a bifurcated, if novel, world order. Biden's early comments speak to the hope of a resuscitated liberal order. But many of his proposed policies suggest a countervailing trend. For example, a union of democracies that tries to counteract China's growing influence in select policy areas such as trade, infrastructure, technology, digitalisation and indeed ideas, is just as likely to further the binary divide. At the same time, China—via the pursuit of an aggressive diplomacy—increasingly offers itself as a countervailing economic and political model in which financial muscle and public health capacities can attract states in need of trade and investment in a global economy struggling to overcome the effects of the COVID-19 pandemic for the next decade.<sup>66</sup>

Europe, if not actually torn between the American and Chinese orbits, exhibits an uncomfortable degree of policy vacillation in several key areas. But its security requirements and the threat of democratic backsliding (both in Europe and the US) still override other considerations such as many of its economic requisites that are increasingly oriented towards China. Indeed, some smaller member states have become as reliant on Chinese funding of its investment bonds as they have on the construction and functioning of its ports.<sup>67</sup> As Heribert Dieter described in a recent paper on the case of Italy, China has successfully pursued a strategy designed to divide European individual countries, potentially undermining the very notion of a comprehensive EU strategically autonomous capacity.<sup>68</sup> It is not a situation that lends itself to a strategy of hedging.

Generating strategic coherence requires extended deliberation and debate about both the EU's priorities and processes of decision making. Autonomous national level strategies by member states alone will not work. The EU needs a blueprint in which its values and goals are transparent, linked to feasible processes and resources, and applied consistently. Substantively, the content must begin with a recognition that the EU must play a major mitigating role in in this rapidly evolving context—not only to contribute to the greater good, but also both to preserve its own values and enhance its member state's interests. The European Commission must therefore decide what is going to be its strategic message to the US and China. Two competing, arguably ambivalent, views currently appear to emanate from its senior leadership.

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66 The World Bank, "Global Economy to Expand by 4% in 2021; Vaccine Deployment and Investment Key to Sustaining the Recovery", January 5, 2021, <https://www.worldbank.org/en/news/press-release/2021/01/05/global-economy-to-expand-by-4-percent-in-2021-vaccine-deployment-and-investment-key-to-sustaining-the-recovery>

67 Vivienne Walt, "Boxed in at the Docks: How a Lifeline from China Changed Greece", *Fortune*, July 22, 2019, <https://fortune.com/longform/cosco-piraeus-port-athens/>

68 Heribert Dieter, "The New Cold War: A European Perspective", Unpublished paper, pp. 29-34.



A geopolitical commission for an increasingly geopolitical world offers the prospect of a *realpolitik*-driven instrumental strategy that emphasizes pragmatic self-interest and a possibly more regional orientation. The current European debates over migration and identity reflect this optic. A second position reflects a continuing commitment to the historical EU values of political liberalism, multilateralism and cooperative collective action problem solving, most evident in debates over climate change and reflected in the recent investment agreement with China. These two contrasting positions are not easily reconciled. Together, they provide a recipe for incoherence and—as a self-defeating paradox—a lack of strategic autonomy. Rather, when applied in conjunction they will, in all probability, be likely to incur a selective dependence on both China and the US. Hedging only works when leverage is aligned not divided.

If a strategy provides a vehicle for establishing leverage through a suitable marshalling of resources—then sometime soon choices will need to be made. The EU should not have to choose between becoming a purely *realpolitik*-driven player or an avowed internationalist open to the hard, instrumental, and possibly punitive, edges of both China's and the USA's strategies. It needs to forge a strategy that moves beyond "The EU as a Geopolitical Commission" as a slogan. It requires a geo-sustainable strategic agenda that offers innovative ways to deal with security concerns, climate change, digital disruption and open, non-protectionist trade problems and that strengthens both multilateralism and positive interregional and intercultural relations at the core of its *modus operandi*. In the absence of such a strategy, the prospects of the EU performing a wider, independent, mitigating role in the face of mounting global binary pressures will always be limited. ■



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