

BUSINESS-AS-USUAL BETWEEN GERMANY AND CHINA AS A DISRUPTIVE ELEMENT FOR THE EUROPEAN UNION

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In the light of the Russian invasion of Ukraine and the consequent energy crisis caused by Europe's overdependence on Russian fossil fuels, Europeans are now well aware of the perils emerging from binding their economies too tightly to autocratic regimes endangering peace and stability. Yet, while one economic reliance has been crumbling away as Europe divests itself from Russia, another has been gaining strength, namely that of Germany on China. Despite rhetorical proclamations by German leadership conveying a message of a unified European stance propelling its policy-making towards Beijing, the reality attests to the exact opposite. By adhering to the pragmatic business-as-usual approach, Germany not only demonstrates lack of self-reflection regarding the failure of its policy towards Russia, but it also conducts its policy in isolation, subsequently causing friction in the EU cohesion.

The reoccurring mistake of economic dependency?

It is worth noting that the interconnected economic relationship did not emerge within the last year. In 2022, for the [seventh time](#) in a row, China topped the list of Germany's most important economic partners. Moreover, there is a growing tendency as to the volume of mutual commerce exchange which is evident from Figure 1. Whereas Germany is highly dependent on imports of [rare-earth elements](#), China profits from investments mainly from German car [manufacturers and chemical companies](#). In November 2022, import and export between the two economic giants amounted to [245 billion Euro](#). Therefore, it is safe to say that a strong economic relationship exists between the two countries, as well as a tenacious effort to support this link.

Anteil Chinas am deutschen Außenhandel mit Waren in Prozent

	2000	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 1. Hj.
Einfuhren	3,4	6,5	9,7	8,8	8,7	8,4	8,8	9,7	9,9	9,9	9,7	10,0	11,4	11,8	12,4
Ausfuhren	1,6	2,7	5,7	6,1	6,1	6,1	6,6	6,0	6,3	6,7	7,1	7,2	7,9	7,5	7,4

Figure 1: China's share on German foreign trade in goods in percentage.¹

Representing European interests?

In early November, German Chancellor Olaf Scholz visited China. In an op-ed written as a means of justification of his endeavor, Scholz presented the trip as [“being embedded in European policy on China”](#) and in coordination with European partners, as well as an instrument for ensuring reciprocity, a more equal environment for commerce and business conditions, promoting diversification and resilience, rather than protectionism.

By putting an economic emphasis on the trip, the visit materialized in line with a traditional German approach to foreign policy, conducting international affairs through the prism of “business-first”. That was highlighted by the fact that the Chancellor was accompanied by a phalanx of [top German business leaders](#), leaving space for doubts to which extent Germany is acting on behalf of EU strategic interests’ and not on its own.

That skepticism is not unsubstantiated. Just a few days prior, the German government authorized the state-owned Chinese company [Cosco](#) to buy 24,9 percent of the shipping company running a container terminal Tollerort, a significant logistics hub in the country’s largest port in Hamburg. Not only did the

¹ Sources: Statistisches Bundesamt, Deutsche Bundesbank, Institut der deutschen Wirtschaft, cited in: Jürgen Matthes, 2022, China-Abhängigkeiten der deutschen Wirtschaft: Mit Volldampf in die falsche Richtung, IW-Kurzbericht, Nr. 68, Köln.

decision not reflect a unified support from the Bundestag², but neither that of the European Union. Already in spring, the [European Commission issued a warning](#) to the Federal Government, bringing into focus the danger of enabling a [flow of sensitive information](#) about the port business to China, emphasizing that the port is not only of civil, but also of [military significance](#). One-sidedness, rather than cooperation, characterize how the deal has been carried out.

Friction with France

Germany's actions should also be viewed in the light of the consequences for Europe in a political sense, since it also disrupts diplomatic cohesion of the European Union. Together with negotiations regarding [energy policy](#) and [air defense system](#), discrepancies with respect to China have recently contributed to the mutual relationship encroachment between the two biggest EU countries. Any disturbances of this sort should not be taken lightly, all the more so if they arise against the backdrop of arduous economic and geopolitical conditions in Europe, begging for a consolidated approach from its leading members.

Despite presenting the visit as being in coordination with European partners, German leadership dismissed French president [Macron's proposition](#) to travel to China together. Taken that into consideration, Germany's claims of coordination of its steps with the EU's members can be seen as only hardly convincing. It further puts off a creation of a united EU front on China, a [long-term struggle](#) for the block given by different economic interests of its members. The absence of a common scheme, however, enfeebles the European ability to negotiate.

The timing of the visit was also part of the reason for [French hesitance](#), namely a fear that visiting China so shortly after Chinese president Xi Jinping [bolstered his](#)

² Germany's Minister for Economic Affairs and Climate Action Robert Habeck [expressed his disapproval](#) to the COSCO deal.

[power position](#) would come across as an act of legitimization of his regime. China's growing military assertiveness regarding Taiwan, contempt for human rights, as well as economic protectionism thwarting the potential of equality in EU-China commerce exchange, all account for concerns being raised over deeper engagement with Beijing. And so whereas Germany sticks to pragmatism, France advocates for a more [assertive strategy](#) and restraint regarding infrastructure sales, two mutually exclusive prisms, not only in the context of the Cosco deal.

Conclusion

Given China's tendency to [protectionism](#) and reluctance to allow European companies to participate equally in similar projects in Asia, the German belief in reciprocity seems to be a pipe dream, nourished by a fear of stepping out of the "business-as-usual" approach and losing a major trading partner on which many companies in Europe's strongest economy depend as its sole supplier or a major purchasing partner. However, learning a lesson from the Russia case, Germany should avoid deepening economic dependence on geopolitically unreliable actors.

Also, while acknowledging that China is a significant player that has to be taken into consideration politically and economically, Germany should strive for a better communicated and coordinated policy conduct towards Beijing in close cooperation with its European partners in order to avoid frictions weakening the EU's negotiating position in the long run. At the moment, the [European Union officially considers](#) China to be a partner, but also an economic and a systematic rival. This dichotomy only underscored how split the bloc is with regards to policy on China. However, such steps as a recent [legislation initiative](#) aimed at decreasing Europe's dependency on Chinese import of critical materials demonstrate the direction which the Union wants to take. But in order to set off on that journey, EU leading members must act in unison, and that might occur once Germany agrees to reassess its current approach to China.

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