

# **From Euro-Atlantic to the Indo-Pacific: Assessing NATO's Evolving Policy on China**

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## **Abstract**

*NATO's stance on China has gradually shifted over the years, recognising it as both a destabilising force and a systemic challenge. This change is largely driven by the intensifying competition between the United States (U.S.) and China in the Indo-Pacific region. However, the differing rates at which the U.S. and European members of NATO have adjusted their positions reflect more about their evolving perspectives than any significant change in China's actions. While NATO's focus will likely remain Euro-centric, European members are increasingly pressured to address the implications of Chinese actions due to perceived links between Euro-Atlantic and Indo-Pacific security (especially after No-limits friendship between Russia and China). This paper sheds light on the factors that have contributed to making China a systemic rival of NATO. It also seeks to identify the internal and external challenges that have hampered the development of a unified NATO strategy on China. The paper highlights that in order to manage these complexities, NATO may need to enhance its political role and invest in risk reduction measures to prevent inadvertent escalation in case of a conflict.*

**Keywords:** NATO, China, Indo-Pacific, Security, Europe, United States.

## **Introduction**

The North Atlantic Treaty Organization (NATO) 2022 Strategic Concept adopted at Madrid summit first time ever referred to China as a strategic challenge and declared that “developments in the [Indo-Pacific] region can

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directly affect Euro-Atlantic security.”<sup>1</sup> The statement is a major shift from NATO's traditional position, where its threat perception had remained focused on the dangers emanating mainly from Russia. The shift has occurred at a time when Europe is already grappling with the security and economic consequences of the ongoing Russia-Ukraine conflict and NATO has readjusted its posture from enhanced forward presence to forward defence.<sup>2</sup> This position echoed at the NATO's Washington Summit in summer 2024, where China was labelled as “a decisive enabler of Russia's war against Ukraine” and “a systemic challenge to Euro-Atlantic security.”<sup>3</sup>

The shift in NATO's position is attributed to the escalating contestation between the United States (U.S.) and China in the Indo-Pacific region. What started as a war of rhetoric between Washington and Beijing, has now turned into a strategic rivalry with global implications. The fast-paced downward spiral in the bilateral relationship between the U.S. and China has left many countries of the Indo-Pacific region indecisive and challenged to determine the nature and future trajectory of their relationship with the U.S. and/or China.<sup>4</sup> This geopolitical rivalry has steadily intensified, especially in the past few years, prompting NATO to reassess its position.<sup>5</sup> With the ongoing war in Ukraine, there is growing concern among NATO members and partners that conflict in Europe today could become a reality in the Indo-Pacific tomorrow.<sup>6</sup>

The signs of growing convergence in the Euro-Atlantic alliance over perceived risks from China became visible almost a year before the 2022

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<sup>1</sup> NATO, *NATO 2022 Strategic Concept*, June 29, 2022, point 45, <https://www.nato.int/strategic-concept>.

<sup>2</sup> Alessandro Marrone, *NATO's New Strategic Concept: Novelties and Priorities*, IAI Commentaries 22|30 (Rome: Istituto Affari Internazionali, July 2022), <https://www.iai.it/en/pubblicazioni/natos-new-strategic-concept-novelties-and-priorities>.

<sup>3</sup> NATO, *Washington Summit Declaration*, July 10, 2024, points 26-27, [https://www.nato.int/cps/en/natohq/official\\_texts\\_227678.htm](https://www.nato.int/cps/en/natohq/official_texts_227678.htm)

<sup>4</sup> Alessandro Marrone, *NATO's New Strategic Concept: Novelties and Priorities*, IAI Commentaries 22|30 (Rome: Istituto Affari Internazionali, July 2022), <https://www.iai.it/en/pubblicazioni/natos-new-strategic-concept-novelties-and-priorities>.

<sup>5</sup> Marrone, *NATO's New Strategic Concept*.

<sup>6</sup> Mercy A. Kuo, “Assessing the NATO Summit and Indo-Pacific Partners,” *Diplomat*, July 17, 2024.

Strategic Concept when the 2021 NATO Summit in Brussels described China as “a destabilising force and systemic challenge, whose actions threaten the rules-based international order.”<sup>7</sup> While the U.S. has been calling out China as a major threat for over a decade now, it was only in 2019 that all the NATO countries agreed on a common language in recognising challenge of “China’s growing influence and international policies” in London declaration.<sup>8</sup> The China factor in the 2019 London declaration in fact served as a unifying element for NATO, especially at a time when the alliance was undergoing a massive strain following President Trump’s unilateral withdrawal of the U.S. forces from Syria and a public tirade with French President Macron.<sup>9</sup>

In this backdrop, this study aims to explore the evolution of NATO’s threat perception of China and analyse the underlying factors that have contributed to this shift. It will evaluate the potential risks and challenges faced by the NATO members as they contemplate extending their influence into the Indo Pacific region in response to the perceived threat from China. Additionally, the study will analyse potential pathways that NATO countries would consider adopting in the future.

### **From Strategic Partner to Systemic Rival: What Contributed to the Securitisation of China?**

In NATO, the U.S. and European members’ position on the Indo-Pacific and China have evolved at a strikingly different pace, partly because their altered stance towards China primarily stems from a shift in their perspective rather than any substantial change in China’s behaviour or action.<sup>10</sup>

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<sup>7</sup> NATO, *Brussels Summit Communiqué*, June 14, 2021, point 55, [https://www.nato.int/cps/en/natohq/news\\_185000.htm](https://www.nato.int/cps/en/natohq/news_185000.htm).

<sup>8</sup> NATO, *London Declaration*, North Atlantic Council, December 3-4, 2019, point 6, [https://www.nato.int/cps/en/natohq/official\\_texts\\_171584.htm](https://www.nato.int/cps/en/natohq/official_texts_171584.htm).

<sup>9</sup> Jens Ringsmose and Sten Rynning, “China Brought NATO Closer Together,” *War on the Rocks*, 2020, <https://warontherocks.com/2020/02/china-brought-nato-closer-together/>.

<sup>10</sup> Jeffrey H. Michaels, “A Very Different Kind of Challenge”? NATO’s Prioritisation of China in Historical Perspective,” *International Politics* 59, no. 6 (2022): 1045-1064, 11, <https://link.springer.com/content/pdf/10.1057/s41311-021-00334-z.pdf>.

The U.S. initiated its positioning much earlier in this context. Although the U.S. became overtly critical of the rise of China after President Trump's arrival in the White House in 2016, the signs of upcoming U.S.-China competition began to show with the first announcement of the U.S. policy shift in the Indo-Pacific by the then Secretary of State Hillary Clinton at the ASEAN Regional Forum held in Hanoi on July 23, 2010.<sup>11</sup> She later explained the contours of the so called "Pivot to Indo-Pacific" policy in the *Foreign Policy* article where she called for an "increased investment diplomatic, economic, strategic, and otherwise" in the Indo-Pacific region.<sup>12</sup> This followed the announcement of a plan to deploy 2,500 marines in Australia, the first long-term expansion of American military presence in the Pacific region since the end of the Vietnam War that received immediate criticism from Beijing.<sup>13</sup> Despite the announcement of this policy shift, the U.S.-China relationship remained relatively stable during the Obama Administration mainly because of the U.S. preoccupation with wars in Afghanistan and Iraq, involvement in new conflicts in Syria and Libya and most importantly the crippling financial crisis at home.<sup>14</sup> Nonetheless, the Chinese President Xi Jinping's "China dream" to make China fully developed by 2049 was being viewed as a direct challenge to the Western supremacy.<sup>15</sup> A subtle rivalry of the past decade has now evolved into more confrontational statements being issued from both sides.

Under the Trump administration, a rethink in the U.S.-China relations was visible in the official documents as well; such as the 2017 National

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<sup>11</sup> Hillary Rodham Clinton, "Press Availability with Secretary Clinton," *National Convention Center, Hanoi, Vietnam*, July 23, 2010, U.S. Department of State, <https://2009-2017.state.gov/secretary/20092013clinton/rm/2010/07/145095.htm>

<sup>12</sup> Hillary Clinton, "America's Pacific Century," *Foreign Policy*, October 11, 2011, <https://foreignpolicy.com/2011/10/11/americas-pacific-century/>.

<sup>13</sup> Jackie Calmes, "A U.S. Marine Base for Australia Irritates China," *New York Times*, November 16, 2011, <https://www.nytimes.com/2011/11/17/world/asia/obama-and-gillard-expand-us-australia-military-ties.html>.

<sup>14</sup> Gautam Mukunda, "The Social and Political Costs of the Financial Crisis, 10 Years Later," *Harvard Business Review*, September 25, 2018, <https://hbr.org/2018/09/the-social-and-political-costs-of-the-financial-crisis-10-years-later>

<sup>15</sup> Iyavlo Valchev, "China's 2049 Plan: A Big Challenge Before the World," *South Asia Monitor*, April 11, 2021, <https://www.southasiamonitor.org/china-watch/chinas-2049-plan-big-challenge-world>.

Security Strategy asserted that China seeks to “challenge American power, influence, and interests” while the 2018 National Defence Strategy termed Beijing a “strategic competitor” that is looking to attain “Indo-Pacific regional hegemony in the near-term and displacement of the U.S. to achieve global preeminence in the future.”<sup>16</sup> It was during this period that the U.S. officially started using Indo-Pacific in place of Asia Pacific and the U.S. Pacific Command was also renamed as the Indo-Pacific Command.<sup>17</sup> China, however, does not subscribe to the renaming of the region from Asia Pacific to Indo-Pacific. In Chinese perspective, America’s Indo-Pacific strategy is aimed at containing China and slowing down its economic progress.<sup>18</sup> Furthermore, the revival of the Quadrilateral Security Dialogue (QUAD) by the U.S. Japan, Australia and India in 2017 after a decade of inaction also indicated a narrow focus on China and it was seen as an attempt to counterbalance Beijing’s growing power and influence in the region.<sup>19</sup>

The Biden administration carried forward the policy of their predecessor and sent an ‘informal delegation’ to Taiwan soon after taking office. This was a tacit announcement of a tougher U.S. stance against China and a more focused approach in the Indo-Pacific region.<sup>20</sup> The Biden administration’s strategic direction as depicted in his administration’s security policy documents including National Security Strategy (NSS) and jointly released National Defence Strategy, (NDS) the Nuclear Posture Review (NPR), and the Missile Defence Review (MDR) reinforced the characterisation of China as “America’s most significant geopolitical challenge.” The U.S.’ goal is now explicitly defined as “outcompeting” Beijing in its regional and

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<sup>16</sup> Jagannath Panda and Akriti Vasudeva, “U.S.-China Competition and Washington’s Case for Quad Plus,” *The National Interest*, September 28, 2020, <https://nationalinterest.org/feature/us-china-competition-and-washington%E2%80%99s-case-%E2%80%98quad-plus%E2%80%99-169751>.

<sup>17</sup> Felix Heiduk and Gudrun Wacker, *From Asia-Pacific to Indo-Pacific: Significance, Implementation and Challenges*, SWP Research Paper No. 9/2020 (Berlin: Stiftung Wissenschaft und Politik, 2020), doi: 10.18449/2020RP09

<sup>18</sup> Heiduk and Wacker, *From Asia-Pacific to Indo-Pacific*.

<sup>19</sup> Zongyou Wei, “The Evolution of the ‘QUAD’: Driving Forces, Impacts, and Prospects,” *China International Strategy Review* 4, no. 2 (2022): 288–304, <https://doi.org/10.1007/s42533-022-00119-w>

<sup>20</sup> David Brunnstrom and Michael Martina, “Biden Sends Unofficial Delegation to Taiwan in ‘Personal Signal,’” *Reuters*, April 13, 2021, <https://www.reuters.com/world/china/biden-sends-unofficial-delegation-taiwan-underscore-commitment-white-house-2021-04-13/>

global pursuits. In contrast, Russia, even amid the ongoing conflict in Ukraine, is viewed as a secondary threat that needs to be constrained.<sup>21</sup> The same tone was reiterated in Biden's debut NATO summit as the communique highlighted "China's stated ambitions and assertive behaviour" as a systemic challenge to the rules-based international order.<sup>22</sup> During the 75<sup>th</sup> NATO summit held in Washington DC in 2024, while the focus remained on Ukraine, it re-emphasised the link between the Indo-Pacific and Euro Atlantic security and underlined the concern that today's war in Europe can be a reality in the Indo-Pacific tomorrow.<sup>23</sup>

The shifting dynamics and competing interests of the U.S.-China dyad are impacting the nature of the relationship of both the U.S. and China with other regional players. While competing for divergent goals, the U.S. and China are maintaining a varying degree of political, diplomatic, and economic influence over countries across the Indo-Pacific region. The U.S. has formed explicit military cooperation with countries like Australia, India, and Japan with relatively less influence in Malaysia, Thailand, and Vietnam.<sup>24</sup> China, on the other hand, is strengthening its economic clout and engagement in the region through its Belt and Road (BRI) initiative and also enhancing its military presence in the Indo Pacific region and beyond.<sup>25</sup>

Even though there are various potential regional flashpoints such as the South China Sea, Taiwan Strait and the Korean peninsula with an increased risk of direct confrontation between the U.S. and China, the

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<sup>21</sup> Sitara Noor, "Biden's Strategic Reviews: Implications for Global Security," *Diplomat*, December 21, 2022, <https://thediplomat.com/2022/12/bidens-strategic-reviews-implications-for-global-security/>

<sup>22</sup> Sabine Siebold, Steve Holland, and Robin Emmott, "NATO Adopts Tough Line on China at Biden's Debut Summit with Alliance," *Reuters*, June 15, 2021, <https://www.reuters.com/world/europe/nato-welcomes-biden-pivotal-post-trump-summit-2021-06-14/>.

<sup>23</sup> Washington Summit Declaration, point 30.

<sup>24</sup> RAND Corporation, *U.S. Versus Chinese Powers of Persuasion*, Research Brief RB10137 (Santa Monica, CA: RAND Corporation, 2020), [https://www.rand.org/content/dam/rand/pubs/research\\_briefs/RB10100/RB10137/RAND\\_RB10137.pdf](https://www.rand.org/content/dam/rand/pubs/research_briefs/RB10100/RB10137/RAND_RB10137.pdf)

<sup>25</sup> Lt Col Daniel Lindley, "Assessing China's Motives: How the Belt and Road Initiative Threatens U.S. Interests," *Journal of Indo-Pacific Affairs*, Air University Press, August 1, 2022, <https://www.airuniversity.af.edu/JIPA/Display/Article/3111114/assessing-chinas-motives-how-the-belt-and-road-initiative-threatens-us-interests/>

economic interdependence has played a somewhat stabilising role.<sup>26</sup> Nevertheless, the recent political and strategic developments as discussed above, indicate a growing impatience that is reducing space for diplomatic solutions of existing tensions and potential conflicts in future. Likewise, massive military buildup in the Indo-Pacific and growing utilisation of emerging technologies such as cyber, space and artificial intelligence has also increased the risk of inadvertent crises and accidental war in the Indo-Pacific region in future.<sup>27</sup>

The European position on China which started with formal diplomatic ties between the EU and China in 1975 and turned into a strategic partnership in 2003 is undergoing a rapid transformation.<sup>28</sup> The 2009 EU-China-Strategic Outlook described China as a cooperation and negotiation partner, an economic competitor and a systemic rival.<sup>29</sup> This evolution is visible in the NATO-China relationship that has undergone various stages such as periods of hostility (1949-1972), strategic collaboration (1972-1989) engagement and dialogue (2002-2020) to current scepticism (2021 onwards).<sup>30</sup>

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<sup>26</sup> Dale Copeland, "Economic Interdependence and the Future of U.S.-Chinese Relations," in *International Relations Theory and the Asia-Pacific*, ed John Ikenberry (New York: Columbia University Press, 2003), [https://ciaotest.cc.columbia.edu/book/ike01/ike01\\_10ch10.pdf](https://ciaotest.cc.columbia.edu/book/ike01/ike01_10ch10.pdf).

<sup>27</sup> James Kraska and Gavin Logan, "Get Ready for the New Rules of War in the Indo-Pacific," *War on the Rocks*, June 10, 2025, <https://warontherocks.com/2025/06/get-ready-for-the-new-rules-of-war-in-the-indo-pacific/>.

<sup>28</sup> China, EU mark 50 years with deeper trust, stronger ties," *CGTN*, May 6, 2025, <https://news.cgtn.com/news/2025-05-06/China-EU-mark-50-years-with-deeper-trust-stronger-ties-1D9Fj1mtDQQ/p.html>.

<sup>29</sup> European Commission, "Joint Communication to the European Parliament, the European Council and the Council: EU-China, a Strategic Outlook," March 12, 2019.

<sup>30</sup> Shaoxuan Yi and Chen Yang, "China-NATO Relations: History and Reality," *BRIQ Belt & Road Initiative Quarterly* 4, no. 3 (2023): 26-37, [https://www.ssoar.info/ssoar/bitstream/handle/document/89250/ssoar-briq-2023-3-yi\\_et\\_al-China-NATO\\_Relations\\_History\\_and\\_Reality.pdf?sequence=1&isAllowed=y&lnkname=ssoar-briq-2023-3-yi\\_et\\_al-China-NATO\\_Relations\\_History\\_and\\_Reality.pdf](https://www.ssoar.info/ssoar/bitstream/handle/document/89250/ssoar-briq-2023-3-yi_et_al-China-NATO_Relations_History_and_Reality.pdf?sequence=1&isAllowed=y&lnkname=ssoar-briq-2023-3-yi_et_al-China-NATO_Relations_History_and_Reality.pdf). Also see Roger Weissinger-Baylon, Stefanie Babst, Jamie Shea, Michael Zilmer-Johns, and Caroline Baylon, "NATO-China Relations: Charting the Way Forward," *Center for European and International Studies Research (CERIS)*, March 1, 2022, <https://www.ceris.be/blog/nato-china-relations-charting-the-way-forward/>.

While China continues to enjoy the status of an economic partner among many EU states, there is a considerable amount of scepticism to the extent of viewing Beijing as a rival or potential rival with a growing consensus to reduce the EU's dependency on China for critical supplies.<sup>31</sup> The China scepticism in Europe took roots following the intense U.S. pressure on its European allies since 2014 to ditch Chinese Huawei 5G technology over security concerns. The security concerns exacerbated following espionage charges and various cyber-attacks on the European institutions allegedly originating from China.<sup>32</sup>

This securitisation process was accelerated during the Covid period especially when China reduced its exports to Europe to prioritise its domestic needs. This brought to surface the level of Western (especially the European) dependency on China and caused realisation in Europe over China's perceived ability to squeeze European economies as a pressure tactic during a crisis. These experiences led to emergence of "China+1" concept and resulted in more thinking in Europe on reducing dependency and having secure supply chains.<sup>33</sup> Furthermore, China's economic coercion of Lithuania over the latter's Taiwan policy negatively impacted China's favourability ratings in Europe, that discredited the much celebrated 17+1 initiative.<sup>34</sup> The threat got further accentuated after the Russia-Ukraine war and announcement of the "China-Russia No Limit Friendship in February 2022." In this way, one of the unanticipated consequences of the Russia-Ukraine conflict turned out to be further solidification of Europe's perception of China from an erstwhile economic partner to a future challenge. This was partly due to the perceived risk of Russia and China joining hands in their joint opposition to the U.S. and

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<sup>31</sup> Janka Oertel, "The New China Consensus: How Europe Is Growing Wary of Beijing," *Policy Brief*, European Council on Foreign Relations, September 7, 2020, [https://ecfr.eu/publication/the\\_new\\_china\\_consensus\\_how\\_europe\\_is\\_growing\\_wary\\_of\\_beijing/](https://ecfr.eu/publication/the_new_china_consensus_how_europe_is_growing_wary_of_beijing/).

<sup>32</sup> Significant Cyber Incidents Timeline," *Centre for Strategic and International Studies*, <https://www.csis.org/programs/strategic-technologies-program/significant-cyber-incidents>

<sup>33</sup> Anchal Vohra, "NATO Has Its Sights Set on Asia," *Foreign Policy*, July 24, 2023, <https://foreignpolicy.com/2023/07/24/nato-has-its-sights-set-on-asia/>

<sup>34</sup> Matthew Reynolds and Matthew P. Goodman, *China's Economic Coercion: Lessons from Lithuania* (Washington, DC: Center for Strategic and International Studies, 2022).



the NATO members in general. These shifts not only changed the political positions of many states but also affected the public opinion. The data suggests that the scepticism of China in most EU states is bipartisan and have public support, therefore unlikely to change or shift anytime soon.<sup>35</sup> This negative trend is also visible in various EU documents and other official statements. For example, the European Parliament resolution on the Implementation of the Common Foreign and Security Policy in April 2025 was very critical of Chinese collaboration with Russia, its activities in the region, risk of attack on Taiwan and underlined its concern regarding China's self-recognition as a near-Arctic state and Polar silk road etc.<sup>36</sup>

## **Risks and Challenges for NATO in Dealing with China**

In its endeavour to enhance its presence in the Indo-Pacific region in response to the Chinese challenge, NATO grapples with a series of internal strains and external challenges, outlined as follows:

### **Internal Strains**

One of the primary internal tensions comes in the form of NATO's inability to timely adapt and effectively respond to evolving security situation. The adaptation challenge is visible in the Alliance's struggle to agree on a common nomenclature in addressing China in the Indo-Pacific, with numerous European partners showing reluctance to identify China as a threat. The European members of NATO are less likely to play a significant role in the U.S. policy in the Indo-Pacific to counter China's rise, nonetheless, they are required to adapt to the new security reality where the U.S. attention, in view of growing rivalry with China, will either

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<sup>35</sup> *China Policy, Policy Intentions Mapping*, The EU Coalition Explorer, July 8, 2020, [https://ecfr.eu/special/eucoalitionexplorer/policy\\_intentions\\_mapping/](https://ecfr.eu/special/eucoalitionexplorer/policy_intentions_mapping/).

<sup>36</sup> European Parliament. *Implementation of the Common Foreign and Security Policy – Annual Report 2024*. Resolution P10\_TA(2025)0057, April 2, 2025, [https://www.europarl.europa.eu/doceo/document/TA-10-2025-0057\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-10-2025-0057_EN.html).

be divided between Europe and Asia or singularly focused on the Indo-Pacific region.<sup>37</sup>

The war in Ukraine has significantly improved NATO's unity; however, China factor continues to expose future challenges to the alliance's unity and cohesion. Trump's first term had already left indelible concerns among the European allies regarding Washington's changing focus and inward approach. Nevertheless, President Biden has tried to respond to those concerns and demonstrated a more reliable posture, but now after the return of President Trump in the White house for the second term, this concern has increased significantly. Similarly, there is a growing demand from the U.S. side as well that Europe must take more responsibility and share the burden. With the Russian invasion of Ukraine, there is a renewed focus on increasing Europe's military preparation, but that's largely focused on Russia and not designed to jointly counter the Chinese threat.

Secondly, there is a lack of collective securitisation that has led to a disjointed European policy towards China.<sup>38</sup> Until recently, NATO viewed China as a partner in various areas of common interests such as crisis management, counter-piracy, and countering Weapons of Mass Destruction (WMD) proliferation.<sup>39</sup> While NATO has reached a consensus in considering China as a challenge, there is a varying degree of concern over China among the NATO partners, especially in Europe. The European reluctance to declare China as a threat was visible in the process leading up to the launch of NATO's 2022 Strategic concept. Despite the U.S. push, who wanted to determine China as a threat, the European allies only agreed to term China as a challenge. This divergence among European member states has hampered the possibility of a strong collective policy response. This lack of consensus resurfaced during the Washington summit over the issue of opening NATO's liaison office in Tokyo. The idea received strong

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<sup>37</sup> Pierre Haroche and Martin Quencez, "NATO Facing China: Responses and Adaptations," *Survival* 64, no. 3 (2022): 73-86.

<sup>38</sup> Xuechen Chen and Xinchuchu Gao, "Analysing the EU's Collective Securitisation Moves Towards China," *Asia Europe Journal* 20, no. 2 (2022): 195–216, <https://link.springer.com/article/10.1007/s10308-021-00640-4>

<sup>39</sup> T. M. Chacho, "Potential Partners in the Pacific? Mutual Interests and the Sino-NATO Relationship," *The Journal of Contemporary China* 23, no. 87 (2014): 387–407, as quoted in Markus Kaim and Angela Stanze, "The Rise of China and NATO's New Strategic Concept," *NDC Policy Brief No-04*, February 2022, <https://www.ndc.nato.int/news/news.php?icode=1659>.

pushback from France, who openly rejected this proposal. The alliance, however, agreed to open the first-ever NATO liaison office in Amman, Jordan.<sup>40</sup>

The divergence in the perception of the Chinese threat by the U.S. and Europe is primarily rooted in the fact that the U.S. bears a direct security responsibility in the Indo-Pacific region. This includes the defence and provision of extended deterrence to its allies such as Japan and Australia. In contrast, Europe does not share a comparable obligation in the region. Likewise, European members of NATO do face the risk of disruption of trade line in case of any conflict in the Indo-Pacific region involving China, but they do not face any direct military threat with China's growing influence in the Indo-Pacific.

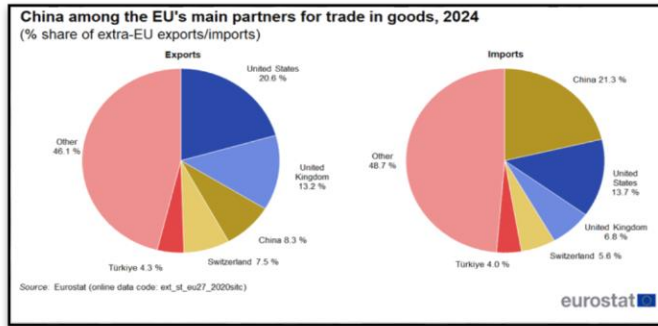
According to the EU official statistics, China was the largest trading partner of the EU in goods imports that stood at 21.3 per cent and the third largest trading partner for goods exports i.e., 8.3 per cent. Among the EU states, the Netherlands was the largest importer of goods from China whereas Germany was the largest exporter to China in 2024.<sup>41</sup> Despite Beijing's overall declining appeal in Europe, its economic relevance is likely to remain intact for the foreseeable future, because the impact of proposed economic decoupling from China is much worse for Europe as compared to the U.S. In that regard, it is also important to realise that European economies are already struggling with the impact of economic sanctions against Russia.

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<sup>40</sup> NATO, "NATO-Jordan Statement on the Decision to Open a NATO Liaison Office in Amman," July 10, 2024, [https://www.nato.int/cps/en/natohq/news\\_227480.htm](https://www.nato.int/cps/en/natohq/news_227480.htm)

<sup>41</sup> *China-EU International Trade in Goods Statistics*, Eurostat, [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU\\_-\\_international\\_trade\\_in\\_goods\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU_-_international_trade_in_goods_statistics).

**Figure No.1**  
**China-EU Trade in Goods (2024)**



Source: China-EU International Trade in Goods Statistics, Eurostat,  
[https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU\\_-\\_international\\_trade\\_in\\_goods\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU_-_international_trade_in_goods_statistics).

There are debates around actual effects of proposed economic decoupling as well. For instance, in case of Russia, the sanctions resulted in Russian oil ending up in the European markets through indirect channels such as India. Likewise, following the U.S.' purported decoupling policy, where it reduced imports from China, data indicates that the countries that stepped in to replace China for their exports experienced an increase in their trade with China. This suggests that Chinese products found alternative routes and continued to reach the U.S. market.<sup>42</sup>

In the event of a conflict between the U.S. and China in the Pacific region, Europe is likely to bear the consequences and encounter second-order risks. This is because the U.S. may face limitations in providing sufficient assistance to Europe for defence against Russia concurrently. In such a scenario, Europe would need to bolster its defences, particularly against the Russian threat. Europe would essentially become the "first responder" to any emerging threat in its southern periphery against Russia.<sup>43</sup>

<sup>42</sup> Fajgelbaum, Pablo, Pinelopi K. Goldberg, Patrick J. Kennedy, Amit Khandelwal, and Daria Taglioni. *The US-China Trade War and Global Reallocations*. No. w29562. National Bureau of Economic Research, 2021.

<sup>43</sup> Hans BinneNdijk and Daniel S. Hamilton, *Implementing NATO's Strategic Concept on China*, The Atlantic Council, March 2023,14,

Another challenge comes in the form of NATO's scope and limited capacity. At the 2023 Vilnius Summit, NATO leaders agreed to modernise NATO forces for what they termed was a 'new era of collective defence.'<sup>44</sup> Crisis prevention was added in 2022 Strategic Concept as a new core task alongside crisis management, that essentially aims to consider the new threats on the horizon and address them before they fully materialise. Nonetheless, NATO currently lacks the capacity to deal with many of these challenges. While the allied member reiterated their pledge to invest at least two percent of their Gross Domestic Product (GDP) annually in defence at the Vilnius summit, the data shows that NATO continues to witness a massive imbalance in financial contributions. Only 10 out of 31 alliance members are fulfilling the commitment. The collective GDP strength of non-US NATO Allies nearly matches that of the U.S. Nevertheless, the combined defence expenditure of these non-U.S. allies is less than half of what the U.S. allocates for defence in NATO budget.<sup>45</sup>

Apart from financial constraints which are limiting NATO's ability to increase its capacity, there are deficiencies in the NATO's early warning mechanism especially in dealing with asymmetric threats emanating from political manoeuvring, disruptive technologies, and terrorism etc.<sup>46</sup> NATO expanded its scope to address the cyber risks and the Wales Summit Declaration in 2014 included cyber defence in NATO's core task of collective defence and integrated it into NATO's operational and contingency planning.<sup>47</sup> Nonetheless, NATO's current political and operational structure is not sufficiently equipped to deal with wide-ranging hybrid threats especially when many of the contemporary challenges on the horizon do not neatly fit into any of the categories that NATO is mandated to respond to. For example, Europe's major

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[https://www.atlanticcouncil.org/wp-content/uploads/2023/04/REPORT\\_NATO\\_ON\\_CHINA\\_4.pdf](https://www.atlanticcouncil.org/wp-content/uploads/2023/04/REPORT_NATO_ON_CHINA_4.pdf)

<sup>44</sup> *Vilnius Summit Communiqué*, point 32, NATO, July 11, 2023, [https://www.nato.int/cps/en/natohq/official\\_texts\\_217320.htm](https://www.nato.int/cps/en/natohq/official_texts_217320.htm)

<sup>45</sup> *Funding NATO*, North Atlantic Treaty Organization, September 27, 2013, [https://www.nato.int/cps/en/natohq/topics\\_67655.htm](https://www.nato.int/cps/en/natohq/topics_67655.htm).

<sup>46</sup> Vitalii Martyniuk, "Transformation of Threats Assessments by NATO over the Last Three Years and Reshaping the Early Awareness," *Political Science and Security Studies Journal* 4, no. 3 (2023): 20–28, <http://psssj.eu/index.php/ojsdata/article/view/131/158>.

<sup>47</sup> *Wales Summit Declaration*, Press Release, NATO, September 5, 2014, [https://www.nato.int/cps/en/natohq/official\\_texts\\_112964.htm](https://www.nato.int/cps/en/natohq/official_texts_112964.htm).

complaints to Beijing apart from cyber threats include supply chains dependency, trade deficit, transparency, and human rights issues. None of these issues fit in the NATO's stated domains of collective defence, crisis management, and cooperative security.<sup>48</sup> While some of them can be addressed under crisis prevention mandate, many of these threats remain abstract and hard to pin down at a nascent stage through a NATO-like alliance that is primarily designed for hard military tasks.

Lastly, a brewing leadership crisis in Europe is limiting its ability to form a coherent policy on China. France and Germany have traditionally dominated the European foreign policy front where they are leading the defence and economic agendas respectively. They are also largely considered the de facto leaders in carrying forward NATO's position on key security challenges, albeit with varying preferences. e.g., France for a long time had aimed for strategic autonomy and initially stood against NATO's transatlantic role.<sup>49</sup> More recently, France and Germany were instrumental in formulating a joint front in the wake of the Russian invasion of Ukraine. Failure of Minsk process under Germany and France's leadership and subsequently Russia's attack on Ukraine exposed the limitation of that role and negatively weighed on their credibility to represent the European security perspective on various issues.<sup>50</sup> Europe's stance on China is even more fragmented, with a perceived dominance of the China agenda by France and Germany within both the EU and the NATO framework. In particular, both Germany and France's reluctance in categorising China as a threat is causing concern among Europe, especially eastern and southern European states and it continues to affect NATO's ability to establish a common policy.<sup>51</sup>

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<sup>48</sup> Ohn R. Deni, "NATO Must Adapt to an Era of Hybrid Threats," *Carnegie Endowment for International Peace*, December 2, 2021, <https://carnegieeurope.eu/strategieurope/85900>

<sup>49</sup> Matthew F. MacKenzie, "France & Strategic Autonomy: Redefining Europe's Role in the 21st Century," *Foreign Policy Association*, <https://fpa.org/france-strategic-autonomy-redefining-europes-role-in-the-21st-century/>.

<sup>50</sup> Iro Särkkä and Minna Ålander, "Franco-German leadership in European security: Engine in reverse gear?" *FIIA Briefing Paper 377*, November 11, 2023. [https://www.fiia.fi/wp-content/uploads/2023/11/bp377\\_franco-german-leadership-in-european-security.pdf](https://www.fiia.fi/wp-content/uploads/2023/11/bp377_franco-german-leadership-in-european-security.pdf)

<sup>51</sup> Janka Oertel, "New China Consensus: How Europe Is Growing Wary of Beijing," *European Council on Foreign Relations*, 2020, [https://ecfr.eu/publication/the\\_new\\_china\\_consensus\\_how\\_europe\\_is\\_growing\\_wary\\_of\\_beijing/](https://ecfr.eu/publication/the_new_china_consensus_how_europe_is_growing_wary_of_beijing/)

## External Challenges

At the external front, the current state of multipolarity in the international system, which Richard Haass described as “age of non-polarity” has increased the risk of crises where no state has an absolute control.<sup>52</sup> Rise of China challenged the unipolar status of the U.S., giving way to multipolarity, where the role of middle powers has become crucial. The U.S. and China, by virtue of their advanced military infrastructures, possession, and further development of various disruptive technologies such as Quantum Computing, Artificial Intelligence and other developments in cyber and space domains etc., are likely to be the major actors in the military, economic, technological, and diplomatic dimensions of power. Nevertheless, their power will continue to be dependent on other actors. This dependency will be further facilitated by the countries assuming the role of middle powers which is likely to include regional and extra-regional states. In the Indo-Pacific region, countries like Australia, Japan, South Korea and India are important players in advancing the U.S. policy agenda.

As NATO seeks to expand and deepen its Indo-Pacific partners program with close allies such as Japan, the Republic of Korea, Australia, and New Zealand, also known as AP4, it is likely to face challenges from within the European partners.<sup>53</sup> France has already vetoed the plan to open NATO’s liaison office in Japan.<sup>54</sup>

Likewise, various partners and allies in the region do not share the same level of threat perception from China. They have a varying degree of interest in following the U.S. led policy in the Indo-Pacific region. This also impacts the NATO’s ability to form a coherent policy in the region. South Korea, for example, while being a close ally under the U.S. extended deterrence, is more concerned about threats from North Korea and less keen on antagonising China through its alliance with the U.S. Similarly, India, while

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<sup>52</sup> Richard N. Haass, “The Age of Nonpolarity: What Will Follow U.S. Dominance,” *Foreign Affairs* (2008): 44-56.

<sup>53</sup> Andrew Gray and John Irish, “Issue of NATO Japan Office Still on Table – Stoltenberg,” *Reuters*, July 12, 2023, <https://www.reuters.com/world/europe/issue-nato-japan-office-still-table-stoltenberg-2023-07-12/>

<sup>54</sup> Justin McCurry, “France Opposed to Opening of NATO Liaison Office in Japan, Official Says,” *Guardian*, June 7, 2023, <https://www.theguardian.com/world/2023/jun/07/france-opposed-to-opening-of-nato-liaison-office-in-japan-official-says>

being recognised as a key player in America's Indo Pacific strategy, is constrained due to inherent differences in Washington and New Delhi's respective exposition about the geographical construct of the Indo-Pacific region. In the American perception, the Indo-Pacific region terminates at the Western Coast of India; whereas, in New Delhi's postulation, the Indian Ocean region including West Asia and Eastern Africa is part of the Indo-Pacific construct.<sup>55</sup> Similarly, other smaller states such as Malaysia, Thailand, and Vietnam are also not neatly aligned with either China or the U.S. and are trying to avoid alliance entrapments.<sup>56</sup>

## Way Forward

War in Ukraine has enhanced NATO's cohesion, nonetheless, divergent position on China continues to challenge alliance's strength.<sup>57</sup> The current global security trends suggest that the U.S.-China contestation is likely to intensify over the next few years, especially in view of the steady alignment of China-Russia interests and interdependence. While NATO's geographic priorities are likely to remain Eurocentric, there will be growing pressure on NATO's European members to respond to the direct and indirect implications of Chinese actions due to perceived interlinkages between Euro-Atlantic and Indo-Pacific security. Participation of NATO partner states such as Australia, Japan, New Zealand, and South Korea in the Madrid Summit mirrors NATO's strategic adaptation to the escalating security challenges in Europe and underscores the alliance's expanding interests into the Indo-Pacific region. Another factor explaining NATO's inevitable tilt towards evolving security dynamics in the Indo Pacific is the fact that in the age of space race and cyber threats, current security risks are more pervasive and spread across the global security and no longer exclusively defined by geography.

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<sup>55</sup> Rahul Roy-Chaudhury and Kate Sullivan de Estrada, "India, the Indo-Pacific and the Quad," *Survival* 60, no. 3 (2018): 181

<sup>56</sup> Jittipat Poonkham, "Thailand's Indo-Pacific Adrift? A Reluctant Realignment with the United States and China," *Journal of Indo-Pacific Affairs* 7, no. 1 (2024).

<sup>57</sup> Dominika Kunertova and Olivier Schmitt, "Assessing NATO's Cohesion: Methods and Implications," *International Politics*, November 30, 2024, <https://link.springer.com/article/10.1057/s41311-024-00641-1>



Zbigniew Brzezinski warned against a potential rapprochement/alliance between China and Russia as early as 1997 and termed it the worst possible geopolitical outcome for the U.S. and its allies.<sup>58</sup> Currently, despite no-limit friendship proclamation with Russia, China has set certain boundaries in its relationship with Russia, as it would not want to face sanctions or lose European markets altogether. Similarly, the U.S. and China continue to be each other's largest trading partners despite the growing instability at the political and security front. In that regard, Europe may consider leveraging its economic relationship with Beijing as a tool for negotiations on areas of concern. Europe may consider adopting what European Commission President Ursula von der Leyen proposed as "de-risking, rather than decoupling" from China.

It is important for NATO members to distinguish between political and military objectives. There are suggestions to consider the Indo-Pacific within the Warfare Development Agenda of NATO and include it as a topic of interest in the Chiefs of Defence Conversations.<sup>59</sup> Such an approach may not garner necessary consensus within the NATO, therefore bolstering NATO's political role may be prioritised. Likewise, many of the emerging challenges vis-à-vis China do not necessarily have a military solution, hence NATO is not the right platform to address all the issues of concern especially democracy, transparency, and trade issues. In that regard, it is important to envision (reimagine) various channels and platform. For instance, the EU-ASEAN have established diplomatic ties for over two and a half decades, and this remains an underutilised forum.<sup>60</sup>

Finally, the hybrid nature of risks and threats demand a multidimensional response. At one hand, NATO must be prepared to respond to the direct and indirect consequences of a potential military crisis with Russia and/or China, on the other hand, it must exercise strategic restraint and avoid a policy of brinkmanship to prevent any unintended escalation with China. It must find ways for continuous joint action on common threats such as climate change

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<sup>58</sup> Zbigniew Brzezinski, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives* (New York: Basic Books, 1998), 55.

<sup>59</sup> NATO, Regional Perspective Report on the Indo-Pacific; Strategic Foresight Analysis. <https://www.act.nato.int/wp-content/uploads/2023/05/regional-perspectives-2022-07-v2-1.pdf>

<sup>60</sup> Lizza Bomassi, "Reimagining EU-ASEAN Relations: Challenges and Opportunities," (2023), [https://carnegieendowment.org/files/Reimagining\\_EU-ASEAN\\_Relations\\_Challenges\\_and\\_Opportunities.pdf](https://carnegieendowment.org/files/Reimagining_EU-ASEAN_Relations_Challenges_and_Opportunities.pdf)

and nuclear non-proliferation and must invest in risk reduction measures to avoid inadvertent escalation in case of a conflict in the Indo-Pacific region.

## Conclusion

While China threat remains high on agenda, as evident from the Madrid, Vilnius and Washington summits, there are likely to be divergent views within NATO allies on how to deal with it. This divergence is likely to increase under the Trump administration in the U.S. With President Trump's "America First" approach and his frequent criticism of NATO's European members for failing to meet the two per cent of GDP defence spending target, concerns have been raised about the credibility of the mutual defence clause especially in the face of the Russian threat.<sup>61</sup> Furthermore, due to ongoing domestic political upheavals and economic stagnation in various European members of the NATO, they may prioritise ongoing crisis in Ukraine and threat from Russia over the perceived risk in the Indo-Pacific.

Notwithstanding the reluctance, Europe's active engagement in the Indo Pacific-region is inevitable due to the political and economic significance of the region. This engagement, in turn, may fuel a classic security dilemma between Europe and China leading to further escalation risks. During the NATO's Washington Summit, China participated in the Eagle Assault 2024 military exercise with Belarus near the Polish border.<sup>62</sup> These developments can be counterproductive and highlight the risks of inadvertent escalation as the two hostile entities (China and NATO forces) come in close contact. The growing security dilemma will also reduce the space for addressing issues of mutual concern with a history of cooperation such as North Korea, Iran nuclear negotiations, terrorism, and climate change etc.

Moving forward, while it is important for the strength of the alliance to maintain a consensus at the strategic level in recognising the challenge,

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<sup>61</sup> Julian Borger, "Trump casts doubt on willingness to defend Nato allies 'if they don't pay'," *Guardian*, March 7, 2025, <https://www.theguardian.com/us-news/2025/mar/07/donald-trump-nato-alliance-us-security-support>

<sup>62</sup> Katherine Michaelson, "China Signals Defiance to NATO with Military Drills in Belarus," *Voice of America*, July 12, 2024, <https://www.voanews.com/amp/china-signals-defiance-to-nato-with-military-drills-in-belarus-/7696140.html>

there should be space for different approaches and a tailored response at the tactical level. Agreements such as the AUKUS partnership between Australia, the UK and the U.S. demonstrate a convenient model of alliance in the form of an ad hoc military coalition in the Indo-Pacific as opposed to relying on NATO's joint involvement that will require a near impossible agreement among all partners.<sup>63</sup>

Lastly, the ongoing global powers competition must not be viewed in a zero-sum manner. There should be efforts to curtail a spiral of inadvertent crises triggered by a lack of communication and transparency about each other's intention and capabilities.

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<sup>63</sup> Pierre Haroche and Martin Quencez, "NATO Facing China: Responses and Adaptations," *Survival* 64, no. 3 (2022): 3, <https://www.tandfonline.com/doi/epdf/10.1080/00396338.2022.2078047?needAccess=true>