EUROPEAN COUNCIL ON FOREIGN RELATIONS
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POLICY BRIEF

THE ART OF VASSALISATION: HOW RUSSIA'S WAR ON UKRAINE HAS TRANSFORMED TRANSATLANTIC RELATIONS

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April 2023

SUMMARY

- Russia's invasion of Ukraine has revealed Europeans' profound dependence on the US for their security, despite EU efforts at achieving "strategic autonomy."
- Over the last decade, the EU has grown relatively less powerful than America – economically, technologically, and militarily.
- Europeans also still lack agreement on crucial strategic questions for themselves and look to Washington for leadership.
- In the cold war, Europe was a central front of superpower competition. Now, the US expects the EU and the UK to fall in line behind its China strategy and will use its leadership position to ensure this outcome.
- Europe becoming an American vassal is unwise for both sides. Europeans can become a stronger and more independent part of the Atlantic alliance by developing independent capacity to support Ukraine and acquiring greater military capabilities.

Introduction

The issue of sending Leopard 2 tanks to Ukraine roiled German and European politics for months. The West had collectively committed to support Ukraine in its war with Russia. Ukraine said it needed Western tanks – and the German-made Leopards were the tank that best fit the bill. The government in Berlin did not precisely disagree. But it worried about escalation and the reaction from Moscow, particularly given Germany's troubled history with Russia, and so refused to move first. "We always act together with our allies and friends," Germany's chancellor, Olaf Scholz, insisted. "We never go alone."

The curious part was that no one was asking Germany to act alone. Britain had already announced that it would send 14 of its Challenger main battle tanks to Ukraine. The Polish and Finnish governments had publicly signalled that they would be ready to supply Leopard 2 tanks in conjunction with other allies. The European Parliament voted in favour of an EU initiative in this regard in October 2022. The United States, France, and Germany itself had already committed to send infantry fighting vehicles to Ukraine, a weapons system that the lay person cannot even distinguish from tanks. More broadly, the Leopard issue took place in a context in which the West, including Germany and the US, had already provided tens of billions of dollars of military equipment to Ukraine, much of which was already quite deadly to Russians.

But "alone" had a very specific meaning for Scholz. He was unwilling to send Leopard 2 tanks to Ukraine unless the US also sent its own main battle tank, the M1 Abrams. It was not enough that other partners would send tanks or that the US might send other weapons. Like a scared child in a room full of strangers, Germany felt alone if Uncle Sam was not holding its hand.

In interests of allied unity, the US eventually stepped in and agreed to provide 31 Abrams tanks to Ukraine, despite its oft-stated belief that the Abrams made little military sense for Ukraine. No longer "alone," the German government approved the export and transfer of Leopards to Ukraine. US leadership once again allowed the alliance to resolve an inter-allied dispute. The whole episode will probably be forgotten by all but a few transatlantic defence wonks within a few months.

It shouldn't be. The episode raises more fundamental questions about the Atlantic alliance than just the issue of which weapons system to send to Ukraine. Why does the leader of the most powerful country in Europe believe he is alone and defenceless unless he acts in lockstep with the US? Why, with a war taking place on the European continent, does US leadership remain necessary to solve even minor inter-allied disputes? A few short years ago, stunned by Donald Trump's entry into the White House, Europeans seemed poised to take control of their own fates from a distracted and politically unreliable America. But when the next crisis came, both the US and the governments of Europe fell back on old models of alliance leadership. Europe, as EU high representative for foreign affairs Josep Borrell loudly lamented prior to Russia's invasion, is not really at the table when it comes to dealing with the Russia-Ukraine crisis. It has instead embarked on a process of vassalisation.

This paper looks at why US leadership has returned so forcefully to Europe, whether it will outlast the Ukraine war, and what America's return to Europe means for the future of the transatlantic alliance and the member states of the European Union.

The proximate cause was, of course, Russia's invasion of Ukraine. But the deeper answer lies in the structure of transatlantic relations and internal divides between EU member states. But the war in Ukraine has not changed the fundamental trajectory of the United States' foreign policy – which towards the Pacific– nor altered its deep domestic divides about whether to remain invested in the defence of Europe. To survive and prosper in the long term, the Atlantic alliance still needs a European pillar that is both militarily capable and politically independent. But the alliance response to the war in Ukraine has made achieving that type of balance much harder. The paper accordingly presents ideas for how, both during and after the war in Ukraine, European and American policymakers can build a more balanced and thus more sustainable alliance.

The Americanisation of Europe

In what now seems like the distant past (the Trump administration), the future of the alliance looked very different. US foreign policy was focused on China and Trump was flirting with Russia and threatening to abandon America's European allies. Policymakers across Europe began talking about "sovereignty" and "autonomy" as mechanisms to establish their independence from an increasingly capricious American ally.

As always, the voices were strongest in France and the EU institutions, but they also resonated in traditionally Atlanticist strongholds such as Germany, the Netherlands, and even occasionally eastern Europe. "The times," Chancellor Angela Merkel told a campaign rally in 2017, "when we could completely rely on others are, to an extent, over."

This broad realisation in Europe reflected, in the first instance, shock at Trump's antics and his anti-ally rhetoric. But it also expressed a sober view that, even beyond Trump's idiosyncrasies, US foreign policy was strategically moving towards Asia, while US domestic politics were drifting toward self-absorption. Neither augured well for the American security commitment to Europe.

In 2019, the new president of the European Commission, Ursula von der Leyen, formed a new "geopolitical Commission" and vowed to make the EU an independent actor in global affairs. "My Commission," she promised on presenting it to the European Parliament in 2019, "will not be afraid to speak the language of confidence. But it will be our way, the European way. **This is the geopolitical Commission that I have in mind, and that Europe urgently needs** ." (Emphasis in the original.)Rhetorically speaking, political leaders in Brussels, Paris, and Berlin had signed up to the idea that Europeans would need to be able to lead the response to crises in their region. But little happened to turn this idea into practical action.

The full-scale Russian invasion of Ukraine in February 2022 did more than just call that idea into question. It exposed it as almost entirely empty. The strong US response, and the welcome that response found throughout the EU, reset the alliance back into its traditional cold war mode. As in so many crises during the cold war, the US took the lead and contributed the lion's share of resources. From its European allies, it essentially just asked for political acquiescence and military and financial contributions to a US-led strategy. The inter-allied fights, as in the Leopards episode, have been over the extent of those contributions. The strategic decisions are all made in Washington. For the moment, no government in the EU, even in traditionally independent France, is objecting to this return to traditional American leadership. To the contrary, most are embracing it and even seeking to ensure that it continues beyond the war in Ukraine.

At one level, this is not surprising. The nations of Europe are not currently capable to defend themselves and so they have no choice but to rely on the US in a crisis. But that observation just begs the question. These are wealthy, advanced nations with acknowledged security problems and a growing awareness that continuing to rely on the US contains long-term risks. So why do they remain so incapable of formulating their own response to crises in their neighbourhood?

There are two fundamental causes. All the focus on America's decline relative to China and the recent upheavals in US domestic politics have obscured a key trend in the transatlantic alliance over the last 15 years. Since the 2008 financial crisis, the US has become ever more powerful relative to its European allies. The transatlantic relationship has not become more balanced, but more dominated by the US. Europeans' lack of agency in the Russia-Ukraine crisis stems from this growing power imbalance in the Western alliance. Under the Biden administration, the US has become ever more willing to exercise this growing influence.

The second cause is that Europeans have failed to reach a consensus on what greater strategic sovereignty should even look like, how to organise themselves for it, who their decision-makers would be in a crisis, and how to distribute the costs. More profoundly, the nations of Europe do not agree on what to do and do not trust each other enough to reach compromises on these questions. In this context, Europeans cannot know what they would do with greater autonomy or how they might differ from America because they have no process or capacity to decide on their own policies. American leadership remains necessary in Europe because Europeans remain incapable of leading themselves.

The paper examines these factors in turn.

Europe's relative decline

The growing dominance of the US within the Atlantic alliance is evident in virtually every area of national strength. On the crudest GDP measure, the US has dramatically outgrown the EU and the United Kingdom combined over the last 15 years. In 2008 the EU's economy was somewhat larger than America's: $16.2 trillion versus $14.7 trillion. By 2022, the US economy had grown to $25 trillion, whereas the EU and the UK together had only reached $19.8 trillion. America's economy is now nearly one-third bigger. It is more than 50 per cent larger than the EU without the UK.

Of course, economic size is not everything when it comes to power. But Europe is falling behind on most other measures of power as well.

That growth differential has coincided – again, contrary to predictions – with an increase in the global use of the dollar relative to the euro. According to the most recent Triennial Central Bank Survey from the Bank for International Settlements, the US dollar was bought or sold in around 88 per cent of global foreign exchange transactions in April 2022. This share has remained stable over the past 20 years. In contrast, the euro was bought or sold in 31 per cent of transactions, a decline from its peak of 39 per cent in 2010. The dollar has also sustained its position as the world's primary reserve currency – accounting for roughly 60 per cent of official foreign exchange reserves; the euro accounts for only 21 per cent. The US has profited from the continuing dominance of its currency to gain an ever expanding capacity to impose financial sanctions on its enemies and allies alike, without really needing anyone's cooperation. Russia and China are fighting back against this capacity, with some success, but

Europeans have mostly accepted it.

American technological dominance over Europe has also grown. The large US tech companies – the 'big five' of Alphabet (Google), Amazon, Apple, Meta (Facebook), and Microsoft – are now close to dominating the tech landscape in Europe as they do in the US. Europeans are trying to use competition policy to push back against this dominance by, for example, fining Google nearly €2.5 billion for abusing its dominance in search engines. But, unlike the Chinese, they have been unable to develop local alternatives – so, these efforts seem doomed to failure. As a result, new developments such as artificial intelligence seem set to reinforce US technological dominance over Europe. And the so-called "Brussels effect," which emphasises the EU's regulatory power, also loses its impact when Europeans fall behind in technology.

Since 2008, Europeans have also suffered a dramatic loss of military power when compared to the US. The uptick in European military spending after the 2014 Russian invasion of Ukraine sometimes obscures this trend. But, of course, all power is relative: as military spending in Europe has increased substantially less than that of the US, it has fallen further behind. Between 2008 and 2021, US military expenditure increased from $656 billion to $801 billion. In the same period, the military expenditure of the EU27 and the UK rose only from $303 billion to $325 billion.[1] Worse, US spending on new defence technologies remains more than seven times that of all EU member states combined.

Of course, military spending is only an approximate measure of military strength. But Europe's divided approach to such expenditure means that even these figures probably overstate European power. Europeans barely collaborate in spending their relatively small budget – so it remains inefficient. EU member states have fallen short of a 2017 commitment to spend at least 35 per cent of their equipment procurement budgets in cooperation with one another. This figure stood at just 18 per cent in 2021.

Worse, these crude measures of power actually underestimate European weakness, which is exacerbated by chronic divisions. When the EU's Lisbon Treaty entered into force in 2009, it seemed to herald a new capacity for Europeans to forge a common foreign policy and harness the latent strength of what was then the world's largest economy. But institutions of the Lisbon Treaty, particularly the European External Action Service and the office that Borrell holds, have failed to bridge internal EU differences in foreign policy.

The EU, for all its geopolitical ambitions, remains incapable of formulating a common foreign and security policy. Instead, the financial crisis divided north and south, the migration crisis and the war in Ukraine divided east and west, and Brexit divided the UK and practically everyone else. In particular, the loss of Britain, the EU's second largest economy and strongest military power, was a serious blow to the EU's prestige and capacity to exercise geopolitical influence.

For all of these reasons, US dominance in the alliance has grown over the last decade and a half. And power matters. The growing weight of the US in the relationship means that Europeans feel increasingly incapable of acting and Americans feel increasingly less interested in what Europeans think about security issues – even if this is currently obscured by the Biden administration's 'No worries, we got you covered' policy with regard to the war.

The consequences of weakness

The Russian invasion of Ukraine in February 2022 thus came at a moment of severe European geopolitical weakness. Like the Obama and Trump administrations before it, the Biden administration had strongly signalled that it intended to focus its foreign policy attention and resources on east Asia. And in its first year, it largely succeeded at maintaining this focus. It withdrew US forces from Afghanistan without coordinating with its European allies and concluded "AUKUS," a major new defence pact and submarine deal with Australia, even at the cost of alienating France.

But when US intelligence detected the Russian troop build-up along the Ukrainian border in the autumn of 2021, US policymakers quickly realised that a forceful and unified response required American leadership. It was the US that provided intelligence on the Kremlin's intentions and warned about the coming invasion, often meeting with a sceptical European response. It is the US that has shaped most Western sanctions on Russia, particularly the measures targeting its central bank. Of course, without European compliance, sanctions would be less powerful. But it is the US dollar and American control of the international financial system that have given the sanctions their bite.

The US response has effectively halted and even reversed the Biden administration's stated intention to focus on Asia. So, despite the increased tensions with China over Taiwan, the US China Economic and Security Review Commission concluded in November 2022 that "the diversion of existing stocks of weapons and munitions to Ukraine … has exacerbated a sizeable backlog in the delivery of weapons already approved for sale to Taiwan, undermining the island's readiness."

And so, the US has outstripped all EU member states combined in providing military and humanitarian assistance to Ukraine, and has also agreed to backfill many of the weapons systems that these allies have provided to Ukraine. In just a few months, US troop deployments in Europe increased from a post-war historic low of around 65,000 to 100,000. At the June 2022 NATO summit, Biden announced the US would further expand its force presence in Europe, including substantial new forces and headquarters in Poland, Romania, and the Baltic states.

Of course, many European countries and the EU institutions are making important contributions and providing essential assistance to Ukraine. Germany has provided more than €14 billion in aid to Ukraine and its Bundestag has just approved another €12 billion in military aid for the next few years. Poland, Estonia, and the UK have been at the forefront of Western efforts to support Ukraine. Many countries have taken in very large numbers of Ukrainian refugees. But overall their efforts are much more modest in scope than that of the US. Estonian contributions, for example, are impressive when measured as a share of GDP. But you do not win a war on a per capita basis or by hosting refugees. Even combined, eastern European resources are not remotely up to the task.

But American leadership is about more than just resources. The US has proven necessary to organise and unify the Western response to the Russian invasion. Within the EU, there had been enormous divisions on the question of Russia in recent years. Countries such as Poland, Sweden, and the Baltic states deeply distrust EU members such as France, Germany, and Italy on the issue.

Scholz and Macron believed until the very eve of the invasion that a compromise with Russia was possible. They had tried to put a new spin on the Normandy format to dissuade Russia from invading Ukraine further. On 24 February 2022, Russia's invasion ended these efforts abruptly. In the eyes of most central and eastern Europeans, both the German and French policy approaches towards Russia were discredited. Germany was therefore initially unable to take the leading role in formulating the European response to the war in Ukraine in the way it had after the annexation of Crimea in 2014. Eastern EU member states this time did not perceive Berlin as an 'honest broker.' They had also not forgotten Macron's 2019 effort, taken without consulting them, to suggest negotiating with Russia over a new European security order.

Overall, easterners believe that the leadership of these countries have either been corrupted by cheap Russian gas and lucrative payouts or are hopelessly naive about the nature of the Russian regime. "President Macron," taunted Polish prime minister Mateusz Morawiecki in April 2022, "how many times have you negotiated with Putin? What have you achieved? Would you negotiate with Hitler, with Stalin, with Pol Pot?"

The most powerful countries in the EU could not lead because they did not have the trust of key actors. Meanwhile, the most consistently anti-Russian countries could not lead because, in turn, they did not have the confidence of France and Germany. They are also small or relatively poor and thus lack the resources. Poland is a vocally active, but its government's undermining of the rule of law make it divisive within the bloc. In this sense, no autonomous European policy was possible because, without the US, Europeans probably would not have agreed on anything at all. America was really the only choice. As Estonian prime minister Kaja Kallas tweeted in February 2023, "US leadership has been key in rallying unprecedented support for Ukraine." Indeed, it is difficult to find a policymaker or expert on either side of the Atlantic that believes that there was any other way to organise a unified and forceful response to Russia's invasion.

For these reasons, members of the transatlantic alliance are reverting to their cold war habits in which the Americans lead while the Europeans either push from behind or simply follow. There is little room or appetite for independent European efforts on either side of the Atlantic, even on issues such as US-EU trade that were once considered outside of the security realm.

Atlantic alliance dynamics after the war in Ukraine

It is hard to imagine, but the war in Ukraine will end some day. When it does, or perhaps even before it does, American policymakers will likely return to their previous efforts to shift resources to Asia. After all, the China challenge in US foreign policy has not gone away while the West has focused on Ukraine.

The US National Security Strategy, published in October 2022, starkly describes this direction, affirming that the US "will prioritize maintaining an enduring competitive edge over the [China]." This might seem an unusual priority given that the US is currently spending tens of billion of dollars supporting Ukraine in war against Russia, and in the process is risking escalation with the world's largest nuclear power.

But the reasons are clear. As the National Security Strategy states, "[China] is the only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to do it." China has four times the population of the US, its economy may soon exceed that of the US, and its military is larger than the American military and growing more technologically capable by the day. It is more integrated into the global economy than the Soviet Union was or Russia ever has been. China has placed itself at the heart of many critical supply chains that the US and its allies depend on. It has defined itself in cultural and ideological opposition to the US and to the idea of democracy, using its new wealth to spread the techniques of authoritarian control to every continent on Earth.

By diverting Western attention and resources away from the Indo-Pacific and by ensuring Russia becomes dramatically more dependent on China, the war in Ukraine has only made addressing this strategic challenge even harder. Indeed, a future Republican administration would likely double down on focusing on China, as most Republican leaders have a yet more dire view of China and yet more jaundiced view of European allies than their Democrat counterparts do. For some influential Republican foreign policy thinkers, the severity of the China problem means that even "if we have to leave Europe exposed, so be it … Asia is more important than Europe."

But, despite this clear view coming from Washington, the perspective in Europe on America's future role in European security seems entirely different. As Liana Fix of the US Council on Foreign Relations notes, American leadership "has been almost too successful for its own good, leaving Europeans no incentive to develop leadership on their own."

The Biden administration has devoted many hours and even more air miles to engaging the Europeans and coordinating Western responses to the outbreak of war. Partially as a result, Europeans are very comfortable to support from the second row, even though the war is happening in their own theatre.

Even in France, long the strongest proponent of European autonomy from the US, has not protested about American leadership in the current crisis. France still seeks greater independent capability for Europe, especially in terms of defence industrial capacity. But, as noted, France's previous stances on Russia mean that it has few, if any, fellow travellers left in the EU. Paris seems to be the last of the Mohicans, while the rest of Europe has almost completely renounced the idea of greater strategic autonomy.

The transformation in Germany is more profound. Scholz still speaks about the need for more European strategic sovereignty. The German government seems to have settled comfortably into the current transatlantic division of labour. The chancellor's office stresses at every available opportunity how excellent the personal relationship between Scholz and Biden is. When it comes to military support for Ukraine, nothing is more important to Berlin than for Washington to move in lockstep. And long gone are the days when Martin Schulz, the Social Democratic candidate for chancellor in 2017, railed against Germany's NATO commitment to spend 2 per cent of its GDP on defence, declaring that he would "not submit to a US logic of rearmament". The Social Democrats, who used to be fairly critical of the US, now clearly feel comfortable enough under Washington's wing.

The chancellor's February 2022 speech about the *Zeitenwende* (turning point) in German policy and the associated far-reaching announcements for German defence raised hopes in Europe and the US that Germany might eventually emerge as a leader of European defence. A year on, Berlin is still struggling with this idea. In supplying arms to Ukraine, Germany has hardly even been a first mover that inspired others to follow suit. It has waited for others to show the way.

Overall, the implementation of the *Zeitenwende* has been proceeding extremely slowly when it comes to security and defence – which is particularly striking because Germany is advancing at lightning speed in other areas, such as the construction of terminals for the import of liquefied natural gas. Nothing of the €100 billion special fund announced in Scholz's speech was spent in 2022. Worse, the special fund will not be even close to enough to make up for decades of underfunding the Bundeswehr. Germany missed NATO's 2 per cent of GDP spending target in 2022 and is not expected to meet it in 2023 either. Overall, the government has still not provided the necessary structural and material capability for the Bundeswehr to become an anchor of stability for European security.

The UK, long America's staunchest ally in Europe, appears energised by the return of US leadership to Europe. It has emerged as a key supporter of Ukraine and set the pace by supplying battle tanks. It has established particularly close cooperation with Poland and the Baltic states, as well as with Sweden and Finland, to which it has given bilateral security guarantees. In the rest of Europe, however, the UK's engagement is still met with suspicion – the wounds of Brexit cut deep. The war in Ukraine could be an opportunity for the UK to play a new role in supporting eastern European security in the future and even helping to settle disputes within the EU over foreign policy. For the moment, however, far from unifying the EU, the UK arguably serves as an alternative partner to those northern and eastern states within the EU that distrust the western member states.

It is these northern and eastern states that have most profoundly changed the internal EU dynamic following Russia's all-out invasion of Ukraine. Poland, Sweden, the Czech Republic, and the Baltic states have demonstrated a sort of moral leadership in European foreign policy. They believe events have shown that their assessment of the Russian regime was correct and that western EU states did not listen to them as they should have. "[Western states] thought this was because of our peculiar history: that we were hurt and we can't forgive. But we don't live in hurt. We simply see them. We know how Russians act," said Ainars Latkovskis, chair of the defence committee in Latvia's parliament. They also believe that their status as frontline states gives them a unique authority to determine Western policy toward Russia and Ukraine. "There is an understanding," according to Edgars Rinkevics, Latvia's foreign minister, "that we are the region where NATO, by defending its territory, either succeeds or fails. This is a life-or-death issue for NATO." Finally, they feel vindicated in their view that only the US can ultimately guarantee their security. Always sceptical about the idea of strategic autonomy, they now think that this would amount to strategic suicide. They are accordingly taking measures to encourage greater US involvement and leadership in Europe, particularly through advocating greater and more permanent US troops presence in eastern Europe and promoting NATO membership for Sweden and Finland.

Overall, the new internal European political dynamic is already structuring European defence policy for the future. Even as *Zeitenwendes* in Germany and other EU states have spurred real increases in European defence spending, the structure of that spending means that it will actually create greater dependence on the US. In the face of war, "defence planning continues to be done mostly in isolation" and many European countries "regard defence cooperation as challenging, consider it only when it coincides with national plans, and more often opt for national solutions or non-EU suppliers", warned the European Defence Agency's so-called Coordinated Annual Review on Defence in November 2022.

The effort to create a resilient, competitive, and innovative European defence technological and industrial base has taken a back seat. Policymakers often see EU or transnational European procurement programmes as too time-consuming and complex. The focus is on quickly filling capability gaps. The German government, for example, has decided to buy off-the-shelf, mainly American equipment, including the F-35 and the Chinook heavy transport helicopter.

As part of the European Sky Shield initiative proposed by Germany, the procurement of the Israeli Arrow 3 system is being considered for defence against long-range ballistic missiles. In addition, the US Patriot system is a central component of the initiative. Important European partners, above all France and Italy, are currently unwilling to join Sky Shield, citing, among other things, that the initiative has not taken into account European alternatives in the choice of air defence systems. Poland recently decided to buy Abrams tanks from the US, as well as tanks and howitzers from South Korea as it rapidly builds up its army. This will create dependencies that will last for decades. The result is that Europeans risk abandoning the development of a strong, competitive European defence industry, whose expertise in strategic technologies of the future is on a par with that of other major powers.

The vassalisation this time

The US and its European partners may have returned to their cold war alliance habits, but of course the current geopolitical situation is vastly different than during the cold war. Europe then was the central front in the struggle with Soviet Union, and US strategy, especially in the early days, hinged on rebuilding western Europe both economically and militarily so that it could stand up to the challenge from the east. Accordingly, the US never (or at least only rarely) used its dominant security role for domestic economic advantage. To the contrary, the US allowed its massive postwar trade surplus to erode and became the export market of choice for the recovering nations of Europe. The nations of western Europe prospered under the US security umbrella in part because it was part of the US cold war strategy that they should.

The 21st century struggle with China looks quite different. Europe is not the central front, and its prosperity and military strength are not central to US strategy. The US under Biden has consciously adopted a strategic industrial policy aimed at American reindustrialisation and technological dominance over China. This strategy is part domestic economic policy – "a foreign policy for the middle class" that responds to deindustrialisation at home – and part a foreign policy response to China's success in recent years at capturing dominant positions in strategic industries such as solar energy and 5G. As Jake Sullivan, now Biden's national security adviser, and Jennifer Harris, now his senior director for international economics, noted before taking up these posts, "advocating industrial policy … was once considered embarrassing—now it should be considered something close to obvious. … US firms will continue to lose ground in the competition with Chinese companies if Washington continues to rely so heavily on private sector research and development."

Conceptually, European allies have a role in this geo-economic struggle with China, but it is not, as during the cold war, to become rich and contribute to the military defence of the central front. To the contrary, their key role from a US perspective is to support US strategic industrial policy and to help ensure American technological dominance vis-à-vis China. They can do so by acquiescing to US industrial policy and by circumscribing their economic relations with China according to American concepts of strategic technologies.

Importantly, in this new geo-economic struggle with China, there will be no purely economic issues. The technological and economic nature of the conflict with China means that the US can and will securitise nearly every international dispute. In this sense, the debate in Europe over whether to allow the Chinese equipment manufacturer Huawei into European 5G telephone networks is a harbinger of the future integration of security and economic issues. The US government claimed that Huawei's close relationship with the Chinese government meant that using its service in such sensitive critical infrastructure presented an unacceptable security risk. As the security provider for Europe, the US has a unique authority to make such arguments. It is not wrong, but, as many have noted, banning Huawei sales in Europe also creates an opportunity for US firms to establish greater technological dominance.

As these policies have the potential to reduce economic growth in Europe, cause (further) deindustrialisation, or even deny Europeans dominant positions in key industries of the future, they might be expected to generate serious opposition throughout the EU. And to some degree, they have. A debate rages in the EU and the UK about whether Europeans need to follow US policy on China or whether they can strike out on their own. The passage in the US of new industrial policy measures such as the Inflation Reduction Act and the CHIPS and Science Act have caused much gnashing of teeth in Brussels and elsewhere about how Europeans can preserve their own strategic industries. In the wake of these bills, the European Council concluded in December 2022 that the EU needs to pursue "an **ambitious European industrial policy** to make Europe's economy fit for the green and digital transitions and reduce strategic dependencies, particularly in the most sensitive areas." (Emphasis in the original.)

However, it is far from clear that any of this debate will translate into policy measures that will affect US foreign economic policy. Many administration officials, in various author interviews since the beginning of the war in Ukraine, have expressed the view that Europeans may whine and complain, but that their increasing security dependence on the US means that they will mostly accept economic policies framed as part of America's global security role. This is the essence of vassalisation.

To see this process of auto-subservience in action, consider in more detail the European approach to the IRA, the most significant piece of climate and industrial policy legislation in American history. A curious thing happened on the way to passing that bill in the Congress. Nobody considered the impact of the legislation on Europe. Despite the potentially devastating effect of the bill's $369 billion in climate subsidies on European industry, the extensive debate on the bill contained barely any mention of its effect on America's European allies.

Even more oddly, this lack of attention to the bill's negative effect on European allies extended to the Europeans themselves. The bill's provisions were no secret – they were only openly debated in the Congress for a well over a year. The Canadian government saw the danger and succeeded, through a concerted lobbying campaign, in getting an exception from the bill's "Buy American" provisions. There appears to have been no similar European effort.

Following the bill's passage, there was an outcry in various quarters in Europe, particularly in France. But the European Commission still insists that the IRA is a key contribution to the effort to combat climate change and has limited the European challenge to US actions to requesting inclusion for European companies in the various US subsidy plans. Rather than frontally challenge the US at the World Trade Organization or otherwise seek retaliation, the commission has chosen to tout that the EU is already running a green subsidy programme that outpaces America's and to seek exemptions. "Together," boasted von der Leyen, "the EU and the US alone are putting forward almost €1 trillion to accelerate the green economy." In other words, the EU does not need a forceful response to the IRA – it can just boost its current green subsidies. In February, the commission proposed a Green Deal Industrial Plan that aims to expand EU investment in green technology. The US government calmly supported this cooperative response.

Ex-post coordination

In the end, there will probably not be a serious transatlantic crisis over the IRA. Rather, the issue will likely follow the new playbook for US-European economic relations established by the Biden administration, which might be called "ex-post coordination."

The template is quite different from the careful coordination that has characterised the response to the Ukraine war. It is essentially that the US acts without seriously consulting its European allies. There is a predictably angry response from across the Atlantic. The US government expresses surprise and concern that allies are upset and dispatches various high-level envoys to European capitals to listen attentively to European complaints and to publicly pledge to address them. The president then announces that he has heard and understood European concerns, that there is a limited amount he can do at this stage, but he will then offer some token concession. The Europeans declare themselves satisfied with their effort to get the Americans to address their issues and everyone moves on with their lives. No one seems to notice that US has in the process succeeded in getting almost everything it wants.

This is the template the US followed during the Afghanistan withdrawal and in the "AUKUS" debate in 2021 when the US went behind France's back to conclude a new defence pact with Australia and the UK, wresting a lucrative submarine contract from its oldest ally. And it seems to be the emerging template in the reaction to the IRA and the CHIPS and Science Act. The Biden administration has decided, as *Politico* put it, to "bow slightly to European pressure" and allowed European carmakers some access to US clean vehicle tax credits.

In a more balanced transatlantic partnership, the US would never have considered initiatives such as the IRA without consultation because its decision-makers would know innately that securing European partnership on geo-economic initiatives is both necessary and non-trivial. Europeans would have participated in the early stages of formulating these policies, probably occasioning many hard negotiations. But they would avoided being presented with a *fait accompli*. In the case of the IRA, for example, this would have meant that the EU would have been involved from the beginning in its formation and European firms would have had access to the subsidies and exemptions from "Buy American" provisions.

In the current partnership, however, ex-post coordination works because Europeans' deep and growing security dependence on the US and the increasing integration of the security and economic spheres means that they have much less bargaining power, even on economic issues.

How Europeans can rebalance the transatlantic relationship

Vassalisation is not a smart policy for the coming era of intense geopolitical competition – either for the US or for Europe. The alliance with the US remains crucial for European security, but relying fully on a distracted and inward-looking America for the most essential element of sovereignty will condemn the nations of Europe to become, at best, geopolitically irrelevant and, at worst, a plaything of superpowers. To be able to protect their own economic and security interests, which will be at times distinct from those of the US, Europeans need to build a more balanced transatlantic relationship.

Moreover, vassalisation will not ultimately help keep the US engaged in Europe. Washington has often and loudly demanded greater European contributions to common defence efforts. Even if many US actions promote vassalisation, most US policymakers, in the authors' experience, know they need a strong European partner for the geopolitical competition to come. They recognise that such a partner would be more independent, and that that independence, while not always welcome on specific issues, is much less of a threat to a functional partnership than increasingly weak and irrelevant European partners. Ultimately, American engagement in Europe will only persist if the US believe it has something to gain from its partners. That sense requires a more balanced partnership, not greater vassalisation.

Greater European sovereignty remains an important goal for some governments, particularly for the French and for the EU institutions. But most member states do not currently even want a more independent policy. Almost universally, European policymakers privately acknowledge the risks of relying on the US and express fear about a return of Trump or his like to the US presidency. But, especially during the war in Ukraine, most feel collectively incapable of greater autonomy and do not want to make political or fiscal sacrifices to attempt it. And, at a deeper level, many countries distrust each other more than they fear abandonment by the US.

It seems clear at this point that this view can only change if and when the US provides fairly definitive proof that it does not have European interests at heart. During his tumultuous term, Trump's undiplomatic bluntness meant that he did more for European autonomy than anyone since Charles de Gaulle. But even in those days, progress was slow and fitful. Biden's more mixed message of prioritising Asia while leading the response to a Russian war in Europe is simply too subtle to inspire difficult European decisions.

In these circumstances, the best path for now would be to create hedges against the possibility that the US will focus elsewhere. Europeans can do this by laying the groundwork for a more balanced transatlantic relationship and by building trust among the governments of Europe. Several such hedges are already possible.

Develop an independent capacity to support Ukraine in the long war. The idea that the wealthy nations of Europe cannot take the lead in countering aggression on their own continent, when all EU members (except possibly Hungary) agree that such an effort is necessary, is a startling testament to Europe's strategic inadequacy. The European Council on Foreign Relations has suggested a plan to support Ukraine that contains four essential elements: long-term military assistance through a new security compact; security assurances in the case of various conceivable Russian escalations; economic security efforts that would provide financial assistance and begin the long reconstruction process as a part of "partnership for enlargement;" and energy security measures that would integrate Ukraine more tightly into EU energy infrastructure. The EU, its member states, and the UK should pursue these measures, and work together to achieve them.

Deploy western European forces to the east in greater numbers, offering to replace US forces in some cases. Beneath the surface of transatlantic unity, the first year of the war in Ukraine has deepened the divides within the EU, especially between central and eastern Europe on the one hand and France and Germany on the other. Tripwire forces, along the model of US forces in Germany during the cold war, are necessary to build trust between western and eastern Europe. There are already some western European forces in Poland and the Baltic states, but more permanently stationed, and more capable forces, configured to prevent or resist a Russian invasion, would create greater confidence and trust.

Pursue greater European military capabilities and greater capacity to act autonomously, both within and external to NATO. Regardless of US policy, Europeans needs greater military capacity, particularly in some of the key enabling capabilities such as strategic air lift; intelligence, surveillance, and reconnaissance; and precision-guided munitions – all areas in which the US dominates. They can achieve this both within and external to NATO. The admission of Sweden and Finland to NATO will add significant military and defence industrial capability to the alliance. It could provide an opportunity to build a European pillar within NATO that could pool resources and develop capabilities that Europeans might need to defend themselves and could complement EU joint procurement efforts. The greatest contribution the EU can make to burden sharing in NATO is to commit member states to invest more, and more smartly, in their defence capabilities and in innovative technologies. The main goal in the future should therefore be to procure (within the EU framework) joint military capabilities that can also strengthen NATO's deterrence and defence capabilities. In this sense, the EU should become an enabler of European defence. A more capable and more autonomous Europe must also include a strong, innovative, and competitive European defence industry whose expertise in the strategic technologies of the future is on a par with that of other major powers. In the long run, efforts by Europeans to increase their defence spending and to keep it on a much higher level will only be politically sustainable if it creates jobs in Europe and benefits domestic industry.

Propose that the US, the EU, and the UK form a geo-economic NATO. Recent debates over 5G and green technology subsidies show that the struggle with China will penetrate deeply into the Western domestic sphere and will securitise questions that heretofore have been purely economic. Indeed, in the century of competition between the China and the West, the geo-economic realm will likely become the central front. The US and Europeans therefore need a forum in which they consider the geo-strategic implications of economic issues such as industrial policy. A 'geo-economic NATO' would allow the transatlantic partners to think strategically about geo-economic issues and decide jointly on foreign economic policy, rather than Europeans just accepting US decisions. The intent of such a forum would be to create a joint US-European strategic economic policy on China that would be both more effective and reduce vassalisation.

Create a special EU-UK defence partnership. The loss of the EU's most capable military has geopolitically weakened both the EU and the UK more than either cares to admit. With the bitterness of Brexit slowly beginning to fade, these partners urgently need to find a formula to reintegrate the British military into EU defence cooperation structures through a bespoke arrangement that recognises the unique capacities and contribution of the UK to European security. The EU needs to offer more attractive 'docking mechanisms' to the UK to access EU institutions and programmes. It should see its partnership with London as means to achieving more strategic sovereignty for the EU, and not less. In the long term, this could even help lead to the UK re-entering the EU, even if that is currently a very distant prospect.

Consider a European nuclear deterrent. The war in Ukraine has shown that nuclear weapons are not as irrelevant for geopolitics as one might like them to be. This means that there can be no European strategic sovereignty without some capacity for an independent European nuclear deterrent. As Europe contains two nuclear powers, it collectively has enough capacity to establish such a deterrent. This currently remains a taboo subject. But hedging against US unreliability requires at least debating and understanding what political agreements and capability developments would be necessary to create a European deterrent alongside US extended deterrence. Macron has repeatedly offered to enter into a dialogue on this with his EU partners. It is now up to other member states, particularly Germany, to take them up on this offer.

Collectively, these ideas seek to achieve greater balance in the transatlantic alliance and to enable Europeans to take more responsibility for security and stability in their own neighbourhood. They are in no sense an effort to decouple Europeans from their American ally. Rather, they seek to create the more capable and responsible European partners that the US will want and need in its coming struggles.

Any US president would broadly support such an effort, even if some of the details might cause consternation in parts of Washington that fear more independent European policies. Even the most undiplomatic and Asia-focused US presidents have always seen the value in capable effective partners in a dangerous world. These or similar European efforts are therefore necessary to prevent the alliance from deteriorating into a system of vassalisation that over time will make Europeans resentful and Americans disdainful.

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Acknowledgments

The authors would like to thank Susi Dennison, Anthony Dworkin, Majda Ruge, Célia Belin, and Asli Aydintasbas for careful reads of an early draft, for their astute comments, and for saving us from our worst excesses. They would also like to thank Malena Rachals for her research assistance and Angela Mehrer for putting up with them both (mostly). And, as usual, they want to thank Adam Harrison for his expert editing, legendary patience, and relentless logic. They would also like to blame these people for any mistakes, but unfortunately they cannot as all mistakes are the fault of the authors.

[1] Author calculation based on the SIPRI Military Expenditure Database.

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ISBN: 978-1-914572-89-0. Published by the European Council on Foreign Relations (ECFR), 4th Floor, Tennyson House, 159-165 Great Portland Street, London W1W 5PA, United Kingdom.