Germany's Dance Moves with China

Around the world, democratic countries, in particular, have started to take a tougher stance in their relations with China. The changing attitude of the USA and Australia was quickly followed by EU countries. Interestingly - despite China's oppressive practices in Hong Kong and human rights violations against Uighur Muslims - Germany continues to take a stable stance in its bilateral relations and avoid criticism from the international public. During Merkel's period, it was clearly stated that trade relations were prioritized over politics and that close economic relations with China would continue to strengthen. However, rising international criticism of China's increasing global influence and anti-democratic attitude and the parallel change in the relations of EU countries began to be felt in Berlin. Especially as the Merkel era was ending, Germany's closeness with China caused a great reaction from the country's opposition wing. Ultimately, with Merkel's resignation and the victory of Olaf Scholz from the Social Democratic Party at the election, serious questions began to arise about how the new government's relations with China would be shaped.

First of all, Germany is an important actor that comes to the forefront with its political and economic power among EU members. When we look at the pre-Merkel period in relation to China being an important market, the desire to benefit from the increasing Chinese influence in global politics and to balance this power has been the priority factor in German foreign policy. Therefore, for the German government, China was positioned as both a commercial partner and competitor, and a corresponding Chinese policy was determined. In other words, the economy has had a decisive role in the politics of Germany-China relations. When we look at Merkel's period, although it acknowledged that values and norms such as democracy and human rights are effective in attitudes towards China from time to time, economic relations and interdependence continued in a stable manner. Merkel met the Dalai Lama in 2007, and promised that the arms embargo against China would continue. However, steps were taken towards economic cooperations during the 2008 global crisis and the following period; China has become one of Germany's largest trading partners. Nowadays, there are discussions that the relations, which were stated to have continued relatively smoothly and solidly in the post-Merkel era, can no longer be sustained.

The new German government, which was formed by the coalition of the Social Democrats, Green Party, and Free Democratic Party, stated that its relations with China will progress "in the dimension of shaping partnership, competition, and system rivalry". The text of the coalition agreement also includes important articles, such as taking an interventionist stance on the Uyghur and Hong Kong issues. In this case, it can be said that the new government will take a tougher approach in its relations with China. However, despite the transition period has been tense on the Chinese side, it should be noted that there is a prevailing view that the new government cannot ignore China's power and they will have to build a pragmatic China policy accordingly. The dominant view in question argues that Germany's national interests do not pass through an alliance with the USA going against China and that the cautious policy should continue in the post-Merkel period. It is clear that China wants to continue and further the strategic economic partnership it has established with Germany. Nevertheless, at this point, how far Germany's reaction and radical actions against China will go will play an important role in evaluating the course of bilateral relations.

The coalition agreement, which states that Germany should play a more active role for a strong and independent European Union in international politics, also states that foreign policy will be value-based and democracy-oriented. On the other hand, discussions between the coalition parties regarding the foreign policy jurisdiction of the German government continue. For example, while German Foreign Minister Annalena Baerbock argued that the decision to hold the 2022 Winter Olympics in Beijing should be boycotted, the German chancellor Olaf Scholz made no statement to support her; on the contrary, he endorsed French President Macron's criticism of the decision to boycott the Beijing Winter Olympics. Secondly, Baerbock, a member of the Green Party, which is the junior partner of the coalition, argues that a strong response should be given to China's human rights violations and anti-democratic practices, while it is stated that the Chancellor is in favor of building a more pragmatic and economy-oriented relationship.

It is estimated that Scholz and his cabinet will continue their economic cooperation with China with a Merkel-like approach, without ignoring the trade balances. It is even reported that Scholz assured Xi Jinping that there would be no major changes in bilateral relations. However, Baerbock insists on reshaping the Chinese policy with a normative strategy of the EU. Nevertheless, it can be said that the new government has failed the expectations that it will adopt a different attitude in its foreign policy. In addition, the approach of the USA - which is considered as an ally of Germany – to China as an ideological enemy does not seem to be consistent enough to keep Germany away from China. In other

words, even if the USA and Germany agreed on the kind of China they want by cooperating on human rights issues, a value-based policy understanding will not find a practical response when it comes to economic relations.

Although China's investments and bilateral partnerships - especially in Eastern European countries - have attracted attention in recent years, the economic relations built on mutual benefit with developed economies such as Germany play a decisive role for Xi Jinping in European politics. According to World Bank data, while the total exports of Germany, which is China's largest exporter to Europe, were 106 billion dollars in 2018, the exports of France, which ranked second, were 32 billion dollars[1]. It is claimed that Germany's intense economic relations with China are an important pressure tool in the failure of other EU members to follow a common policy toward China. For example, it is underlined that the EU in general, but Germany in particular, abstained from the decision to bring China to the International Court of Justice in regards to Hong Kong's National Security Law. In fact, there are evaluations that China has succeeded in providing self-censorship over the economy in Germany. On the other hand, the pressure for Merkel to sign the pending EU-China economic investment agreement has triggered reactions from other European states. Although the China-EU Comprehensive Investment Agreement was widely praised at first, the signing of the agreement was suspended as a result of the EU's sanctions on four Chinese officials in the Uighur camps and retaliatory sanctions from China. After Merkel's resignation as the biggest defender of the agreement, and Russia's attack on Ukraine, the outcome of the investment agreement with China does not seem positive for now.

While the Investment Agreement has been suspended, China remains the largest trading partner of the EU market, especially Germany. Moreover, China is increasing its influence through investments and acquisitions in critical sectors such as telecommunications, electronics, energy, and infrastructure, which the EU considers "sensitive". These investments have led to a call by the EU Commission that China will now be a threat rather than a partner or competitor. In particular, the fact that the expected practices from China on Intellectual Property Rights have not been realized, on top of the limited access to the Chinese market, has caused the questioning of China's reliability in its commercial partnership and increased suspicions about its good-willed motivations in the context of economic security. In this respect, it is quite remarkable that the EU Commission's Foreign Direct Investment Monitoring Plan has officially entered into force. According to the regulation, a state must have met the minimum security conditions in its investments in mergers and acquisitions in EU member states. Although the last word on investments belongs to the member states, screening mechanisms are becoming widespread, especially in strategic sectors. Germany has also accepted such screening mechanisms and has started to take important steps toward its adoption. The first annual report published by the European Commission in 2021 pursuant to Article 5 (3) of the Screening Regulation on foreign direct investment (FDI) in the EU shows that around 4.2% of transactions submitted for review are canceled, banned, or cleared through mitigation.

The important point here is that Germany is one of the countries with the highest number of applicants and is the implementer of one of the ban decisions. The fact that China is one of the five main countries of origin in the reported transactions indicates that Germany has increased doubts about the employment, technology, and industrial capacity of Chinese companies, at least in the context of economic security. In addition, the fact that China's priority areas for investments are R&D and production sectors shows that the idea that China sees Europe as only a market is no longer valid. Still, Germany has a huge trade volume of $212 billion with China, according to 2021 data, and is a European country in which China has made the most foreign investment. Therefore, the desire to develop and maintain the Sino-German economic relations in a stable manner will continue despite diplomatic disagreements and power rivalries. Simply put, it seems difficult for now to make comprehensive decisions about how problematic Chinese investments might be in the future, just as the deepening of economic relations does not happen overnight.

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[1] The said data were obtained by calculating from the relevant country profiles of the World Bank. For more information see: https://wits.worldbank.org/countrystats.aspx?lang=en