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The EU has a DeepSeek problem that is exacerbated by DeepTrump



Europe has a China problem that's being made a lot worse by its evolving US problem. The EU, on the one hand, has a flourishing trade relationship with China and, on the other hand, faces a range of essential and worsening rivalries and antagonisms. These are only likely to be exacerbated by the actions of the new Trump administration.

If a reminder were needed of the way China is challenging the old world order, it came last week in the form of a devastating Chinese leap in Artificial Intelligence.

Its DeepSeek LLM caught up surprisingly quickly to OpenAI's ChatGPT, **reportedly** for a fraction of what Western companies have invested.

The less than \$6 million supposed price tag to develop DeepSeek's latest model made a mockery of the \$500 billion investment in compute sought by OpenAI, Oracle and SoftBank under the Trump-shepherded project Stargate.

Keir Starmer's £14 billion **plan** to make the UK an AI superpower now also looks overblown. Only the EU can rival DeepSeek's meagre expenditure on AI, with the targeted investment of the bloc at just under €2 billion.

Unfortunately for the EU, the inverse **relationship** between investment and progress that DeepSeek displayed has not yet been replicated.

This, of course, ignores a lot of question marks still hanging over the genesis of DeepSeek. OpenAI claims intellectual property infringement. Also, the company's total investment was undoubtedly higher than what it spent only on its latest model

And, if you ask ChatGPT, this is what it says is highly likely, DeepSeek might have benefited from hidden investments, for example, through links and partnerships with Chinese academic and defence institutions, in the same murky way that we're familiar with in other industries.

The EU is risking technologically falling behind the US and China

While what has been called China's 'Sputnik moment' is seen as a wake-up call for the US, it is much more significant for the EU, which is now risking technologically falling behind both the US and China, with all the knock-on effect on trade and the economy that can be expected from that.

Chinese consumers have already been turning away from once highly desired German cars, for example, in favour of increasingly competitive, certainly cheaper and mostly electric, domestically made brands. "Vorschprung durch technik" has become a hollow phrase.

Apart from battery technology, as used in EVs, other renewable energy technologies such as solar and wind have also become dominated by Chinese firms, to mention but a few examples of the disappearing edge that Western industry might once have had.

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Particularly the EU will suffer from Chinese technological and industrial advances, the US is better shielded against them by its circumstances, such as energy independence, its domestic technological base and an increasingly inward-looking economic model that sees it less and less dependent on international trade.

The EU's model is to a large extent based on trade, most of it, very successfully, internally, and it tends to favour the same mechanisms internationally. Its response to an increasingly insular US and to the threat of Trump tariffs has been to strengthen or expedite other trade agreements, such as with the Mercosur and

Mexico.

A risky partner

China is nowadays the epicentre of any trade puzzle and the EU's approach to it might affect its economic fortunes even more than the way it deals with the Trump turbulence that's blowing in from America.

At the same time, decoupling and/or derisking are more important than ever, as global trade flows have been shown to be susceptible to disruption and even more so because of clashing geopolitical interests with a rising China.

The EU can hardly afford to be too open to China as Beijing continues its support for a revanchist Russia, particularly in Ukraine. And China's increasingly aggressive posture towards Taiwan as well as other potential hotspots in Asia, including the South China Sea and the Indian border, make it a risky partner.

That is without going into the competition for resources, such as rare earth materials, and the usual rivalries in other fields where China has also acted increasingly assertive, if not aggressive.

The fundamental disagreement between the European, Western, model and the authoritarian, centrally led Chinese system is also still an issue in the background, but one that is probably rapidly becoming less relevant as the US and several EU countries become increasingly nationalist, intolerant and uninterested in human rights.

How can Europe justify turning a blind eye towards China's support for Russia while at the same time urging Trump to keep supporting Ukraine?

The pressures that the Trump administration, dominated by American China hawks, will likely bring to bear on the EU have been widely

documented in recent months.

They include forcing the EU to abide by US restrictions on technology and trade and also raise the spectre of China diverting even more of its exports towards Europe in response to additional US tariffs.

The US wants Europe to take a tougher line on China, and from a geopolitical perspective, that's not surprising. How can Europe justify turning a blind eye towards China's support for Russia while at the same time urging Trump to keep supporting Ukraine?

The EU's China policy

But, as noted above, the EU is much more vulnerable than the US to trade disruptions and needs to think of its own economic interests while derisking and decoupling.

There is also the not negligible risk of the Trump administration exerting pressure on the EU to be tougher on China, only then to do a 180-degree pivot and make a deal with Beijing that will only benefit itself. 'America first', after all. That will then leave the EU carrying the can.



The EU is much more vulnerable than the US to trade disruptions and needs to think of its own economic interests while derisking and decoupling - António Costa, Ursula Von der Leyen

Just one example of how likely this is, given Trump's highly transactional worldview, is the way he is now dealing with TikTok. Originally, it was his administration that first signalled the potential dangers of the app.

Now he's delaying action on shutting it down, possibly out of political motives and also in an attempt to reach a deal that might well end up benefiting those close to him.

Some see the new Trump era as offering opportunities with regards to China, rather than challenges. The EU could use US recalcitrance to pull closer to China on some important trade issues. But that's just dangerous wishful thinking.

Europe has to face up to the reality that it is living in a multipolar world where both its main rivals, the US and China, are mostly just that; rivals. While it should try hard to preserve its alliance with the US in many fields, none of them are a given.

The EU's China policy should have one big advantage over the way it deals with the US: at least with regard to China, there can be no misunderstanding about the inherently adversarial nature of the relationship.

Any trade deals should clearly be mutually beneficial, without any more cant about aspiring to tie China closer to the world economy and effecting domestic openness and liberalisation. And certainly, without delusions of forming a united front against Trump's America.