

# DGAP POLICY BRIEF

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## Security Risks in the Indo-Pacific

### Why Germany Needs to Cooperate More Closely with Partners in the Region



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China's increasingly aggressive stance in the South China Sea and the Taiwan Strait, the consequences of a potential conflict in the region, and concerns about a possible lack of (military) US support are challenges that equally affect Germany and its allies in the Indo-Pacific. Many countries in the region provide significant support to Ukraine and thus to European security. Against this backdrop, Germany should intensify its security and defense policy cooperation with countries in the Indo-Pacific.

- Tensions in the South China Sea and the Taiwan Strait could turn into a hot war. A military confrontation between China and the United States could become a reality, with enormous costs for Germany and Europe.
  - European states as well as countries in the Indo-Pacific must prepare themselves for less US support in the long term and, in the event of a second term for Donald Trump, for the possible decline of security guarantees.
  - The fraught security situation and the shared challenges necessitate closer cooperation between European and Indo-Pacific partners.
  - Germany should be more assertive in condemning China's aggressive and illegal actions, learn from the experiences of its Indo-Pacific partners, and support them in terms of maritime capacity building.
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## INTRODUCTION

While the Russian war of aggression against Ukraine is commanding the public attention in Europe, the risk of military conflict breaking out is also increasing in several locations in the Indo-Pacific. In particular, the risk of military confrontation in the South China Sea and around Taiwan is rising, and with it, the risk of a potential conflict between the United States and China.

The risks of these conflicts may appear less relevant compared to the war in Ukraine; however, the security tensions in the Indo-Pacific also affect Europe and thus Germany. Correspondingly, the German Federal Government's 2020 "Policy Guidelines for the Indo-Pacific"<sup>1</sup> take into account the security risks emanating from the region and call for deeper security relations with democracies and partners that share our values in the Indo-Pacific. However, the definition of these partners remains vague<sup>2</sup> and the security policy coordination with democratic partners, especially with regard to Taiwan, is insufficient and lacking in specifics.

It is in Germany's interest to prevent a further erosion of the rules-based international order. Merely the economic impact of a military conflict between China and Taiwan would be enormous, dwarfing by far that of the coronavirus pandemic and the war on Ukraine: The costs of a military escalation for the global economy are estimated at ten trillion US dollars – equivalent to ten percent of global economic output.<sup>3</sup> For Germany, which conducts over 20 percent of its trade in the Indo-Pacific,<sup>4</sup> such a scenario would have catastrophic consequences. Furthermore, Russia's close cooperation with China and North Korea suggests that Germany should not only address

security concerns in its immediate vicinity.<sup>5</sup> Neither China nor North Korea have an interest in a quick end to the war on Ukraine, which is diverting the attention and military resources of Europe, and above all the United States, away from the Indo-Pacific.<sup>6</sup> Both China and North Korea support Russia: the People's Republic with the supply of dual-use goods and the import of Russian oil, and North Korea with the suspected supply of weapons and ammunition.<sup>7</sup> Japan and South Korea, which are among the strongest supporters of Ukraine, understand this intertwining of global security.<sup>8</sup> Both countries fear that the international community's inability to stop the Russian attack could pave the way for military aggression in the Indo-Pacific, as China could feel emboldened to attack Taiwan as a result of a Russian victory.<sup>9</sup>

## THE INDO-PACIFIC POWDER KEG

### Threat in the South China Sea

Currently, the South China Sea is where the risks of a military conflict in the Indo-Pacific are greatest.<sup>10</sup> In recent months, there have been repeated incidents between the coast guards of the Philippines and China in these resource-rich, high-traffic waters. China claims virtually the entire South China Sea for itself, despite a 2016 ruling by the Permanent Court of Arbitration in The Hague, which rejected China's territorial claims in the region. In the dispute over these claims, the Chinese coast guard has repeatedly used water cannons, military lasers, and even axes against Philippine ships. Should such border violations result in, for example, the injury or even death of a Filipino crew member, this could prompt the Philippines to invoke the Mutual Defense Treaty with the United States,<sup>11</sup> which then would have to choose between two difficult options: risking a military conflict

1 German Federal Government, Foreign Ministry. *Leitlinien zum Indo-Pazifik* [in German]. August 2020: <https://www.auswaertiges-amt.de/blob/2380500/33f978a9d4f511942c241eb4602086c1/200901-indo-pazifik-leitlinien--1--data.pdf> (accessed on October 1, 2024).

2 Felix Heiduk, "Deutschlands Wertepartnerschaften im Indo-Pazifik" [in German], *SWP Research Paper*, February 2, 2024, <https://www.swp-berlin.org/10.18449/2024S02/> (accessed on October 1, 2024).

3 Malcolm Scott, "A War Over Taiwan Is a \$10 Trillion Risk," *Bloomberg*, January 9, 2024, <https://www.bloomberg.com/news/newsletters/2024-01-09/economy-risks-latest-taiwan-war-would-cost-world-10-trillion> (accessed on October 1, 2024).

4 German Foreign Ministry, *Indo-Pazifik* [in German], September 22, 2023, <https://www.auswaertiges-amt.de/de/aussenpolitik/asien/AsienPazifik#:~:text=Deutsche%20Interessen%20im%20Indo%2DPazifik,im%20Indo%2Dpazifischen%20Raum%20statt> (accessed on October 1, 2024).

5 Recently, Putin met Xi for the 42nd time since he became president in 2000; he also sealed a partnership agreement with North Korea.

6 Juan N. García-Nieto, "Year Two: Appraising Chinese Foreign Policy Towards the War in Ukraine," *China Observers in Central and Eastern Europe*, March 5, 2024, <https://chinaobservers.eu/year-two-appraising-chinese-foreign-policy-towards-the-war-in-ukraine/> (accessed on October 1, 2024).

7 Max Bergmann et al., "Collaboration for a Price: Russian Military-Technical Cooperation with China, Iran, and North Korea," *CSIS Report*, May 22, 2024, <https://www.csis.org/analysis/collaboration-price-russian-military-technical-cooperation-china-iran-and-north-korea> (accessed on October 1, 2024).

8 Yuko Nakano, "Japan's Leadership Role on Ukraine," *CSIS Commentary*, 22. Februar 2024, <https://www.csis.org/analysis/japans-leadership-role-ukraine> (accessed on October 1, 2024).

9 Ibid.

10 Demetri Sevastopulo, "Biden to warn Beijing over aggressive South China Sea tactics," *Financial Times*, April 8, 2024, <https://www.ft.com/content/be5f840a-28f7-4bb0-91f9-1aedd3d10d9e> (accessed on October 1, 2024).

11 Sarang Shidore, "The South China Sea Risks a Military Crisis," *Foreign Policy*, May 31, 2024, <https://foreignpolicy.com/2024/05/31/philippines-south-china-sea-shangri-la/> (accessed on October 1, 2024).

with China or not intervening and consequently losing global credibility as a reliable ally. If the United States was unwilling to defend its ally, China could in turn draw the conclusion that it would not have to fear US intervention if it attacked Taiwan, either.

## The German government must signal that it is taking seriously the threat from China in the Indo-Pacific.

### The Risks around Taiwan

It may currently appear unlikely that China will attempt to annex Taiwan by military means within the next few years, as this would come at a high cost to the Chinese military and the already struggling economy of the People's Republic.<sup>12</sup> However, this could change should China gain the impression that Taiwan is pursuing an overly separatist course, i.e. striving for formal independence. In response to the inauguration of the new Taiwanese president, Lai Ching-te, whom China sees as a supporter of an independent Taiwan, the Beijing authorities initiated two days of large-scale military maneuvers in the waters around Taiwan in May of this year as "punishment" for separatist behavior.<sup>13</sup> Aggressive Chinese behavior and violations of the Taiwanese air defense zone by military aircraft and ships are now occurring on an almost daily basis. US president Joe Biden has repeatedly pledged that the United States would support Taiwan in the event of an attack<sup>14</sup> – however, officially, the government in

Washington is pursuing "strategic ambiguity," leaving open whether it would defend Taiwan by military means.

### THE UNITED STATES: AN UNCERTAIN PARTNER

In addition to the tense security environment in Europe and the Indo-Pacific itself, the European and Indo-Pacific allies are also worried about the situation in the United States, which is their most important security guarantor. A possible second term for Donald Trump in November this year could mean a radicalization of his "America First" course: Demands for greater burden-sharing towards allies in both regions could become much louder and more vehement.

As a result, US allies should be prepared for a reduction in security support. For Germany, this means first and foremost closing gaps in its own defense capacities and being as prepared as possible for any reductions in US security support of Europe, for example, in bolstering Ukraine's defense against Russia.<sup>15</sup> But the German government must also signal that it is taking seriously the threat from China in the Indo-Pacific, which is the main focus of US security and defense policy, in order to continue to secure US support in Europe – at least to a certain extent.<sup>16</sup> After all, the bipartisan consensus in the United States is that the Indo-Pacific and dealing with China are strategic priorities for Washington, and that coordination between European and Indo-Pacific partners is desirable.

Given the potential for escalation in the Indo-Pacific, a clear stance is crucial. One of the measures in support of this policy is this year's Indo-Pacific Deployment maneuver, intended to show a presence in the region and stand up for the freedom of navigation. Despite fears that Germany might shy away from passing through the Taiwan Strait, as was the case in 2021 when the frigate "Bayern" was deployed

- 12 Denny Roy, "Why China Remains Unlikely to Invade Taiwan," *The Interpreter*, April 17, 2024, <https://www.lowyinstitute.org/the-interpreter/why-china-remains-unlikely-invade-taiwan> (accessed on October 1, 2024).
- 13 Brian Spegele, Joyu Wang, "Chinese Military Launches Drills Encircling Taiwan in Test of New President," *Wall Street Journal*, May 23, 2024, <https://www.wsj.com/world/asia/chinese-military-launches-drills-encircling-taiwan-in-test-of-new-president-d11f6dce> (accessed on October 1, 2024).
- 14 "Full Transcript of President Joe Biden's Interview with the TIME," *Time Magazine*, 5. Juni 2024, <https://time.com/6984968/joe-biden-transcript-2024-interview/> (accessed on October 1, 2024).
- 15 Aylin Matlé, Hanna Gers, "Ein Gespenst geht um in der NATO: Die Zukunft von US-Sicherheitsgarantien für Europa" [in German], *DGAP Memo*, August 2024, <https://dgap.org/de/forschung/publikationen/ein-gespenst-geht-um-der-nato-die-zukunft-von-us-sicherheitsgarantien-0> (accessed on October 1, 2024).
- 16 Ben Schreer, "Coming of age? European defence engagement in the Indo-Pacific," *IISS Online Analysis*, May 22, 2024, <https://www.iiss.org/online-analysis/online-analysis/2024/05/coming-of-age-european-defence-engagement-in-the-indo-pacific/> (accessed on October 1, 2024).

to the region, the frigate “Baden-Württemberg” did pass through the strait at the beginning of September 2024. Apparently, the German government did not want to give the impression that it was being intimidated by Chinese warnings, the Chinese government having previously referred to the maneuver as a provocation.<sup>17</sup> The German Defense Minister Pistorius stated: “International waters are international waters, it is the shortest route, it is the safest route given the weather conditions, and it is international waters, which means we will pass the straight.”<sup>18</sup> The passage signals that Germany is not intimidated by China’s threatening behavior and is committed to the freedom of international navigation. Thus, Germany is sending an important signal – to China, but also to the United States and its regional allies.

## OPTIONS FOR COOPERATION

Although Germany’s (military) resources are limited, it can contribute to deterring China and thus preventing a military conflict.

*Given the potential for escalation in the Indo-Pacific, a clear stance is crucial.*

Increased attention to and clear condemnation of China’s activities from many countries, including European ones, could change the Chinese calculus. Primarily symbolic engagement such as the passage through the Taiwan Strait or (further) joint military exercises with countries such as Japan, South Korea, or Australia could also have a deterrent effect on China.

Given their shared challenges and shared values, such as democratic principles and the freedom and

security of navigation, Germany should demonstrate unity with partners such as Australia, Japan, South Korea, New Zealand, and the Philippines, indicating its rejection of any change to the status quo such as the enforcement of unlawful territorial claims by military means. It can also provide security support and cooperate more closely with these partners in terms of the defense industrial base. The cooperation between Poland and South Korea on the procurement of military equipment shows that such cooperation also directly strengthens Europe’s security.<sup>19</sup>

The interdependence of Euro-Atlantic and Indo-Pacific security means that engagement in the Indo-Pacific also strengthens European security. Standing up for the liberal and rules-based order would not only contribute to stability in the Indo-Pacific and help prevent conflicts; it would also signal that Germany is a reliable partner and thus help ensure that its ally, the United States, remains committed to Europe’s security, as do Indo-Pacific countries.

## RECOMMENDED ACTIONS

The German government should take the following steps to contribute to stability and avoid conflict in the Indo-Pacific:

- Most importantly, Germany should work with its European partners to agree on joint responses in the event that China attempts to forcibly change the status quo in the Taiwan Strait or the South China Sea, taking into account different scenarios. The message, to be conveyed to Chinese government officials through various channels, must make it unmistakably clear that an attack on Taiwan would have serious economic and diplomatic consequences. A certain degree of ambivalence – as is usual with deterrence – is certainly sensible. But the Chinese leadership must not get the impression that Germany or Europe would remain idle.
- As part of this deterrence strategy, Germany should continue to insist on the importance of free navigation routes. The passage of the German frigate “Baden-Württemberg” through the Taiwan Strait should serve as a benchmark for future

<sup>17</sup> “China reagiert milde auf Fahrt deutscher Marineschiffe durch Taiwanstraße” [in German], *Der Spiegel*, September 13, 2024, <https://www.spiegel.de/ausland/taiwan-china-reagiert-milde-auf-fahrt-deutscher-marineschiffe-durch-taiwanstrasse-a-92241618-9aed-40d6-ad8c-f72f44cd920a> (accessed on October 1, 2024).

<sup>18</sup> Ibid.

<sup>19</sup> Aswin Lin, “South Korea’s Competitive Advantages as a Global Military Supplier,” *The Diplomat*, May 16, 2024, <https://thediplomat.com/2024/05/south-koreas-competitive-advantages-as-a-global-military-supplier/> (accessed on October 1, 2024).

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deployments, which should continue to signal that Germany is committed to peace and stability in the region and will not tolerate changes to the status quo. Germany should also strongly condemn violations of the United Nations Convention on the Law of the Sea with regard to the South China Sea.

- Germany should continue to support partners in the Indo-Pacific, for example with maritime capacity building. As part of the Enable & Enhance Initiative, Germany has already equipped the Philippine Coast Guard with two unmanned aerial vehicles (UAVs) to monitor its territorial waters, and training measures as well as the delivery of four more drones were announced in January 2024.<sup>20</sup> Joint patrols with the Philippine Coast Guard in the South China Sea are also planned.
- Germany could consider further possibilities of minilateral cooperation which is already frequently employed in the Indo-Pacific.<sup>21</sup> The joint dispatch of the German, Spanish, and French air forces as part of the Indo-Pacific Deployment and their joint exercise with the Japanese Air Self-Defense Force offer starting points for this and could be intensified in the future. In this spirit, Germany should coordinate the deployment of frigates to support the principle of freedom of navigation more closely with European partners, especially France and the United Kingdom.
- Lastly, the changed security situation in both regions and therefore the necessity of discussing defense must be communicated clearly and openly to the respective populations. In this regard, Germany can learn from experiences such as that of Australia: As a result of the economic pressure exerted by China in response to the Australian inquiry into the origin of the coronavirus in 2020, the government communicated to its population the geopolitical risks posed by China and the strategic need to invest in defense. Australia's population largely supports the country's increased military spending, including that within the framework of the AUKUS alliance.<sup>22</sup>

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20 "Germany to Donate Four More Drones to PCG," *Manila Bulletin*, January 12, 2024, <https://mb.com.ph/2024/1/11/germany-to-donate-four-more-drones-to-pcg> (accessed on October 1, 2024).

21 Many 'mini-lateral', informal partnerships have been forged in the Indo-Pacific in recent years, seen as a reaction to or an alternative to ineffective multilateralism, see Sarah Teo, "The Rise and Endurance of Minilaterals in the Indo-Pacific," *The Interpreter*, May 1, 2024, <https://www.lowyinstitute.org/the-interpreter/rise-endurance-minilaterals-indo-pacific> (accessed on October 1, 2024).

22 Lowy Institute Poll 2024, "Acquiring nuclear-powered submarines," <https://poll.lowyinstitute.org/charts/acquiring-nuclear-powered-submarines/> (accessed on October 1, 2024).

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