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Chinese Aggression in the Taiwan Strait

What Germany Can Do to Prepare



Noah Barkin

Senior Advisor in the China practice at Rhodium Group, Visiting Senior Fellow in the Indo-Pacific Program at the German Marshall Fund of the United States

It is time for Germany to reassess its approach to Taiwan, as part of a broader European response to growing Chinese pressure on the self-ruled island. The start of a new European Commission, and an expected change of government in Berlin following federal elections in 2025, provide an opportunity for Germany to bed down, together with key European allies, a more coherent, coordinated approach to deterring Chinese aggression and preparing for various coercion and conflict scenarios.

– Cautious approach no longer defensible as Beijing chips away at the “status quo” in the Taiwan Strait

– More coordination needed among large EU states, including on sanctions, military signaling, and economic engagement with Taiwan

– Recent change of government in Taipei and looming US election raise risk of misunderstandings leading to conflict

– As EU country with most to lose, Germany must help shape a more systematic European deterrence and preparedness agenda

In September 2020, the German government unveiled policy guidelines for the Indo-Pacific region which were striking due to one glaring omission: the 70-page document did not include a single mention of Taiwan.¹ Three years later, a new German government published the country's first national security strategy.² Once again, the document made no reference to Taiwan. These omissions were not an accident.

Vague public calls by Germany and its European partners for the “status quo” in the Taiwan Strait to be preserved are no longer sufficient

For years, German governments have danced gingerly around the issue of Taiwan, the self-ruled island that China claims as its own – even as its importance, from both a strategic and economic perspective, has increased exponentially.³

This reticence is no longer defensible at a time when Chinese pressure on Taiwan is growing, and the recent change of government in Taipei – and the possible return of Donald Trump to the White House in January 2025 – raise the risk of misunderstandings leading to conflict. A cross-Strait crisis could have devastating economic consequences for Germany and Europe, bringing Taiwan's world-leading chip sector to a standstill. It could turn into an existential test for the transatlantic relationship and even evolve into a direct security threat to Europe if Russia were to take advantage of such a conflict – and the inevitable shift

of US military resources to the Indo-Pacific – to challenge NATO on European soil.

Vague public calls by Germany and its European partners for the “status quo” in the Taiwan Strait to be preserved are no longer sufficient. In fact, Beijing is already actively shifting the parameters of the relationship through frequent crossings of the maritime median line, almost daily incursions into Taiwan's air defense identification zone (ADIZ) and other acts of intimidation, like those seen after the inauguration of Taiwan's President Lai Ching-te in May 2024.

A shift in approach in Berlin is therefore needed. The start of a new European Commission, and an expected change of government in Berlin following federal elections in the autumn of 2025, provide an opportunity to bed down a more coherent and structured German and European approach to Taiwan. A new approach should be driven by a candid assessment of European economic and security interests, rather than a stifling fear of retribution from China. Instead of acting as a brake on such a debate, Berlin should seek to play a leading role – even if much of the work that needs to be done should take place behind the scenes, out of public view.

TWO PRIORITIES

In approaching this challenge, two connected priorities stand out: developing a more thorough and coordinated deterrence strategy on the one hand, and bolstering preparedness on the other. In the event of an attack on Taiwan by China, Germany and its European partners would face pressure to respond, most likely through the imposition of economic sanctions on Chinese entities. It is unlikely, however, that they would play a prominent military role in the Indo-Pacific region in the event of a conflict. The focus of German policy in the coming years, therefore, should be on developing a policy focused on preventing a Taiwan conflict by sending consistent signals to leaders in Beijing that the costs to China of an unprovoked military aggression would be massive and unavoidable. This will require messaging to Beijing across a range of domains.

1 “Policy guidelines for the Indo-Pacific,” The Federal Government of Germany, September 1, 2024 <https://www.auswaertiges-amt.de/blob/2380514/f9784f7e3b3fa1bd7c5446d274a4169e/200901-indo-pazifik-leitlinien--1--data.pdf>

2 “Robust. Resilient. Sustainable. Integrated Security for Germany. National Security Strategy,” The Federal Government of Germany, June 14, 2023 <https://www.nationalesicherheitsstrategie.de/National-Security-Strategy-EN.pdf>

3 There have been some signs of progress in recent years. Taiwan was mentioned in the coalition agreement sealed in 2021 between the parties in Chancellor Olaf Scholz's government. It was also referred to in the German government's China strategy, published in July 2023.

Bolstering preparedness will require more sophisticated planning at European level so that member states are able to respond in real-time to different rungs along the escalation ladder – from Chinese cyber-attacks and other grey zone tactics to a partial blockade of Taiwan, the seizure of an outlying island, or a full-blown military invasion. It is important that Germany plays a leading role in deterring China and preparing for conflict scenarios for one central reason. Germany is the biggest economy in the EU and enjoys the deepest trade and investment relationship with China. For Europe to be credible in its messaging towards Beijing, therefore, it is crucial that Germany not only buys into a more coordinated European approach but is perceived by other EU member states and by Beijing to be driving it, together with countries like France. If Germany is sending clear messages to China that have been coordinated with European and G7 partners, then deterrence will be strengthened, and the risks of conflict reduced.

1. Deterrence

Europe has upped its game in recent years in signaling to Beijing that unilateral attempts to change the status quo in the Taiwan Strait by force would have serious consequences for EU-China relations. European Commission President Ursula von der Leyen, Germany's Olaf Scholz, French President Emmanuel Macron, and several other European leaders have conveyed this message directly to Chinese President Xi Jinping over the past two years, according to European officials.⁴⁵ This is a welcome shift from previous years, when China successfully pressured European capitals into remaining silent by framing the Taiwan issue as an internal matter, and any attempts by foreign capitals to raise it with Beijing as akin to foreign interference. The challenge for Germany and Europe going forward will be to acknowledge that the so-called status quo is already shifting, to move beyond vague signaling, and to develop a more structured approach to deterrence, based on the following three pillars.

Coordinated Messaging

Germany, other large EU member states, and relevant EU institutions in Brussels should develop a more structured dialogue on challenges related to Taiwan to ensure they are delivering consistent messages to

Beijing about the costs of a conflict, which are backed up by concrete plans.

It would be wrong to conclude that the dialogue required for this sensitive task can be carried out at EU-wide level, with 27 member states sitting around a table. Instead, it will require a deepening of the dialogue on Taiwan among a handful of large member states – for example Germany, France, Italy, the Netherlands, and Poland – together with the European Commission and/or European External Action Service. These conversations should be confidential, out of public view. Positions agreed among this group could then be shared selectively with non-European members of the G7.

The aim of this coordination would be to agree on a uniform language on the Taiwan issue when top European officials are interacting with their Chinese counterparts. This should go beyond the vague expressions of concern or warnings of consequences that Europeans have sent in recent years to include clear messages about: Europe's readiness to impose sanctions in response to a Taiwan conflict scenario; Europe's readiness to take concrete action in response to scenarios that fall short of an outright invasion, such as a blockade of Taiwan or attacks on its critical infrastructure; and Europe's preparedness for scenarios short of a full-blown conflict. If China were to step up economic coercion against Taiwan, would Europe be prepared to provide assistance? Questions like these need to be answered in Berlin and other capitals and transmitted discreetly to Beijing.

Effective deterrence depends upon consistent messaging, backed up by credible and specific threats. It should be complemented by reassurances to China on Europe's continued commitment to a one China policy and its opposition to Taiwan's independence. These messages should be delivered in private, when European leaders meet with their Chinese counterparts, and echoed in public when senior European officials speak about Taiwan.

4 N. Barkin, "Watching China in Europe – January 2023," The German Marshall Fund of the United States, January 4, 2023 <https://www.gmfus.org/news/watching-china-europe-january-2023>

5 "Fireside Chat with Emmanuel Bonne: Aspen Security Forum 2023," The Aspen Institute, July 20, 2023 <https://www.youtube.com/watch?v=DO1yVJZ83hY>

Military Signaling

Germany and its European partners, even if they do not have a permanent military presence in the Indo-Pacific, must show that they are fully invested in safeguarding stability in the South China Sea and Taiwan Strait, including through freedom of navigation transits.

With its Indo-Pacific guidelines of 2020, its China strategy of 2023, and the ramping up of trips by senior members of the German government to countries like Japan, South Korea, India, and Australia, Germany has sent a signal about its commitment to a region that in past decades was seen through a narrow China lens. In 2022, as part of this commitment, Germany sent the frigate *Bayern* to the Indo-Pacific and deployed fighter jets to Australia to participate in Pitch Black air combat exercises. In May 2024, a second frigate, the *Baden-Württemberg*, and a replenishment ship, the *Frankfurt am Main*, were sent to the region.⁶ Unlike some of its European partners – including the French, the British, and the Dutch – however, Germany has not sent a warship through the Taiwan Strait.

Doing so when the two German ships reach the South China Sea in late summer 2024 may be seen in parts of the German government as a provocative act towards China. But overcoming this deeply ingrained aversion to risk is vitally important. A decision by the government to navigate through the Taiwan Strait would send a signal that Germany's policy towards Taiwan is no longer shaped by fears about Chinese retaliation. It would be a symbolic step given that Germany has no ambitions to play a bigger military role in the region. But it would underscore to Beijing that European countries are converging around a common approach to the region – one in which all countries with the resources to project military power see a role for themselves in ensuring freedom of navigation in international waters. Actions like these, coordinated with G7 partners, could be part of a more comprehensive deterrent strategy.

Deepening Economic and People-to-People Ties

Germany should encourage the EU to develop an overarching vision for a trade, investment, and technology partnership with Taiwan that is complemented by more robust people-to-people links with the island – all while reassuring Beijing about its continued commitment to a one China policy.

In past years, the EU has preferred to take an à la carte approach to its economic relationship with Taiwan, rather than develop a more comprehensive strategy for increasing trade, investment, and technology cooperation. The Commission has resisted pressure from the European Parliament to begin negotiations with Taipei on a bilateral investment agreement. Its argument has been that the barriers to investment

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between the EU and Taiwan are minimal, making such an agreement a low priority. Resistance from large member states like Germany, which are concerned that a headline-grabbing agreement with Taiwan might put deeper trade and investment relations with China at risk, has also played a role.

This has not prevented Germany from actively pursuing investments from Taiwan. In 2023, Taiwan Semiconductor Manufacturing Company (TSMC), the world's largest producer of semiconductors, agreed to invest 3.5 billion euros to build a chip factory – together with German companies Bosch and Infineon, and Dutch firm NXP – in the eastern German city of Dresden. Looking forward, the challenge will be to

⁶ "German Navy Begins Indo-Pacific Deployment 2024," German Bundeswehr, May 8, 2024 <https://www.bundeswehr.de/en/organization/navy/news/german-navy-begins-indo-pacific-deployment-2024-5782518>

build on the TSMC investment (and others like that of Taiwan's Global Wafers in Italy) to take bilateral investment, particularly in high technology sectors, to a new level.

The EU is the largest source of foreign direct investment in Taiwan. But Europe has not benefited from the diversification of Taiwan's economy away from mainland China in the same way that the United States and other Asian countries have. One option for Europe would be to pursue something similar to the US-Taiwan initiative on 21st century trade, which started with low-hanging regulatory fruit and aims to build towards more ambitious agreements on digital trade, green energy, and agriculture.

President Lai has announced plans to create three special committees under his office focused on whole-of-society resilience, health, and climate change.⁷ One of the aims of these committee, according to Lai, would be to deepen cooperation with the international community. Germany and its European partners could look for ways to engage with Lai's new government on these issues. Berlin and other European capitals also need to think about what they can do, besides offering words, to support Taiwan's meaningful participation in international organizations. They could, for example, establish an informal, regular exchange with Taipei in which they share information about proceedings of the World Health Assembly (WHA), International Civil Aviation Organization (ICAO), and International Maritime Organization (IMO).

Closer ties between Europe and Taiwan are also a form of deterrence vis à vis Beijing: the more integrated the trade and investment relationship and the broader the bilateral agenda, the deeper people-to-people ties become, and the greater stake Europe has in Taiwan's future. A deeper economic relationship between European countries and Taiwan does not have to be in conflict with Europe's one China policy. Nor should it be seen as incompatible with a healthy economic relationship with China, within the bounds of a European diversification and de-risking strategy. Here too, as the European country with the deepest economic

relationship with China, Germany can and should play a more forward-leaning role.

2. Preparedness

Preparedness goes hand in hand with deterrence. If European countries have spent the time and resources needed to prepare for different Taiwan contingencies, they can send more credible signals to China about their readiness to respond. Preparing for worst case scenarios, in other words, can reduce the likelihood that they occur. Only a few EU member states have war-gamed Taiwan conflict scenarios to date.⁸ And attempts by some EU officials to Europeanize the discussion over Taiwan contingencies have been shot down by member states and the European Commission out of concern that such talks could aggravate tensions with Beijing.

The change of Commission, and the expected appointment of Estonian Prime Minister Kaja Kallas as the EU's new foreign policy chief later this year, offers an opportunity to revisit this sensitive issue. A victory for Donald Trump in the US election in November would inject new uncertainty into geopolitical calculations around Taiwan, given his history of norm-breaking comments and actions in relation to the island. Regardless of the outcome of the US vote, China could see the end of Joe Biden's presidency as an opportunity to test a new US administration, for example by ramping up grey zone pressure on Taiwan. This increases the need for Europe to prepare for different scenarios. Without the support of Germany and other big states like France, such a discussion would be impossible. As with deterrence, preparedness could be built on three pillars.

Planning for Sanctions

Germany, together with other big member states and the new European Commission, should launch a confidential dialogue on Taiwan conflict scenarios in order to lay the foundations for a European sanctions response.

The argument that European officials make in rejecting a pre-emptive discussion on sanctions linked to Taiwan conflict scenarios is that the details of such an exchange could leak, be seen as a provocation by Beijing, and increase the likelihood of conflict. In reality, it may not be such a bad thing if Beijing finds out that Europe is preparing for Taiwan contingencies. And while the sensitivity of a dialogue

⁷ See President Lai Ching-te's press conference on June 19, 2024: <https://english.president.gov.tw/NEWS/6768>

⁸ Based on conversations by the author with senior European defense officials and diplomats in June and July 2024.

on sanctions should not be underestimated, neither should the risks of being unprepared for different escalation scenarios.

We tend to think of Taiwan scenarios in black and white terms – an invasion by China or a continuation of the “status quo.” But there are many steps in between which could force European countries to take important decisions about economic sanctions and about supporting a military response by the United States. China could, for example, introduce inspections for ships traveling through the Taiwan Strait, launch cyber attacks against Taiwan’s infrastructure, seize an outlying island, or implement a full or partial blockade of Taiwan. At each of these steps, the EU and its member states would have to decide how to respond. Doing so in real time presents a huge challenge. Without preparatory work on sanctions packages of varying levels of severity, Europe could struggle to muster an effective and timely response.

A study by Rhodium Group in 2022 found that economic activity at risk of disruption from a blockade would be well over \$2 trillion – even before factoring in second-order effects from sanctions or a military response.⁹ So actions short of an invasion could have colossal implications for Europe. Preparing for the full range of scenarios – in coordination with large member states like Germany, France, Italy, the Netherlands, and Poland – should be a priority for the new European Commission. Without the support of Germany and other big states like France, such a discussion would be impossible.¹⁰ Having sanctions scenarios in place would allow European leaders to back up their warnings to Beijing with specifics, adding to the credibility of their messages.

Investing in Own Defense

Germany should begin preparing for the day when US forces are shifted out of Europe in response to a crisis in the Taiwan Strait, forcing Europe to defend itself against possible Russian aggression and play a stabilizing role in the broader neighborhood.

Bolstering European defense capabilities has become a major priority since Russia’s full-scale invasion of Ukraine in February 2022. The possibility of a second Trump presidency, and a weakening of US commitments to NATO, has added urgency to this debate.¹¹ The risk of a Taiwan conflict is another compelling reason for Europe to move swiftly and aggressively in ramping up its defense forces. While it is unlikely that European countries would play a direct role in a kinetic conflict around Taiwan, the inevitable shift of US defense resources from Europe to the Indo-Pacific in such a scenario could leave Europe extremely vulnerable to Russian aggression. The United States would expect Europe to safeguard stability in its own, extended neighborhood, including not only its eastern flank with Russia but in the Mediterranean, the Red Sea, and Gulf of Aden (where China has a military base in Djibouti) and by extension, into the Indian Ocean. The next German government and European Commission will need to take Taiwan-related risks into account as part of a broader reassessment of German and European defense needs.

Mapping Dependencies

Germany should encourage a more granular mapping of two-way dependencies between the EU and China, in consultation with industry, with the aim of shoring up European vulnerabilities in the context of a Taiwan conflict scenario and identifying where China’s choke-points lie in preparation for possible sanctions.

The European Commission has already presented two in-depth reviews of Europe’s strategic dependencies, focusing on a wide range of products, from semiconductors and batteries to critical minerals, solar panels, and IT software. But more granular work is needed at national level between governments and industry to draw the consequences from these dependencies and develop strategies, ideally coordinated at the European level, to address them. In doing so, European countries should prioritize resilience in the most sensitive industries. A paper published by the European Union Institute for Security Studies (EUISS) in July 2024 proposed focusing on the medical, semiconductor,

9 C. Vest, A. Kratz, R. Goujon, “The Global Economic Disruptions from a Taiwan Conflict,” Rhodium Group, December 14, 2022 <https://rhg.com/research/taiwan-economic-disruptions/>

10 For an overview of G7 sanctions options in response to a Taiwan crisis, see A. Kratz, C. Vest, “Sanctioning China in a Taiwan Crisis: Scenarios and Risks,” Rhodium Group and the Atlantic Council, June 22, 2023 <https://rhg.com/research/sanctioning-china-in-a-taiwan-crisis-scenarios-and-risks/>

11 For more on this topic see: C. Mölling, T. Schütz, “Preventing the Next War (#EDINA III),” German Council on Foreign Relations, November 17, 2023 <https://dgap.org/en/research/publications/preventing-next-war-edina-iii> and B. Tallis, “Czechia and NATO: Building a more capable, connected and credible European pillar,” Europeum, July 17, 2024 <https://www.europeum.org/en/articles/detail/6860/policy-paper-czechia-and-nato-building-a-more-capable-connected-and-credible-european-pillar>

defense, and telecommunications sectors.¹² At the same time, Europe, together with G7 allies, must develop a better picture of China's vulnerabilities as it takes a deeper look at its options for sanctioning Beijing in response to any attack on Taiwan.

Although European countries are unlikely to play a prominent military role in the Indo-Pacific in the event of a conflict, there is much they can do to reduce the risks of one

in place for how they would respond to various escalation scenarios. Germany and its European partners can also do more to ramp up engagement with the new government in Taipei on a range of issues, from disaster relief to foreign interference. This can be done in full respect of Europe's one China policy. The arrival of a new European Commission in 2024, and a federal election in Germany in 2025, provide an opportunity for Europeans to reassess their approach to Taiwan, replacing a relationship that has been shaped by a fear of China with one that is driven by their own economic, political, and security interests.

The views expressed in this policy brief are those of the author and do not necessarily reflect the views of the Action Group Zeitenwende or DGAP.

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CONCLUSIONS

A conflict over Taiwan could have a devastating impact on Europe's economy and its security. Germany, the European country with the most to lose from such a conflict, has a vital interest therefore in ensuring that Europe has a coherent and credible strategy in place for deterring Chinese aggression and that it is prepared for such a crisis should it arise. Although European countries are unlikely to play a prominent military role in the Indo-Pacific in the event of a conflict, there is much they can do to reduce the risks of one. This includes coordinated messaging to China that its attempts to change the parameters of the relationship with Taiwan by coercion or force will be met with a clear European response, ranging from punitive diplomatic measures to broad-based economic sanctions. This messaging would be made more credible if leading European countries had concrete plans

12 J. Teer, "Preventing War in East Asia: A European Action Plan to Strengthen Deterrence," European Union Institute for Security Studies, July 2024 <https://www.iss.europa.eu/content/preventing-war-east-asia>



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Rauchstraße 17/18
10787 Berlin
Tel. +49 30 254231-0
info@dgap.org
www.dgap.org
@dgapev

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