

EUROPE IN THE INDO-PACIFIC

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1. Abstract

In the evolving geopolitical landscape, Europe's role in the Indo-Pacific region has gained importance. As the geo-economic landscape of the world evolves, Europe's strategic focus has diverted towards this region, a nexus of growing economic might and complex security challenges. This research paper analyzes Europe's increasing engagement in the Waters, surrounding historical interactions, contemporary strategies, and prospects. The introduction sets the stage for a comprehensive study of Europe's historical ties with Asia. The paper then delves into the EU's Indo-Pacific strategy, dividing the fundamental motivations and objectives that shape this geopolitical landscape. The EU member states' perspectives and strategies have been assessed, highlighting the heterogeneity within Europe's activity in the region. The research further evaluates the crucial issue of de-risking supply chains and amplifying economic security, a significant concern in the Indo-Pacific's multifaceted trade ecosystem. In addition, it investigates Europe's role within the existing networks of the region. Based on an analysis of findings, the paper offers insights into the effectiveness of Europe's current strategies and proposes recommendations for Europe's robust and sustained engagement in the Indo-Pacific.

Keywords: European Union, Indo-Pacific, geopolitics, ASEAN, QUAD, Russia-Ukraine war, strategic partnership.

2. Introduction

The Indo-Pacific, a gigantic region expanding from East Africa to the west coast of the Americas, has developed into a critical arena for facilitating global trade, shaping trade dynamics, economic security, and annual growth of economies. This region is home to the largest, growing economies, including China, India, Japan, and South Korea, strategic sea routes essential for energy transportation, and geopolitical fault lines. Its vast economic expanse accounts for more than 60% of the world's GDP and almost half of the global merchandise trade. It is home to the Strait of Malacca, the strategic waterways that serve as core arteries for enabling international commerce, channelling a significant portion of maritime trade that fortifies the global economy. For the EU, this region is a channel where its interests lie and interconnect with the interests of other major regional actors. The EU has identified the Indo-Pacific as the second-largest destination for its exports, with Europe and Indo-Pacific accounting for almost 70% of the global trade.

This economic linkage is further underscored by the considerable recovery in EU's trade with this region in 2022, following the aftermath of the pandemic, recording a 61% rise in imports and a 26% surge in exports compared to 2020¹. This expanding economic interdependence has driven Europe to deepen its engagement with the Indo-Pacific, maintain a free and open space,

¹ [Eurostat](#)

and build strong alliances. Europe's increasing engagement with the Indo-Pacific is manifold, surrounding economic, security, and normative dimensions aimed at reducing dependence on any single power. The EU's Indo-Pacific plan, launched in 2021 includes this comprehensive approach, to freeze the rules-based global order and enhance multilateral cooperation. As the geopolitical currents shift, Europe's proactive engagement in this dynamic region will shape the contours of global order.

3. Historical Context: Europe's Relationship with Asia

The historical background of Europe's engagement with Asia is an amalgamation of economic, political, and cultural exchanges that have evolved over centuries. The earliest historical ties between Europe and Asia are drawn to the Silk Road, connecting China to the Roman Empire. Throughout history, trade has been a significant element in building the relationship between these continents, enabling the smooth exchange of goods and the flow of ideas and cultural regimes. This integrated diverse regions into the Eurasian network of civilizations, influenced their development, and encouraged political partnerships². Europe's relationship with the Asia-Pacific region isn't new, it's a result of years-long and complex historical ties characterized by various phases of trade, colonization, conflict, and collaboration. It is to be noted that European powers such as Portugal, Spain, and Britain started engaging with this region as early as the 16th century, building trade routes and colonies. The region's abundance of spices, silk, and other valuables attracted their interest.

During the two World Wars, the European military was stationed in this region, and post-WWII, decolonizing colonies led to the independence of many nations in the Asia-Pacific, reforming the European presence into one of economic and diplomatic relations rather than colonial rule. During the Cold War Era, European nations that were a part of NATO³ engaged in this region through strategic alliances or battles like the Korean War (1950-53) and the Vietnam War(1955-75).

In the modern era, past European engagement in the Asia-Pacific region can be traced by the series of economic and strategic alliances. The EU has undertaken a proactive regional trade policy, fostering free trade agreements with dynamic Asian economies including Japan, Singapore, Vietnam, and South Korea⁴. The Asia-Pacific is growing in economic and geopolitical importance which has deepened the EU's involvement and influenced other major powers to engage and contribute to regional stability⁵. The transition from the term "Asia-Pacific" to "Indo-Pacific" is a testament to the changing geopolitical and dominance in terms of India's geo-economic dynamics in the early 21st Century. This shift emphasizes the

² [Europe in the Indo-Pacific: Economic, security, and normative engagement](#)

³ The North Atlantic Treaty Organization (NATO), also called the North Atlantic Alliance, is an intergovernmental military alliance of 32 member states – 30 European and two North American.

⁴ [CIFE Policy Paper](#)

⁵ [European Union External Action](#)

rising global positioning of India and the Indian Ocean's strategic importance, along with the Pacific Ocean, as a unified economic and tactical space where prevailing and rising powers interact and compete⁶. The transition has led to expanded involvement with regional institutions like ASEAN⁷ and the Quad⁸, which includes the US, Japan, India, and Australia. The Indo-Pacific concept has gained momentum because it incorporates a broader and more cohesive view of the region's global importance. Europe's relationship with Asia, therefore, is deeply rooted in history and continues to progress, underlining the changing economic and strategic realities of the global landscape⁹.

4. The EU's Indo-Pacific Strategy: Motivations and Objectives

The EU has laid a comprehensive framework regarding its Indo-Pacific strategy indicating the recognition of the region's rising significance and the EU's strategic interests. This strategy backs regional stability, and sustainable development while safeguarding the EU's economic and security interests. The EU Member States, in 2021, sanctioned the official strategy for cooperation in the Waters and devised a vision for teamwork across seven priority areas including defence and inclusive prosperity¹⁰. This strategy fosters a rules-based international order, a level playing field, and an unbiased environment for trade and investment¹¹. It is directed towards reinforcing the EU's role in the Indo-Pacific, that's becoming an increasingly favourable strategic location for world trade. This framework identified that the Indo-Pacific, with 60% of the world's population, contributed highly to global GDP, thus it also highlights the need for cooperation to implement the global agenda, such as the UN's SDGs, and is based on the long-term principle of solidifying the rules-based global order, promoting democracy, human rights, and the rule of law. The strategy addresses security issues such as maritime safety, nuclear security, and non-proliferation, trafficking, and terrorism.

Critical Analysis of the EU's Strategy for Cooperation

1. ***Context and Rationale:*** The EU's increased focus on the Indo-Pacific is driven by several factors:
 - a. ***Geopolitical Shift-*** The Indo-Pacific has emerged as a critical arena for global politics, economics, and security. Major powers, including China and the United States, are actively shaping the region's dynamics. The EU has identified the rising significance of the region and has strengthened its role in cooperation with its alliances there. The region serves as a strategic center of gravity,

⁶ [From Asia-Pacific to Indo-Pacific](#)

⁷ ASEAN=Association of Southeast Asian Nations

⁸ QUAD=Quadrilateral Security Dialogue

⁹ [Indo-Pacific: The Reconstruction of a Region](#)

¹⁰ [European Council](#)

¹¹ [European Commission](#)

contributing 60% to global GDP, two-thirds of current global growth, and shelters 60% of the world population¹². However, the recent dynamics in the region have raised geopolitical competition. For, in Taiwan's presidential elections (2024), the DPP¹³ candidate Lai Ching-te was elected and is known for his firm stance on Taiwan's sovereignty and independence. Since China considers Taiwan a breakaway province and resists any actions directed toward formal independence, it has escalated tensions by increasing its military presence in the Taiwan Strait. There is a high risk of accidental clashes and destabilization of the region. China's actions have created market uncertainty for investors and its pressure on other countries to limit their ties with Taiwan has created diplomatic challenges. Moreover, the US being an ally of Taiwan, monitors cross-strait relations and is easily involved in the conflict when China escalates the situation.

- b. *Economic Opportunities*- The region hosts some of the world's fastest-growing economies, making it an attractive market for trade, investment, and technological collaboration. This is proven by the fact that the US undertakes commerce with the region that supports over three million US jobs, and sources almost \$900 billion worth of FDI into the nation¹⁴. The EU is a top investor and one of the largest trade partners for Indo-Pacific economies. The region is the second-largest destination for EU exports. European companies depend on access to Indo-Pacific markets for growth and profitability. The Indo-Pacific's maritime routes are crucial for global trade. Also, the EU is growing its circular economy by diversifying its manufacturing base, and reducing dependencies through the CRM Act, the European Chips Act, and the Net-Zero Act¹⁵. Businesses are adapting to this landscape by adopting a "China plus one" strategy to reduce dependence on China by expanding across countries to source raw materials¹⁶. Ensuring freedom of navigation and adherence to rules benefits all stakeholders. With over 50 countries holding elections in 2024, the region shall experience heightened political activity. Election cycles often boost consumer spending due to campaign-related activities. Investors closely monitor election results for policy continuity or shifts. Consumption patterns may

¹² [Europe Parliament](#)

¹³ Democratic Progressive Party

¹⁴ [Eurasia Review](#)

¹⁵ **Critical Raw Materials Act (CRM Act):** This act ensures the EU's access to a secure and sustainable supply of critical raw materials, enabling Europe to meet its 2030 climate and digital objectives.

European Chips Act: This act aims to bolster Europe's competitiveness and resilience in semiconductor technologies and applications, and help achieve both the digital and green transition.

Net-Zero Industry Act: This act is an initiative stemming from the Green Deal Industrial Plan which aims to scale up the manufacturing of clean technologies in the EU.

¹⁶ [Centre for Strategies and International Studies](#)

change based on the winning party's economic agenda. Elections also impact regional alliances (Quad, AUKUS) and diplomatic relations. The media landscape during elections creates an atmosphere of information warfare, so media literacy and combating fake news become critical during election campaigns since foreign influence may exploit media vulnerabilities to sway election outcomes.

- c. *Security Concerns*- Maritime security, territorial disputes, and non-traditional security threats (such as climate change and pandemics) necessitate the EU's engagement. The Indo-Pacific is host to complex security challenges including longstanding territorial disputes over sea and land such as the South China Sea, where multiple claimants contest sovereignty over islands, reefs, and maritime zones. The contested areas are rich in natural resources, fisheries, and strategic sea lanes. The region also encompasses critical maritime chokepoints like Malacca Strait and Hormuz Strait. The Malacca Strait is the shortest shipping route between the Middle East, East Asia, and Europe, contributing to 30% of world trade. Nearly 94000 ships navigate via this strait each year, and two-thirds of China's trade takes place here, including 80% of imports of its energy needs. The Hormuz Strait linking the Persian Gulf, Arabian Sea, and the Gulf of Oman serves as a route for shipping oil fulfilling the world's oil consumption needs amounting to 21 million barrels daily¹⁷. Recent Red Sea attacks elaborate how dependent Europe's trade-intensive economy is on these strategic maritime passages. The region is experiencing a surge in cyber threats; a report by Sophos (a cybersecurity firm) says that 78% of Indian firms were embattled by ransomware attacks and critical infrastructure like AIIMS servers have also been targeted, adversely affecting emergency services. Moreover, maritime cybersecurity has been impacted, due to the heavy reliance of this sector on IT systems and OT¹⁸. A Chinese cyberattack on a port in the Indo-Pacific has the potential to cause damage between \$40-\$110 billion¹⁹. Climate change is yet another concern in the region, with China's plan to build artificial islands in the South China Sea resulting in environmental degradation and loss of marine life, which can cause the region's GDP to fall by 3.3% in 2050 and 10% by 2100 if climate protection isn't prioritized²⁰.

2. **Key Priorities:** The EU's strategy highlights seven priority areas:

- a. *Sustainable and Inclusive Prosperity:* Fostering economic growth while ensuring social inclusivity and environmental sustainability.

¹⁷ [BCG](#)

¹⁸ [Operational Technology](#)

¹⁹ [The Diplomat](#)

²⁰ [CPPR MONOGRAPH](#)

- b. *Green Transition*: Promoting clean energy, climate resilience, and sustainable development.
 - c. *Ocean Governance*: Addressing maritime security, illegal fishing, and environmental protection.
 - d. *Digital Governance and Partnerships*: Enhancing digital connectivity and cybersecurity.
 - e. *Connectivity*: Developing infrastructure and connectivity projects.
 - f. *Security and Defence*: Strengthening regional security cooperation.
 - g. *Human Security*: Protecting human rights, promoting gender equality, and addressing humanitarian challenges.
3. **Advantages:**
- a. *Holistic Approach*: The strategy recognizes the interrelationship of economic, environmental, and security dimensions.
 - b. *Multilateralism*: The EU stresses cooperation with regional organizations, including ASEAN and the Quad.
 - c. *Sustainable Development*: Prioritizing green and inclusive growth aligns with global goals.
4. **Challenges:**
- a. *The China Factor*: China's close monitoring of Europe's growing engagement with the region has led to the deployment of European naval assets including the German frigates, UK carrier strike groups, and French amphibious ready groups. Beijing sees this as a threat to its interests especially in relation to the South China Sea and other regional security dynamics. Such moves by the EU including freedom of navigation patrols and joint military deployment with regional partners are adversely affecting the long-term Europe-China relations. The EU's strong presence in the Indo-Pacific is viewed as alignment with US strategies, thereby raising China's doubts regarding regional hegemony and the existing liberal world order²¹. China's response to Europe's involvement in the Indo-Pacific showcases both concern and tactical calculation as it navigates the ever-changing geopolitical landscape.
 - b. *Implementation*: Turning strategy into action requires commitment, resources, and coordination among EU member states. There are several other issues related to the priority areas like the universality of human rights is being challenged, and the need for free and open maritime trade routes is critical, with 60% of world maritime trade passing through its oceans.

²¹ [US Institute of Peace](#)

- c. *Competing Visions*: The EU's approach must harmonize with other regional strategies, such as the US Free and Open Indo-Pacific concept. This will ensure effective collaboration and address shared challenges in the region.

5. Member States' Perspectives and Strategies

The EU's involvement in the Indo-Pacific echoes several perspectives and strategies among its member states. The member nations have developed national strategies that coordinate with their unique geopolitical interests and historical ties to the region.

1. **France**: is proactive in the region as it's the first EU member to formulate an Indo-Pacific strategy, driven by its overseas territories in the region, including Reunion Island, and a noteworthy military presence. France's strategy underscores maritime security by maintaining naval bases, protecting its territories, and promoting a rules-based order. It actively collaborates with QUAD²² nations, however, it falls short in terms of economic footprint compared to the dominance of China. It strives to balance China's rising influence while maintaining strong economic ties. President Emmanuel Macron defined his country's position in a speech at the Garden Island naval base in Australia in May 2018, by referring to a new Indo-Pacific France-India-Australia axis. France stands out in the Indo-Pacific due to its unique territorial presence spanning from East Africa to the South Pacific and Central America. With 1.6 million citizens, over 7000 military personnel, and the world's second-biggest Exclusive Economic Zones (EEZs), France emerges as a significant regional player or in a sense, a 'resident power'.
2. **Germany**: has laid down a comprehensive approach for this region to balance its economic interests and strategic deliberations. It identifies the region's prominence in global trade and is keen on diversifying partnerships to reduce dependencies. The German 'Policy Guidelines for the Indo-Pacific' published in September 2020, states that they stand as contributions and building blocks to lead to an EU position on the Indo-Pacific and prioritize rules-based order, free trade practices, and addressing threats to regional security.
3. **The Netherlands**: has shaped its perspectives by focusing on free trade, international law, and open space and stability in the Indo-Pacific. Its strategy highlights the need for multilateralism and the rule of law to settle maritime disputes. It argues that its main interests lie in maintaining a rules-based order. In contrast to France, Germany and the Netherlands lack direct involvement in the region, thus lagging in formulating Indo-Pacific-focused strategies.

²² The Quad is a diplomatic partnership between Australia, India, Japan, and the US committed to supporting an open, stable and prosperous Indo-Pacific that is inclusive and resilient.

These EU members also face several challenges in implementing their strategies for this region:

1. ***Varied Interests and Perspectives:*** Few members view the Indo-Pacific solely as an economic opportunity and aim to tap the region's abundant resources, invest in infrastructure, and strengthen relations. Others such as Germany and the Netherlands prioritize geopolitical autonomy and address security threats by maintaining stable maritime routes to counter such concerns. This diversity occurs due to varying national interests, historical ties, and strategic outlooks. Thus, these countering interests are difficult to balance within a lucid EU framework. Members like France and the UK share longstanding historical ties with the region which influence their bilateral trade. Therefore, striking the right balance requires nuanced diplomacy and compromise.
2. ***China's Rise and Influence:*** China's increasing dominance in the Indo-Pacific affects EU members' strategies. Some choose economic cooperation with China, while others are cautious about its assertiveness. EU members, especially Germany, France, and the Netherlands, have deep economic ties with China. They rely on Chinese markets, supply chains, and investments. China's forcefulness in the South China Sea and its territorial claims impact regional stability and freedom of navigation of these nations. China's technological developments, particularly in 5G networks and AI, prove to be competitive to the EU states. Balancing economic gains from Chinese technology with security concerns, like data privacy and cybersecurity, is the need of the hour. China's human rights record, such as the treatment of Uighurs²³ and the destruction of Hong Kong's autonomy²⁴, raises ethical predicaments for EU states. Striking a balance between economic cooperation and standing up for human rights is a challenge. Hence, involvement with China and finding a common ground for engagement, while safeguarding autonomy is a delicate task. Harmonizing responses to China's Belt and Road Initiative²⁵ and its maritime claims also require tactical diplomacy measures. The EU has identified security challenges in the Taiwan Strait, South China Sea, and East China Sea, yet its presence is more focused on the Indian Ocean.
3. ***Transatlantic Alignment:*** EU member states differ in their alignment with the US. Some nations like Poland and the Netherlands seek a closer alliance with the U.S. Free

²³ **Uighurs** are a predominantly Muslim ethnic minority group in China, primarily residing in the Xinjiang Uyghur Autonomous Region (XUAR). China has detained over a million Uighurs in re-education camps. Uighurs face intense surveillance, restrictions on religious practices, and suppression of cultural identity.

²⁴ Before the British government handed over **Hong Kong** to China in 1997, China agreed to maintain the region's considerable political autonomy under the framework of "one country, two systems." But in recent times, Beijing imposed a sweeping national security law on Hong Kong, granting it broad powers to punish critics and silence dissenters. Authorities have arrested pro-democracy activists, lawmakers, and journalists. Voting rights have been curtailed, and press freedom limited.

²⁵ China's **Belt and Road Initiative (BRI)** is a strategy that seeks to connect Asia with Africa and Europe via land and maritime networks with the aim of improving regional integration, increasing trade and stimulating economic growth.

and Open Indo-Pacific concept²⁶, while other members like France maintain more autonomous approaches. This divergence can create challenges in presenting a unified European approach. Maintaining a balance between the economic opportunities and the security challenges posed by the rise of China and the ongoing US-China rivalry is complex. In this view, members should navigate these waters carefully to maintain close economic ties while also addressing security threats. Transatlantic unity is necessary for tackling shared challenges.

These challenges require careful study and diplomatic measures among EU member states to ensure that their collective approach is effective and consistent with the EU's principles and objectives.

6. De-risking Supply Chains and Economic Security in the Indo-Pacific

De-risking supply chains and ensuring economic security are critical priorities for the EU in the Indo-Pacific region. The EU needs a resilient system of supply chains, therefore it recognizes the vulnerability of global supply chains, particularly during commotions like the pandemic. To mitigate risks, it focuses on diversifying its supply chains away from over-dependence on specific countries; the Indo-Pacific offers alternative production bases and markets. It has established collaborative strategic partnerships with countries like India, the US, Japan, etc. to improve supply chains via joint investments in infrastructure, technology, and logistics to ensure smooth connectivity. The EU's Global Gateway Initiative launched by the EU Commission spans from 2021-2027, during which the EU plans to invest a substantial €300 billion to enhance connectivity, including digital infrastructure, transport networks, and energy grids²⁷. By investing in critical infrastructural projects, the EU strengthens economic ties and reduces supply chain risks. It has also signed Free Trade Agreements (FTAs) with the Indo-Pacific nations; the EU-New Zealand FTA aims to enhance economic integration and diversify trade routes. Bilateral trade in goods between the two partners has been steadily increasing, reaching almost €9.1 billion in 2022. The FTA is expected to boost trade between the two regions by approximately 30%. EU investment flows into New Zealand could increase by over 80%²⁸. Ongoing negotiations for FTAs with India, Thailand, and Indonesia intend to boost economic ties.

²⁶ **The U.S. Free and Open Indo-Pacific concept** is based on the principles of free, fair and reciprocal trade in the Indo-Pacific that upholds the international law and freedom of navigation for independent nations to ensure a healthy trading environment.

²⁷ [European Commission](#)

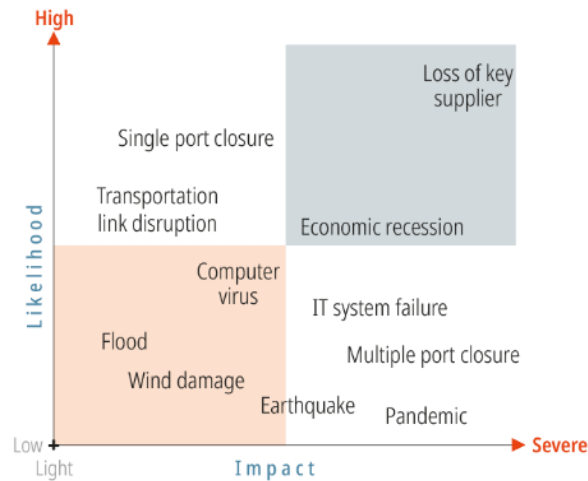
²⁸ [EU-New Zealand: European Commission](#)

Europe's Dependence on Global Supply Chains

The pandemic has caused unparalleled shifts in global supply chains. Due to imbalances in supply and demand for certain commodities, this caused strains in production networks. Such supply chain disruptions are dragging down global trade activity by adversely impacting key elements including:

1. ***Logistics and Transportation Difficulties***: Merchandise shipping has been severely hampered due to container misplacement and congestion. Higher shipping costs and delayed deliveries affect profit margins. As a result, European consumers face price increases due to supply shortages. Thus, disruptions cause increased costs and loss of revenue for European businesses and investors.
2. ***Semiconductor Shortages***: These shortages, especially in the automotive sector, have shrunk production. European producers faced difficulties in sourcing semiconductors. Despite being more resilient than total imports, euro-area imports of semiconductors slowed down substantially after the pandemic hit. The auto industry, which heavily relies on semiconductors for production, experienced severe disruptions. Suppliers' delivery times were also affected, leading to unprecedented delays.
3. ***Pandemic-Related Restrictions***: Asynchronous COVID-19 outbreaks led to port closures and further supply chain breakouts²⁹. Countries like Italy, Germany, and Denmark, having strong machinery equipment manufacturing units, were affected due to a shortage of critical raw materials causing production delays, and a reduction in export capacity. European companies with production facilities or suppliers in the Indo-Pacific faced delays in receiving components which disrupted manufacturing schedules. Reduced port capacity led to congestion, affecting shipping schedules.
4. ***Labor Shortages***: Workforce disruptions like reduced shifts, temporary leaves, and self-isolation affected production volumes. EU manufacturing output experienced a stark deceleration during the pandemic, due to workforce shortages, supply chain disruptions, and factory closures. Consequently, European firms could hardly meet export demands from the Indo-Pacific.
5. ***Strategic Dependencies***: Key insights from careful examination of the EU's reliance on traded goods reveal that during 2017-2020, the EU imported a wide range of products, with China acting as a major supplier among others like the US and Russia. The euro area depends on imports from major trading partners; approximately 60% of total extra-euro area imports come from ten key countries and China is the key player in this area's supply chains.

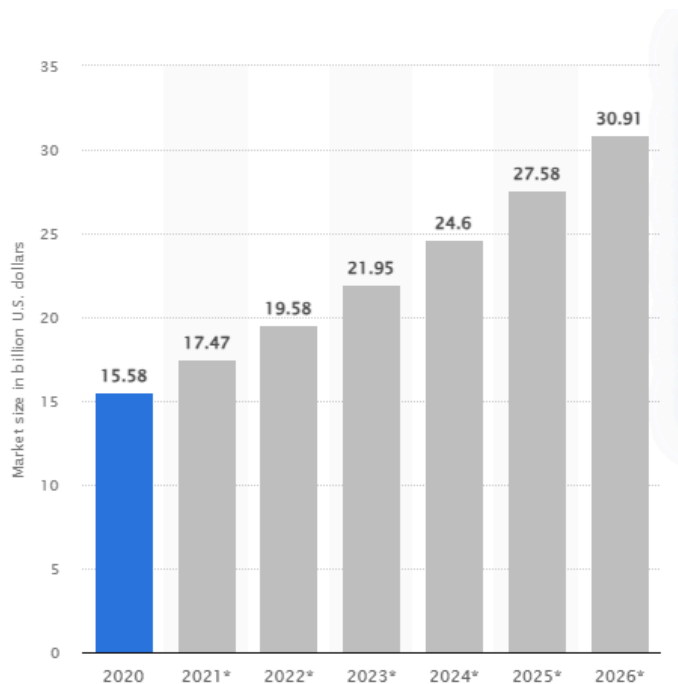
²⁹ different regions faced closures at different times, creating unpredictable bottlenecks.



Source: [OECD](#).

Source: [Supply Chain Risks](#)

To improve the flexibility of supply chains, the EU applies a policy mix that focuses on increasing domestic capacity, diversifying suppliers, and supporting multilateral rules-based trade. It has also strengthened its cooperation with the US on supply chains. Other like-minded countries apply a similar policy mix, focusing on supporting reshoring or nearshoring. It's estimated that the global supply chain market will reach \$31 billion by 2026, reflecting the rising significance of efficient supply networks in a globalized world³⁰. Europe's dependence on global supply chains is complex, encompassing economic recovery, regional exposure, and strategic choices. The pandemic highlighted vulnerabilities, leading the EU to seek diversification in its supply chains.



³⁰ [Global supply chain management market size 2020-2026 | Statista](#)

Assessing Supply Chain Vulnerabilities in the Indo-Pacific

1. **Security Concerns:** The escalating geopolitical tensions in the Indo-Pacific threaten the stability of supply chains and the global economy.

a. **Geopolitical tensions:**

- i. **Russia-Ukraine War:** Russia's invasion of Ukraine has caused a crisis in the EU's security regime. This led to a shift in NATO's posture, requiring more deployments capable of defending territory³¹. European armies need to provide additional forces, and European defence spending has to rise. The conflict has implications for regional stability, like cyber threats, disinformation campaigns, and proxy warfare. This crisis and the subsequent sanctions on Russia could potentially disrupt these trade routes and have a significant impact on the EU's trade in the Indo-Pacific. In 2021, the EU imported goods worth €844 billion from the Indo-Pacific and exports to the region amounted to €583 billion. Around 90% of the EU's overseas trade is seaborne, mostly passing through maritime chokepoints in the region, including the South China Sea and the Malacca Strait³². Global inflationary pressure resulting from the war contributes to substantial domestic price rises for goods like grain, energy, and fertilizers affecting the EU's overall economic stability. Indonesia's agri-sector which heavily relies on fertilizers from Russia and Belarus is affected severely due to sanctions on Russia³³.
- ii. **US-China Trade Rivalry:** As the US and China imposed tariffs worth \$450 billion in trade flows during 2018-2019, this trade war has created opportunities for other regional actors, e.g., European countries increased exports to the US and the rest of the world by 2.2%, directing their engagement away from China, when the US and China increasingly taxed each other and slowed their bilateral trade flows³⁴. The EU's trade deficit with the Indo-Pacific region stood at €261 billion in 2022, the highest value since 2011. The EU members reallocated trade flows to other destinations, by reducing bilateral trade with China. UNCTAD³⁵ estimates that EU exports would be the chief beneficiary of an escalated US-China trade war, capturing \$70 billion (including \$50

³¹ [Think Tank European Parliament](#)

³² [Consilium Europa](#)

³³ [Lowy Institute](#)

³⁴ [National Bureau of Economic Research](#)

³⁵ UNCTAD= United Nations Conference on Trade and Development

billion of Chinese exports to the US and \$20 billion of US exports to China³⁶). European companies relocated or expanded their manufacturing/sourcing outside of China to destinations like ASEAN countries (especially Vietnam) and near-shore locations (Central and Eastern Europe for EU firms, and Mexico for US firms).

- b. ***Overdependence on Third Countries:*** The EU is maintaining its strategic autonomy by declining dependence on external actors, those with hostile authoritarian regimes, for critical resources, technologies, and services, to mitigate geopolitical risks, supply disruptions, and vulnerabilities³⁷. The European Parliament has specified enhancing economic resilience in its updated industrial strategy. The EU has proposed an Anti-Coercion Instrument to protect its members from economic pressure by third countries and thereby tackle economic coercion³⁸. This is necessary since China dominates the global production of rare earth elements, accounting for 80% of the world's supply and the EU's supply chain which is vulnerable to disruptions. Moreover, the EU heavily imports: i) telecommunications equipment (network hardware, routers, and communication devices), ii) AI technologies (hardware and software essential for automation and data analysis), and iii) semiconductor components. China and Taiwan (with companies like TSMC³⁹) are the major suppliers of semiconductors to the EU. The US is another significant source of technology imports especially in AI. South Korea, home to Samsung and LG, fulfills the demand for advanced tech products and Japan is yet another electronics supplier. The EU depends on companies like Huawei, Ericsson, and Nokia for building and operating 5G networks. In response, during 2014-2020, the EU gave funding (over €4 billion) to all its members for 5G projects, however, there have been delays in member states' roll-out of 5G networks. These delays in assigning the spectrum are due to:
- i. a weak demand by Mobile Network Operators
 - ii. cross-border coordination issues with non-EU countries along the eastern borders
 - iii. the impact of COVID-19 on the auction schedules
 - iv. uncertainty about how to deal with security issues

³⁶ [UN Trade and Development](#)

³⁷ [Europa.eu](#)

³⁸ All countries that are **not** included in the EU and EFTA (European Free Trade Association) states are called **third countries**, for eg, Japan, USA, Australia, etc.

³⁹ **TSMC**=Taiwan Semiconductor Manufacturing Company Limited is a Taiwanese multinational semiconductor contract manufacturing and design company.

- c. ***Refugee and Migration Crisis:*** The conflict in Ukraine has caused large-scale displacement of the populace. The war has led to 3.7 million people being internally displaced, and 6.5 million have fled Ukraine. Europe shelters over 5.6 million Ukrainian refugees, in countries like Poland, Germany, Turkey, and Italy. The war has not only caused a huge humanitarian crisis but also exposed vulnerabilities in global supply chains, affecting food security, energy, and critical minerals because Russia and Ukraine account for more than 25% of global wheat trade, over 60% of global sunflower oil, and 30% of global barley exports. Russia is a major exporter of critical minerals, like platinum-group elements, titanium, and nickel. Europe's overdependence on natural gas and crude oil from Russia poses a great challenge. The conflict has caused a cut in light vehicle sales in Europe by 2 million units per year over the next two years⁴⁰. Electronics, raw materials, and parts supplies from China and other regions have been disrupted, affecting global trade.

2. ***Capacity Constraints:***

- a. ***Critical Raw Materials (CRMs):*** The EU depends on imports of CRMs⁴¹ via global supply chains, which are crucial for clean technologies, EVs, and energy requirements. China provides 100% of the EU's supply of Heavy Rare Earth Elements (HREEs), needed for EV motors and rare earth magnets in wind turbines. Supply chain disruptions in the Indo-Pacific significantly impact the availability of CRMs for semiconductor production, as Japan, Taiwan, and China are key players in this domain. The unavailability of CRMs can also hinder the growth of clean tech and impact the EU's transition to a greener economy. The supply chains for CRMs are often heavily concentrated, with a limited number of countries dominating production and distribution. This concentration poses risks, as disruptions in these regions significantly impact global supply.
- b. ***ICT Supply Chain Disruption:*** The EU identifies the strategic importance of the safety of its digital infrastructure and assets as the Indo-Pacific is a hub of digital connectivity. However, the region is marked by rising cybercrime, including state-sponsored attacks, espionage, and data breaches. The EU's dependence on ICT (Information and Communication Technologies) products and services (semiconductors, networking equipment, and software) from the Indo-Pacific makes it vulnerable to disruptions. The current geopolitical purview has necessitated robust security measures.

⁴⁰ [Deloitte](#)

⁴¹ CRMs are required in EVs for their batteries, motors, and charging, and for fulfilling energy requirements in Solar Photovoltaic panels, converters, and inverters.

Therefore, the EU faces trade-offs between regional commitments (including trade and security) and addressing pressing issues (like China's actions and human rights concerns) in the Indo-Pacific.

7. Addressing Existing Networks: The Quad and Beyond

The Indo-Pacific region has become a hub of modern geopolitics, with various nations and organizations actively engaging in shaping its dynamics. Among the major networks in this region, the QUAD stands out as a crucial initiative. Several other regional networks and strategies contribute to the complex web of interactions and interests.

Evaluating the EU's Approach to Engaging with Existing Networks

1. *The Quad (Quadrilateral Security Dialogue)*: comprises four countries namely, the US, Japan, India, and Australia. Maritime trade between these nations began in 2004 and over time the Quad has widened its scope to various issues such as maintaining a rules-based order, security, economics, and health, apart from its agenda of trade. All members condemn the assertive behaviour in the South China Sea and challenges to the democratic values of China in the Indo-Pacific. The Quad is a significant regional network in the Indo-Pacific, tackling security, economic, and health challenges while responding to China's actions⁴². In light of this, the EU recognizes the Quad as an emerging multilateral security framework of democracies and a strategic forum for promoting free, fair, and inclusive trade in the Indo-Pacific. Both organizations share the goal of providing global goods, cultivating sustainability, and enhancing maritime security. The Quad has welcomed the EU's Strategy for Cooperation in the Indo-Pacific, announced in September 2021⁴³. The EU's strategy emphasizes Digital Partnership Agreements with like-minded partners. There could be potential for cooperation with the Quad on digital issues, including cybersecurity, and work on problems like supply chain vulnerabilities and clean energy development⁴⁴.
2. *ASEAN (Association of Southeast Asian Nations)*: enhances cooperation and dialogue between Southeast Asian nations. The EU values its longstanding partnership with ASEAN (since 1977) and is in support of ASEAN's efforts toward regional integration, connectivity, and stability. The EU serves as an important trading partner for ASEAN countries. In Dec 2020, both networks entered into a Strategic Partnership, as the EU is ASEAN's third-largest trading partner, amounting to 10% ASEAN trade volume. Bilateral trade in goods stood at €272 billion in 2022. For the years 2021-2027,

⁴² [Council on Foreign Relations](#)

⁴³ [Quad Joint Leaders' Statement | The White House](#)

⁴⁴ [EIAS](#)

the EU has called for €180 million worth of regional cooperation with ASEAN to focus on key areas aligned with the EU-ASEAN Strategic Partnership⁴⁵. During the EU-ASEAN ‘45 years’ Commemorative Summit, the EU also pledged to mobilize €10 billion for connectivity projects in ASEAN under the Global Gateway initiative⁴⁶. The EU’s strategy for ASEAN undertaken in April 2021, paves the way for enhanced investment and trade, further strengthening the partnership, which aims to diversify supply chains for a more resilient European economy and push for WTO reforms⁴⁷.

8. Analysis of Findings

Based on the previous sections, it’s evident that there lie economic, strategic, and normative interests for the EU in the Indo-Pacific region, which contributes to 60% of global GDP and 2/3rd of global growth. The EU aims to enhance cooperation in several target areas including ocean governance, research in tech, supply chain connectivity, health, and strengthening alliances. These goals are guided by principles of international law, free and fair trade, and a level playing field. These strategies, however, are not free from loopholes; the EU’s economic relations with China, its biggest trading partner, hold the potential to complicate its relations with the Quad. The EU does not appear to be willing to join the fray and squarely side with the Quad, for this stance would not only be internally divisive for the EU itself but would also unsettle partners such as South Korea or ASEAN states that largely benefit from economic engagement with China. Moreover, the EU-Quad relationship lacks a concrete actionable vision to enhance their partnership⁴⁸.

Potential Shifts in Europe’s Focus and Engagement

The Russia-Ukraine war has caused a shift in the EU’s strategic prioritization of the Indo-Pacific. EU members including Germany, Poland, and Denmark have allocated increased funds to their defence sector, following the events of the war. The EU’s engagement with the waters was on a surge before the conflict recalibrated its focus. Europe’s foreign policy now stresses the need for countering hybrid threats and enforcing resilience against disinformation and cyberattacks. However, if the situation continues to worsen in the Indo-Pacific, the EU will be expected to assume a significant role. This security crisis calls for the need to address the EU’s own internal divisions and plan a unified strategy to stabilize the region. The rise in military alignment between Russia and China emphasizes the need to retreat Asian and European defence in a solidified manner. Since Russia is a major supplier of gas, Europe needs to diversify

⁴⁵ [The European Union and ASEAN | EEAS \(europa.eu\)](#)

⁴⁶ **Global Gateway**, launched in 2021, is a European strategy to boost smart, clean and secure links in digital, energy and transport sectors and to strengthen health, education and research systems across the world. It aims to mobilise up to €300 billion in investments through a ‘Team Europe’ approach, bringing together the EU, its Member States and their financial and development institutions.

⁴⁷ [The Diplomat](#)

⁴⁸ [European Union External Action](#)

its energy-demanding sources to reduce its dependence on Russia. Europe should also focus on enhancing its naval deployment to ensure maritime security, thus should allocate larger resources and funds for naval training and capacity-building.

9. Recommendations for Europe's sustained and effective engagement in the Indo-Pacific

1. Developing a '**Euro-Indo Pacific Standards Alliance**' can help the EU to influence the playing field in critical sectors such as technology. This network can help set standards in emerging industries and will ensure that European standards are widely preferred and reduce dependence on other standards. Currently, the EU relies on foreign standards which, at times, don't align with its values. Standards are essential for maintaining fair competition which will prevent market disruptions and protect European businesses from unfair competition. This coalition will also provide a platform for all regional actors to discuss standards-related issues.
2. Establishing a '**Transatlantic Dialogue**' Format (EU+NATO) including major Indo-Pacific trading partners like Japan can enable the triangular exchange of information, research, and innovation between EU, NATO, and Indo-Pacific actors. This setup will serve as a platform for sharing best practices and digital governance, and a chance for the partners to learn from others' mistakes, enabling improved and informed decision-making for policy reforms. This will also amplify NATO's involvement in the Indo-Pacific waters, necessary for the EU's security in the region.
3. Implementing an '**EU-Indo-Pacific SMEs Integration Program**' would encourage small and medium-sized enterprises (SMEs) in these regions to form coalitions for joint ventures, thereby promoting innovation and a more diversified/resilient network of supply chains. Since SMEs are regarded as the starting point of innovation, undertaking this initiative can facilitate effective collaboration, and the exchange of ideas and technologies. SMEs are at the forefront of contributing to economic growth and source of employment generation, so enabling them to enter and merge with larger markets, will not only widen their reach but also stimulate economic growth and job creation in Europe and the Indo-Pacific. This integration will attract more businesses and lead to the creation of new market spaces.
4. Europe should develop naval capabilities and strengthen its alliances in the Indo-Pacific to help coastal states protect their territory and EEZs. For this, a '**maritime capacity building program**' for island/coastal nations in the Indian Ocean within a carefully laid framework of Europe's cooperation with India, based on the principles of the SEACAT

⁴⁹program. This model would be directed towards squeezing the spread of China's operations and addressing coastal states' grievances related to their territorial waters and EEZs which are bigger than their landmass. This will allow Europe and India to draw these states away from China's influence and gather them to the Europe-India axis. Following the SEACAT program's example, Europe and India along with coastal states of the Indian Ocean should build a Cooperation in Indian Ocean (CIO) Program, which can be extended to countries like Sri Lanka, Maldives, and Bangladesh with such an agenda that would evolve upon the identification of new capacities of the member states. This training program would be flexible to address loopholes in the present and predict potential challenges in the future. This partnership would build strong trust and companionship among member states. Through this initiative, Europe and India would bind countries in the Indo-Pacific and beyond, thus enhancing the visibility and influence of the nations.

5. European countries in partnership with various Southeast Asian countries can start a collective '**Climate Resilience and Adaptation Initiative**' to protect maritime infrastructure in the Indo-Pacific, focused on improving the resilience of seaports and naval bases against extreme weather conditions like rising sea levels, coastal erosion, etc. This would involve three stages of planning:
 - a. Assessing the existing maritime infrastructure in the region, identifying risks from climate change influences, and marking key areas for intervention.
 - b. Upon assessment, regional organizations (ASEAN, EU) shall assist in funding and technical know-how for infrastructural development, such as making sea walls to tackle rising sea levels, introducing advanced warning signals for detection of climate changes, and rebuilding structures to bear extreme climatic adversities. Regional alliances can also provide training workshops for local stakeholders in the region, focusing on teaching innovative practices for climate resilience in maritime operations emergency response planning, and sustainable infrastructure management.
 - c. Europe in collaboration with other Indo-Pacific countries can work together on research and innovation in climate-resilient maritime technologies, like developing new materials for infrastructure construction, innovative design approaches for climate resilience, and advanced technologies for monitoring and predicting climate impacts. For e.g., the EU working with the Philippines, a nation prone to rising sea levels, could help in the vulnerability assessment of the country's major ports, provide funding for infrastructural upgradation

⁴⁹ The Southeast Asia Cooperation and Training (SEACAT) is a multilateral exercise designed to enhance cooperation among Indo-Pacific nations¹². It provides mutual support towards addressing crises, contingencies, and illegal activities in the maritime domain using standardized techniques and procedures.

(typhoon warning systems), offer training to local authorities to be responsive, and join forces with local researchers to develop climate-resilient maritime tech.

10. Conclusion

From the previous sections, it can be inferred that Europe's activity in the Indo-Pacific denotes a strategic development due to the evolving geopolitical and geo-economic landscape. The Indo-Pacific being the new global centre of gravity has caught Europe's attention, thanks to its noteworthy economic potential and intricate security challenges. Major European powers, along with the EU, have identified the need to adjust their foreign policies to address the firm stance of China, the multifaceted network of regional security complexes, and the necessity to maintain a rules-based international order. Europe's approach to interacting with key regional actors in the Indo-Pacific is marked by a balance of economic welfare, security considerations, and standardized values, underlining the significance of multilateral cooperation. As Europe navigates this dynamic setting, it should continue stimulating alliances, promoting stability, and incorporating sustainable development within the region's framework. This enduring involvement will improve Europe's engagement as a cooperative ally, ensuring that its interests are catered to in the Indo-Pacific, one of the most critical waters of this century.

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