

Rethinking German policy towards China

Prospects for change in the post-Merkel era

Summary

- After years of viewing China primarily as a lucrative market, Germany is in the process of rethinking its relationship with what is now its largest single trading partner. Concerns over a growing dependence on the Chinese market, together with Beijing's increasingly authoritarian tilt at home and more assertive behaviour abroad, are driving this reassessment.
- While Chancellor Angela Merkel has resisted pressure to choose sides between the US and China, particularly when it comes to economic ties, whoever succeeds her following the September 2021 election will be confronted by a changing domestic and international landscape. Germany will find it increasingly difficult to stay on its current path of seeking close political and economic relations with both the US and China.
- At home, a cross-party coalition of lawmakers and an increasingly China-critical media and civil society are demanding that Germany take a tougher line on human rights abuses. Abroad, the hardening positions of some of Germany's closest allies – not just the US, but also the UK, Australia, Japan, India and Canada – are likely to raise the pressure on Berlin to confront the strategic challenges posed by China more forcefully.
- Germany's stance will be crucial in shaping Europe's broader response to China, and will be an important factor in determining the success of US President Joe Biden's efforts to forge a transatlantic agenda, and a broader coalition of democratic nations, to push back against China.

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Introduction

Germany is struggling to redefine its relationship with China, after many years in which its political establishment and industrial leaders viewed the country as a lucrative market and little else. The reassessment began half a decade ago, as the Chinese Communist Party, under the leadership of Xi Jinping, began tightening its grip on the domestic economy and Chinese companies were able to transform themselves into formidable competitors, aided by forced technology transfers at home and strategic acquisitions abroad. Germany's exposure to the world's second biggest economy had long been seen a vital strength – and a model for other European countries to replicate – but, in the span of a few years, it started to look like a potential weakness. Many of Germany's biggest companies, its carmakers in particular, found themselves reliant on a Chinese market that was becoming increasingly difficult to navigate. This dependence gave China leverage with German politicians and with the country's most powerful CEOs, who embraced Beijing's red lines as their own, even at the risk of embarrassment at home.¹

China is no longer a one-way bet for Germany. The costs of doing business there have risen, not only because of Beijing's more aggressive policies in the context of the COVID-19 pandemic, but also in light of the US's increasingly confrontational stance with China across a range of issues – from trade and technology to security and human rights. These factors have triggered a broader debate in Germany about the relationship with China.

There are rising concerns among Germany's politicians about being forced to choose sides, as some see it, between China, the country's biggest single trading partner, and the US, the post-war ally that has guaranteed its security for nearly three-quarters of a century. Even with a new administration in Washington, following Joe Biden's victory in the November 2020 US presidential election, the trauma of the Trump years lingers, affecting Berlin's calculus as it navigates a dangerous new world of great power competition. Polls show growing public scepticism in Germany towards China,² but also weakening trust in the US as an ally and a conviction that Germany and Europe should become more independent from Washington.³ Chancellor Angela Merkel has steadfastly refused to pick a side, and together with French President Emmanuel Macron has set Europe on an uncertain path towards strategic autonomy. In the final days of 2020, as Germany's presidency of the Council of the EU came to an end, Merkel led the push to conclude an investment agreement with China, despite requests from the incoming Biden administration to hold off on a deal.⁴ This underscored Germany's desire to stay engaged with China and push back against the notion of a new, zero-sum world of US–China confrontation that

¹ Wee, S. (2018), 'Mercedes-Benz Quotes the Dalai Lama. China Notices. Apology Follows', *New York Times*, 6 February 2018, <https://www.nytimes.com/2018/02/06/business/mercedes-daimler-dalai-lama-china.html>; BBC News (2019), 'VW boss 'not aware' of China's detention camps', 16 April 2019, <https://www.bbc.com/news/av/business-47944767/vw-boss-not-aware-of-china-s-detention-camps>.

² Silver, L., Devlin, K. and Huang, C. (2020), 'Unfavorable Views of China Reach Historic Highs in Many Countries', Pew Research, 6 October 2020, <https://www.pewresearch.org/global/2020/10/06/unfavorable-views-of-china-reach-historic-highs-in-many-countries>.

³ Barkin, N. (2020), 'In the Post-Pandemic Cold War, America is Losing Europe', *Foreign Policy*, 19 May 2020, <https://foreignpolicy.com/2020/05/19/coronavirus-pandemic-europe-opinion-polls-united-states-china-losing>.

⁴ Sullivan, J. (@jakejsullivan) (2020), 'The Biden-Harris administration would welcome early consultations with our European partners on our common concerns about China's economic practices', tweet, 21 December 2020, <https://twitter.com/jakejsullivan/status/1341180109118726144>.

is seen by German politicians and industry as antithetical to the country's interests. As Merkel told an audience in January 2020: 'My plea is that we don't descend into a new bipolarity, but rather try, based on our achievements, our experiences with multilateralism, to involve China and at a minimum to treat them equally.'⁵

Whether this balancing act will be sustainable over time seems at the very least questionable. China's robust reaction, in March 2021, to sanctions imposed by the EU and other countries in response to human rights abuses in Xinjiang shows that European efforts to compartmentalize the relationship with Beijing – strongly condemning China on human rights while continuing to pursue closer economic engagement – will be an increasingly precarious undertaking.⁶ The Biden administration is expected to press Germany and its EU partners to work more closely with Washington on China. Saying no to Biden will be more difficult than rebuffing Trump.

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Merkel's fourth and final term as chancellor will come to an end later this year. Her successor may find it more challenging to resist domestic and international pressure to adopt a tougher line towards Beijing.⁷ China's initial handling of the COVID-19 outbreak, its security crackdown in Hong Kong and the repression of its Uighur minority in Xinjiang have led to a hardening of positions among Germany's closest allies outside the EU – from Australia and Canada to India, Japan and the UK. But there are also influential forces in Germany that will continue to push back against a more confrontational stance towards Beijing. Some of Germany's biggest companies remain highly dependent on the Chinese market, the allure of which has been burnished by the early recovery of China's economy from the impact of the pandemic. As the Biden administration gears up for 'extreme competition' with China,⁸ a not insignificant part of the German political and corporate establishment still supports what former World Bank chief Robert Zoellick has called a position of 'benign neutrality' *vis-à-vis* Beijing and Washington.⁹

⁵ Die Bundeskanzlerin (2020), 'Speech by Chancellor Merkel at the Henry A. Kissinger Prize on January 21, 2020 in Berlin' [translated here by the author], <https://www.bundeskanzlerin.de/bkin-de/aktuelles/rede-von-bundeskanzlerin-merkel-bei-der-verleihung-des-henry-a-kissinger-preises-am-21-januar-2020-in-berlin-1714694>.

⁶ Peel, M., Shephard, C., Sevastopulo, D. (2021), 'China retaliates after US, EU and UK impose sanctions', *Financial Times*, 22 March 2021, <https://www.ft.com/content/27871663-cebc-433c-b9bf-4ef28a55d73e>.

⁷ Barkin, N. (2021), 'Is Armin Laschet too Gemütlich?', *Foreign Policy*, 18 January 2021, <https://foreignpolicy.com/2021/01/18/is-armin-laschet-too-gemuetlich-cdu-merkel>.

⁸ Associated Press (2021), 'Biden: China should expect 'extreme competition' from US', 7 February 2021, <https://apnews.com/article/joe-biden-xi-jinping-china-8f5158c12eed14e002bb1c094f3a048a>.

⁹ Zoellick, R. (2020), 'The U.S. Doesn't Need a New Cold War', *Wall Street Journal*, 18 May 2020, <https://www.wsj.com/articles/the-u-s-doesnt-need-a-new-cold-war-11589842987>.

Merkel's approach to China

Angela Merkel's predecessor as chancellor, Gerhard Schröder, had taken a business-first approach to Beijing during his seven years in office. Guided by the principle of 'Wandel durch Handel', or change through trade, Schröder had championed China's entry into the WTO, which came about in 2001, and subsequently pushed (albeit unsuccessfully) for the EU to end the arms embargo on China that it had imposed in response to the crushing of the Tiananmen Square demonstrations in 1989.

Merkel, who took office in 2005, initially chose a different tack. In 2007 she hosted the Dalai Lama for a meeting in the Chancellery in Berlin,¹⁰ a move that infuriated Beijing. Chinese leaders retaliated by suspending dialogue with Germany for roughly half a year. This reaction was deeply unsettling for the German political and industrial establishment alike, and Merkel subsequently recalibrated, toning down public criticism of China's human rights record. Throughout the global financial crisis in 2008–09 and the turmoil in the eurozone that followed in 2010–12, the Chinese economy continued to grow, providing vital economic support for Germany and its biggest industrial companies. In 2011, a year after embracing the concept of a 'strategic partnership' with China, Merkel launched annual government consultations with Beijing at senior cabinet level.¹¹ Two years later, she intervened to prevent the EU from imposing punitive duties on solar panels imported from China.¹² Fearing retaliation from Beijing, Germany's auto manufacturers had lobbied the government to stop the push by the EU's then trade commissioner, Karel De Gucht, to confront China over its trading practices. The episode raised uncomfortable questions about German industry's dependence on China, and Beijing's ability to leverage that dependence to shape decisions in both Berlin and Brussels.

In the meantime, Germany's economic relationship with China flourished, with bilateral trade reaching new heights. In recent years, the value of goods trade between the two has exceeded that of the combined trade between Europe's next three biggest economies (the UK, France and Italy) and China. In 2016 China overtook the US to become Germany's largest single trading partner. Exports to China make up just 8 per cent of Germany's total foreign sales, but trade does not tell the full story. German companies began setting up shop in China decades ago. The country's leading automakers – Daimler, Volkswagen and BMW – all have major production facilities in China, and generate a third or more of their total profits there.¹³ Other German blue-chip companies like the engineering giant Siemens or the chemicals group BASF are also deeply embedded in the Chinese market. Under Merkel, it has been common practice for her aides to consult with big German firms before trips to China, bring their top executives on these trips as part of large industry

¹⁰ Deutsche Welle (2007), 'Merkel Meets Dalai Lama Despite Chinese Criticism', 23 September 2007, <https://www.dw.com/en/merkel-meets-dalai-lama-despite-chinese-criticism/a-2793322>.

¹¹ Reserved for Germany's closest partners, government consultations (Regierungskonsultationen) are annual intergovernmental meetings at senior cabinet level.

¹² Chaffin, J. and Bryant, C. (2013), 'Germany thwarts EU in China solar fight', *Financial Times*, 27 May 2013, <https://www.ft.com/content/3feec642-c6dc-11e2-8a36-00144feab7de>.

¹³ Based on author's conversation with Ferdinand Dudenhöffer, Director of the Center for Automotive Research at the University of Duisburg-Essen, 27 January 2020.

delegations, and lobby for their interests in Beijing.¹⁴ This has led to criticism from some opposition politicians and NGOs that German industry retains an inordinate amount of influence over Berlin's policy towards China.¹⁵

Despite the continued importance of the Chinese market for German industry, concerns about the economic relationship have been building for at least half a decade. And it is these economic factors – rather than concerns about China's human rights record, its more aggressive military posture, or the centralization of political power under President Xi Jinping – that prompted Berlin to reassess the cost–benefit equation in the relationship in the years before the COVID-19 pandemic. Xi's push for greater state control over the Chinese economy – through the roll-out of its 'social credit' system, tighter cyber laws and a renewed emphasis on the role of Communist Party cadres on company boards – soured the mood among German firms operating in the country. Moreover, Xi's 'Made in China 2025' strategy, a top-down roadmap for China's domination of 10 key industrial sectors, came to be seen in Germany as a direct threat to the country's manufacturing dominance.¹⁶ The wake-up call in Berlin, however, can be traced back to the 2016 takeover of the German robotics maker Kuka by China's Midea Group. Midea's \$5 billion offer for Kuka caught the government off guard and sent it scrambling, ultimately without success, to find a counterbid closer to home. The experience with Kuka – along with several other attempts by Chinese firms to acquire or increase their stakes in German companies – had a transformative effect on the Merkel government's view of China.¹⁷ Chinese investments were no longer viewed as mutually beneficial. Instead, they were increasingly seen as a threat – and part of a well-planned strategy to vault China into a position of technological dominance at Germany's expense.

Germany tightened its own rules on foreign investments in 2018, and, together with France and Italy, launched a push for a new EU-wide coordination mechanism to vet foreign takeovers. A year later, German economy minister Peter Altmaier announced plans for a new industrial strategy and pushed Brussels to reassess its competition policies in the face of what his and other governments in the bloc saw as growing distortions to the EU market from Chinese state-owned and state-subsidized companies. These initiatives showed that while Germany remained reluctant to criticize China too loudly itself, it was more comfortable with the idea of robust

¹⁴ Merkel and her chief economic adviser, Lars-Hendrik Röller, gave a glimpse into the government's approach to lobbying for the interests of German firms in China in their Bundestag testimony of 2021, as part of an investigation into the scandal-hit German payments company Wirecard. For an overview of that testimony, see Chazan, G. (2021), 'Wirecard enjoyed 'no special treatment', says Merkel', *Financial Times*, 23 April 2021, <https://www.ft.com/content/b37bde10-53c9-4592-ad01-9a44f83b9c77>; and Chazan, G. (2021), 'Merkel adviser defends Wirecard role', *Financial Times*, 12 January 2021, <https://www.ft.com/content/0644a9ff-cfc0-4fa6-8a0e-e221bd200dc2>.

¹⁵ Andreoli, J. (2020), 'Lobbyismus über den Wolken – Diese Wirtschaftsbosse reisten mit Merkel ins Ausland' [Lobbying above the clouds – These business bosses travelled abroad with Merkel], *Abgeordnetenwatch.de*, 27 November 2020, <https://www.abgeordnetenwatch.de/blog/lobbyismus/diese-wirtschaftsbosse-reisten-mit-merkel-ins-ausland>.

¹⁶ For an overview of Made in China 2025, see MERICS (2019), 'Evolving Made in China 2025', 2 July 2019, <https://merics.org/en/report/evolving-made-china-2025>.

¹⁷ In addition to the Kuka deal, a 2016 attempt by Fujian Grand Chip Investment Fund to acquire German semiconductor group Aixtron, and the acquisition by Geely in early 2018 of a \$9 billion stake in Daimler, also contributed to the shift in German sentiment. For background, see Mozur, P. (2016), 'Obama Moves to Block Chinese Acquisition of a German Chip Maker', *New York Times*, 2 December 2016, <https://www.nytimes.com/2016/12/02/business/dealbook/china-aixtron-obama-cfius.html>; Bloomberg News (2018), 'China's Geely Buys \$9 Billion Daimler Stake', 23 February 2018, <https://www.bloomberg.com/news/articles/2018-02-23/china-s-geely-is-said-to-be-buying-9-billion-stake-in-daimler>.

responses at EU level, particularly in the economic sphere. Merkel, as one German official described it, had no problem pushing back against China, as long as it wasn't Germany that was doing the pushing.¹⁸

In January 2019, a paper published by the Federation of German Industries (BDI), an influential lobby group that had in the past avoided direct criticism of China, described the country as a 'systemic competitor', and urged Berlin and Brussels to adopt a more forceful, coordinated approach in the face of Beijing's state-driven capitalism.¹⁹ This was the culmination of a major shift in how German industry viewed China. Driving the more sceptical stance were the Mittelstand companies – the SMEs that are often described as forming the backbone of the German economy – which lacked the resources to protect their intellectual property and were struggling to fend off Chinese acquisition bids and competition. Not all BDI members were happy with the paper's critical tone, however. In fact, Siemens made a last-minute attempt to block its release, according to officials familiar with the discussions.²⁰ The momentum against China continued to build in the months that followed, with the European Commission, in its March 2019 Strategic Outlook, labelling Beijing a 'systemic rival', and rebels in Merkel's own Christian Democratic Union (CDU) resisting her plans to give the telecommunications giant Huawei a role in Germany's 5G network. This brought mounting concerns in the chancellor's own circle, as well as in some German boardrooms, that the China backlash may be going too far.²¹

Germany's role in Europe

With Germany due to take over the rotating presidency of the Council of the EU in the second half of 2020, Merkel made plans to host Xi Jinping together with her fellow EU leaders at a summit in Leipzig. Merkel's aim, according to officials involved in the planning, was to shift the focus from confrontation to cooperation with Beijing.²² She was determined to explore opportunities for joint action on climate, and to break the seven-year impasse in negotiations over an EU–China investment agreement.

The chancellor's plan to put EU–China relations at the heart of Germany's EU presidency was thwarted by the impact of the COVID-19 pandemic, the response to which consumed Berlin's attention. Although the Leipzig summit was cancelled, Merkel's readiness to do a deal with Beijing remained, and as the German presidency drew to a close, in December 2020, she seized on a series of last-minute concessions from Beijing to push through the EU–China Comprehensive Agreement on Investment (CAI).²³ The deal has come under fierce criticism on both sides of the Atlantic, mainly for the way it was done – behind closed doors over the year-end holiday period, with little apparent regard for an incoming US administration that

¹⁸ Author interview with a senior German official, January 2020.

¹⁹ BDI (2019), 'Partner and Systemic Competitor – How Do We Deal with China's State-Controlled Economy?', 10 January 2019, <https://english.bdi.eu/article/news/strengthen-the-european-union-to-better-compete-with-china>.

²⁰ Based on author interviews with senior German government and industry officials, October–December 2019.

²¹ Author interviews with German government and industry officials, 2019.

²² Author interviews with German government and industry officials, 2019.

²³ European Commission (2021), 'EU-China Comprehensive Agreement on Investment: Milestones and documents', 23 February 2021, <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2115>.

had promised to repair transatlantic ties and work closely with Europe on the challenges presented by China. Beijing's decision, just three months after the CAI was agreed in principle, to sanction members of the European Parliament, politicians from several EU member states, as well as academics, the Berlin-based Mercator Institute for China Studies (MERICS) and Denmark's Alliance of Democracies Foundation, has raised doubts about whether the agreement will ever win formal EU approval.²⁴ Indeed, in May 2021 members of the European Parliament voted overwhelmingly to halt the ratification process for the investment deal until China's sanctions against its members are removed.²⁵ That seems unlikely to happen any time soon. But Merkel's push for an agreement was revealing of her thinking: 'I believe that it is very important for the EU to have its own China policy,' she said when asked, in February 2021, about her reluctance to join with Joe Biden in pushing back against China.²⁶

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Whether the rush to conclude the CAI in the final days of 2020 really brought Europe closer to a common China policy is questionable. Merkel has often spoken about the need for the EU to forge a united position on China, only to go against the European (and even German) tide on issues like 5G. Not all EU countries were on board with her plan for the Leipzig summit, with some viewing the agenda she had sketched out as being heavily slanted to her government's own priorities. But it would be wrong to describe Germany's policy towards China under Merkel's leadership as being clearly outside the European consensus. While Germany is often criticized for overseeing a 'soft' EU approach to China, driven by business interests, other big stakeholders like France, Italy or Spain have rarely pushed back against Berlin's strategy of engagement over confrontation.

French President Emmanuel Macron quickly got behind Merkel's push to conclude the EU's investment agreement with China. And he has arguably been more timid than Merkel when it comes to talking publicly about human rights abuses in Xinjiang and Hong Kong. On a tour of five EU countries in the late summer of 2020, China's foreign minister, Wang Yi, received a much warmer welcome in Paris, where Macron

²⁴ Deutsche Welle (2021), 'Chinese sanctions threaten EU investment pact', 26 March 2021, <https://www.dw.com/en/chinese-sanctions-threaten-eu-investment-pact/a-56995389>.

²⁵ See for example Emmott, R. (2021), 'EU parliament freezes China deal ratification until Beijing lifts sanctions', Reuters, 21 May 2020, <https://www.reuters.com/world/china/eu-parliament-freezes-china-deal-ratification-until-beijing-lifts-sanctions-2021-05-20>.

²⁶ Walker, R. (@rbsw) (2021), 'Angela Merkel and @EmmanuelMacron have both seemed cagey about joining a Biden-led democratic pushback against China. I ask them Why', press conference with German Chancellor Angela Merkel and French President Emmanuel Macron, 5 February 2021, <https://twitter.com/rbsw/status/1357749268682076164>.

met him behind closed doors, than he did in Berlin. In the German capital, he was denied a meeting with Merkel and was asked tough questions about Xinjiang, Hong Kong and Taiwan at a news conference with his German counterpart Heiko Maas.²⁷

But while Germany may not be alone in Europe in favouring a measured approach towards Beijing, it has set a tone by refusing to stipulate red lines in its relationship with China despite the country's authoritarian tilt at home and more aggressive behaviour abroad. Under Merkel, Germany has continued to promote the self-serving (and now widely discredited) idea of past decades that continued economic engagement with China can bring about political change. 'I still believe that change can be achieved through trade,' said Altmaier, a close ally of the chancellor, in July 2020, as China was deepening its crackdown in Hong Kong.²⁸ Notably, German officials have criticized the annual 17+1 meetings between representatives of eastern and southern European countries and China's leadership to discuss investment opportunities. This has reinforced the view, in some parts of Europe, that Germany has a double standard when it comes to China: it is fine for the economic heavyweight to pursue opportunities with Beijing, but when smaller states do the same thing they are accused of undermining European unity. For all her talk of the need for a common European stance on China, Merkel has failed to set out a convincing vision of what a new approach – one that transcends German interests and takes real account of how China has changed under Xi – might look like.

Critical voices in Germany

Talking to officials across the German government and in the Bundestag these days, however, reveals a more hawkish tone on China than that coming from the chancellor's office. In recent years, a cross-party coalition of lawmakers has emerged that wants Germany to reduce its economic dependence on China and push back harder in the face of human rights abuses in Xinjiang, Beijing's crackdown in Hong Kong, and, since the COVID-19 outbreak was first reported, its attempts to silence critics and spread disinformation about the origins of the pandemic and EU efforts to contain it.²⁹ Even so, Merkel has resisted pressure to substantively adapt her policy to this new reality.

Divisions over how to define Germany's relationship with China have been brought into stark relief by the debate over 5G. Norbert Röttgen, a former environment minister and the current chair of the foreign affairs committee in the Bundestag, led a revolt within the CDU against Merkel's plans to include Huawei in the country's 5G network. Together with allies from the centre-left Social Democratic Party (SPD),

²⁷ Donahue, P. (2020), 'Merkel's Top Diplomat Warns China Over Taiwan Threats', Bloomberg, 1 September 2020, <https://www.bloomberg.com/news/articles/2020-09-01/merkel-s-top-diplomat-warns-on-chinese-threats-over-taiwan>.

²⁸ Karnitschnig, M. and Hanke Vela, J. (2020), 'Germany's Altmaier defends Berlin's muted response to China's crackdown in Hong Kong', Politico, 15 July 2020, <https://www.politico.com/news/2020/07/15/germany-hong-kong-china-365499>.

²⁹ See EUvsDisinfo (2021), 'EEAS Special Report Update: Short Assessment of Narratives and Disinformation Around the COVID-19 Pandemic (Update December 2020 – April 2021)', 28 April 2021, <https://euvsdisinfo.eu/eeas-special-report-update-short-assessment-of-narratives-and-disinformation-around-the-covid-19-pandemic-update-december-2020-april-2021>.

the Greens and the liberal Free Democratic Party (FDP), Röttgen argued that allowing Huawei a role in building this critical infrastructure posed unacceptable security risks. Altmaier countered this case, stating that excluding Huawei would delay 5G deployment, hurt German competitiveness, and bring retaliation from Beijing.³⁰ During her visit to China in September 2019, Merkel was personally warned by the country's leadership that a block on Huawei's involvement would have economic consequences for Germany.³¹ China's ambassador to Germany subsequently made this line public, suggesting that German carmakers operating in China would pay a high price if Huawei was not included.³²

As in other countries in Europe and elsewhere, the 5G debate in Germany was shaped by the Trump administration's attempts to pressure partners into excluding Huawei from their networks.

As in other countries in Europe and elsewhere, the 5G debate in Germany was shaped by the Trump administration's attempts to pressure partners into excluding Huawei from their networks. This allowed Huawei proponents to reframe the issue: excluding the company, they said, would mean allowing the deeply unpopular Trump to get his way. Germany held its 5G auctions in the spring of 2019, but the government struggled for years to forge a political consensus on the role of Chinese suppliers. In April 2021, the Bundestag finally approved a new IT security law, which sets a high national security bar for suppliers but leaves it to future governments to decide on the role that Huawei will play.³³ In the meantime, the political vacuum has led telecommunications operators, including the partly state-owned Deutsche Telekom, to begin building out their 5G networks with equipment from Huawei. The saga has exposed the flaws – some would say the immaturity – in Germany's evolving policy towards China: a struggle to view technology questions through a strategic prism; an inability to chart a clear way forward for the EU; an all-too-frequent record of bending to threats from Beijing; and a tendency to cloud debates over Germany's strategic interests with Trump-fuelled animosity towards the US.

The backlash against Merkel's approach has gone beyond the issue of 5G. Margarete Bause, a lawmaker for the Greens in the Bundestag, has led a push to elevate the issue of human rights in the German debate about China, putting a spotlight on the mass detention of Muslims in Xinjiang.³⁴ Her party has been critical of Merkel's push for the CAI, in part because of non-committal language from Beijing on questions of forced labour. Merkel's coalition partner, the SPD, has also grown more outspoken

³⁰ Altmaier has made these arguments on several occasions in private meetings, according to participants with whom the author spoke. He has also put forward similar arguments in a number of public interviews.

³¹ Author interviews with German government and industry officials, 2019.

³² Czuczka, T. and Arons, S. (2019), 'China threatens Germany with retaliation if Huawei 5G is banned', Bloomberg, 14 December 2019, <https://www.bloomberg.com/news/articles/2019-12-14/china-threatens-germany-with-retaliation-if-huawei-5g-is-banned>.

³³ Cerulus, L. (2021), 'Germany falls in line with EU on Huawei', Politico, 23 April 2021, <https://www.politico.eu/article/germany-europe-huawei-5g-data-privacy-cybersecurity>.

³⁴ Deutsche Welle (2019), 'Grüne Politikerin Bause fordert Sanktionen wegen Xinjiang' [Green politician Bause calls for sanctions over Xinjiang], 28 November 2019, <https://www.dw.com/de/grünen-politikerin-bause-fordert-t-sanktionen-wegen-xinjiang/a-51449986>.

in its criticism of her stance – notably what it sees as the weak response to China’s security crackdown in Hong Kong. ‘Merkel’s China policy is behind the times,’ said SPD foreign policy spokesperson Nils Schmid in July 2020.³⁵

Some aspects of Beijing’s behaviour during the COVID-19 crisis, including its efforts to silence voices seeking to draw attention to the virus in the early stages of the outbreak, its ‘mask diplomacy’ and the tactics of its ‘wolf warrior’ diplomats, have also led some German media outlets to adopt a more critical tone. The chief editor of top-selling German daily *Bild* has publicly clashed with the Chinese embassy in Berlin over the alleged virus cover-up.³⁶ And Mathias Döpfner, chief executive of *Bild*’s parent company, Axel Springer, and one of the most influential figures in the German media, published an op-ed in May 2020 in which he urged the German government to wake up to the threat from China and follow the US down a path of economic ‘decoupling’.³⁷

Senior German officials in Brussels have also been outspoken. European Commission President Ursula von der Leyen, a former German defence minister, was the driving force behind a joint communication in December 2020 that spoke of a ‘once-in-a-generation opportunity’ for the EU and the US to work together following Biden’s victory, including on the ‘strategic challenge presented by China’s growing international assertiveness’.³⁸ ‘Where China’s concerned, we as the European Union, we know exactly on which side of the table we are sitting, we are sitting on the side of the democracies, next to our American friends,’ she said when pressed, in January 2021, on where the EU’s loyalties lay following the conclusion of the EU–China investment agreement.³⁹ Germany’s ambassador to the EU, Michael Clauss, earned a reputation for speaking out forcefully against China’s policies in his previous role as ambassador to China. Meanwhile, in Berlin, Minister of Defence Annegret Kramp-Karrenbauer has pressed for Germany to play a bigger role in the Indo-Pacific, in part to counter the influence of China.⁴⁰

None of this has persuaded Merkel to take a more confrontational line on China. Senior members of her government have made clear that the Chinese government’s behaviour in the COVID-19 crisis has not changed their view of the country as a vital economic partner. Unlike Washington and Tokyo, Berlin has not encouraged businesses to rethink their supply chains in response to the pandemic. If anything, German firms have doubled down on the Chinese market over the past year, with

³⁵ Chazan, G. (2020), ‘Merkel comes under fire at home for China stance’, *Financial Times*, 7 July 2020, <https://www.ft.com/content/bf1adef9-a681-48c0-99b8-f551e7a5b66d>.

³⁶ See video clip by *Bild* editor Julian Reichelt: Reichelt, J. (2020), ‘Julian Reichelt’s Botschaft an Chinas Präsidenten’ [Julian Reichelt’s message to China’s president], 17 April 2020, <https://www.bild.de/video/clip/politik-ausland/mit-chinesischen-untertiteln-julian-reichelts-botschaft-an-chinas-praesidenten-70104848-70112494.bild.html>.

³⁷ Döpfner, V. (2020), ‘Wir müssen uns entscheiden’ [We must choose], *Welt am Sonntag*, 3 May 2020, <https://www.welt.de/debatte/kommentare/plus207687477/Mathias-Doepfner-Wir-muessen-uns-zwischen-Amerika-und-China-entscheiden.html>.

³⁸ European Commission (2020), ‘A new EU-US agenda for global change’, High Representative of the Union for Foreign Affairs and Security Policy, 2 December 2020, https://ec.europa.eu/info/sites/info/files/joint-communication-eu-us-agenda_en.pdf.

³⁹ Bloomberg TV (2021), ‘EU President von der Leyen says ‘China is a Systemic Rival’’, interview, 20 January 2021, <https://www.bloomberg.com/news/videos/2021-01-20/commission-president-on-eu-u-s-relations-with-china-post-investment-agreement-video>.

⁴⁰ Speech by Federal Minister of Defence at the Bundeswehr University Munich (2019), 7 November 2019, <https://www.bmvg.de/de/aktuelles/speech-federal-minister-of-defence-security-policy-147072>.

carmakers investing billions of euros in electric vehicle ventures there.⁴¹ And while Merkel's government has emphasized the need for China to be transparent about the COVID-19 outbreak, officials have also warned against attempts to turn Beijing into a scapegoat.⁴² A decision in early 2021 to send a German frigate to the South China Sea was hailed initially as a sign that Berlin was taking a firmer stand against Beijing's territorial claims in regional waters. But adjustments to the mission to win over domestic sceptics and avoid antagonizing China have since raised questions about whether the deployment may instead be interpreted as sending a signal of weakness.⁴³

Germany–China relations after Merkel

How much of this caution has to do with Merkel herself? After nearly 16 years in office, it is sometimes difficult to distinguish the chancellor's approach from broader currents in German foreign policy. But with Merkel set to step down in late 2021, it is worth asking whether changes in Germany's approach to China can be expected under a new chancellor.

Armin Laschet, the candidate who will lead Germany's conservatives into the September 2021 election – and a frontrunner to succeed Merkel as chancellor – is likely to bring a degree of foreign policy continuity, though perhaps with a little more of the transactional, business-first approach favoured by Schröder. Laschet, the minister-president of North Rhine-Westphalia (NRW), Germany's most populous state, has not shown any signs of buying into the narrative of a systemic competition between authoritarianism and liberal democracy in which Germany must choose a side. When pressed, he has described China as a 'geostrategic challenger, a competitor within global systems', and has spoken of the need to talk openly about human rights violations, including in Xinjiang.⁴⁴ But Laschet has also repeatedly emphasized the importance of trade in the relationship; and he has defended his own state's close economic ties to China – including those of the city of Duisburg, which has been criticized for its embrace of Beijing's Belt and Road Initiative and of telecommunications firm Huawei.⁴⁵ In the past, Laschet has rejected the idea of excluding Huawei from Germany's 5G network.⁴⁶ Based on his record in NRW, and his public statements, it is difficult to envisage him insisting on a harder line towards Beijing. One might even expect more equivocation and less appetite for confrontation.

⁴¹ Williams, S. (2020), 'VW's New Dynasty?', *The Wire China*, 13 December 2020, <https://www.thewirechina.com/2020/12/13/vws-new-dynasty>.

⁴² Based on author interviews with German diplomats, April–May 2020.

⁴³ Kundnani, H. and Tsuruoka, M. (2021), 'Germany's Indo-Pacific frigate may send unclear message', *Chatham House Expert Comment*, 4 May 2021, <https://www.chathamhouse.org/2021/05/germanys-indo-pacific-frigate-may-send-unclear-message>.

⁴⁴ Rinke, A. (2021), 'I am a Realpolitiker', *Internationale Politik Quarterly*, 8 February 2021, <https://ip-quarterly.com/en/i-am-realpolitiker>.

⁴⁵ Deutsche Welle (2019), 'In Duisburg, China expands trade influence in Germany', 16 June 2019, <https://www.dw.com/en/in-duisburg-china-expands-trade-influence-in-germany/a-49227168>.

⁴⁶ Ismar, G. and Birnbaum, R. (2019), 'Städte wie Berlin sind schon völlig überhitzt' [Cities like Berlin are already completely overheated], *Tagesspiegel*, 10 November 2019, <https://www.tagesspiegel.de/politik/armin-laschet-ueber-merz-mobilitaet-und-die-afd-staedte-wie-berlin-sind-schon-voellig-ueberhitzt/25209578.html>; Reuters (2019), 'Söder und Weil gegen Ausschluss von Huawei bei 5G-Aufbau' [Söder and Weil against the exclusion of Huawei from 5G build], 11 November 2019, <https://www.reuters.com/article/deutschland-huawei-idDEKBN1XL1GY>.

Still, the next German chancellor will not be operating in a vacuum; nor will they have Merkel's long track record of prioritizing relations with China as part of her overall foreign policy approach. Whoever succeeds her will have the opportunity to do things differently. If the CDU/CSU⁴⁷ alliance does come out on top in the election later this year (by the spring of 2021, opinion polls showed its lead evaporating amid a lack of enthusiasm over Laschet's candidacy, public anger over the current government's handling of the pandemic and a series of corruption scandals), it will need to find a coalition partner. The most likely partner is the Greens, whose leaders support a tougher, values-based approach to China. With the polls shifting months before the election, other constellations cannot be ruled out in which the Greens become the senior partner in a new government, perhaps as part of a three-way coalition that includes the centre-left SPD and either the liberal FDP or, on the far-left, Die Linke. Annalena Baerbock, the Greens' candidate for chancellor, has been outspoken in her criticism of Merkel's policy towards China.⁴⁸ If she were to become Germany's first Green head of government, a shift towards a harder line on China could be expected.⁴⁹ As in the UK, where Conservative backbenchers have pushed Prime Minister Boris Johnson in a more hawkish direction, Germany's next leader – regardless of party affiliation – will have to reckon with a growing cohort of China critics in the Bundestag. Some of these critics, like Norbert Röttgen, could end up playing a prominent role in the next government. External pressures are also likely to build from Germany's most important allies outside Europe. Some German diplomats believe a firmer line may be inevitable, no matter who succeeds Merkel.⁵⁰

As in the UK, where Conservative backbenchers have pushed Prime Minister Boris Johnson in a more hawkish direction, Germany's next leader – regardless of party affiliation – will have to reckon with a growing cohort of China critics in the Bundestag.

In the political realm, there are still 'China Versteher', or doves, resisting a tougher line. In early 2020 Hans-Peter Friedrich, the CSU vice-president of the Bundestag, announced the formation of a new group called the 'China Brücke' (China Bridge), which aims to foster dialogue and cooperation with China. But the space for such views in the political debate has shrunk in recent years. And a more dynamic think-tank community, led by MERICS, which was established in 2013, has helped raise awareness, particularly among politicians in Berlin, about China's authoritarian turn and more aggressive outward posture under Xi Jinping. As noted

⁴⁷ The Christian Social Union (CSU) is the CDU's counterpart in Bavaria.

⁴⁸ Bubrowski, H. and Schuller, K. (2021), 'Mit Dialog und Härte' [With dialogue and toughness], *Frankfurter Allgemeine Zeitung*, 24 April 2021, <https://www.faz.net/aktuell/politik/inland/annalena-baerbock-im-interview-ueber-russland-und-us-zusammenarbeit-17308594.html>.

⁴⁹ Barkin, N. (2021), 'Change Drivers', *Internationale Politik Quarterly*, 30 March 2021, <https://ip-quarterly.com/en/change-drivers>.

⁵⁰ Based on author interviews by the author with German diplomats, December 2020–February 2021.

above, MERICS was on the list of European institutions, lawmakers and academics sanctioned by China in March 2021 in response to the EU's imposition of sanctions related to human rights abuses in Xinjiang.

How Germans view China

Public opinion will be another factor influencing government thinking on China. As in other Western countries, China's image in Germany has been badly damaged by its assertive behaviour during the COVID-19 crisis, according to several polls. One published in October 2020 by the Pew Research Center showed that 71 per cent of Germans had a negative view of China, up sharply from the year before, and in line with the broader trend in Europe.⁵¹ A separate survey from June 2020 by the Bertelsmann Foundation, German Marshall Fund and Institut Montaigne showed that 61 per cent of Germans viewed China's rising influence in global affairs as negative, an increase of 10 points from January, before the spread of the pandemic.⁵² And yet, until recently, the image of the US had suffered more, bolstering Beijing's status relative to that of Washington in the eyes of many Germans. A Körber Foundation poll published in May 2020 showed that the German public was equally divided on whether close relations with China or with the US were more important.⁵³ Notably, too, according to a survey published by the European Council on Foreign Relations in September 2019, Germans, like their government, would clearly prefer not to choose between the US and China.⁵⁴ Asked which side Germany should take in a conflict between the countries, 73 per cent said that it should remain neutral, 6 per cent said it should support China, and just 10 per cent said the country should side with the US – far below the levels reported in France, Italy, Spain, and large countries in eastern and northern Europe.

These numbers could shift over the course of the coming year, now that Trump has left the White House. A Pew survey released in January 2021 showed that 84 per cent of Germans were optimistic about relations with the US following Joe Biden's victory.⁵⁵ But the same survey showed that just 40 per cent of Germans have a positive image of the US overall, suggesting the damage from the past four years, and most recently the attempts by Trump and his followers to overturn the results of the November 2020 election, could be long-lasting. What does seem clear is that Germans see the influence of China rising and that of the US waning. This is likely to be a factor for future German governments as they set their foreign policy priorities.

⁵¹ Silver, Devlin and Huang (2020), 'Unfavorable Views of China Reach Historic Highs in Many Countries'.

⁵² The German Marshall Fund of the United States, Bertelsmann Foundation and Institut Montaigne (2020), *Transatlantic Trends 2020: Transatlantic opinion on global challenges before and after COVID-19*, https://www.gmfus.org/sites/default/files/TT20_Final.pdf.

⁵³ Körber Stiftung (2020), 'German Foreign Policy in Times of COVID-19', https://www.koerber-stiftung.de/fileadmin/user_upload/koerber-stiftung/redaktion/the-berlin-pulse/pdf/2020/Koerber_TheBerlinPulse_Sonderausgabe_Doppelseiten_20200518.pdf.

⁵⁴ Dennison, S. (2019), 'Give the people what they want: Popular demand for a strong European foreign policy', European Council on Foreign Relations Policy Brief, September 2019, https://www.ecfr.eu/page/-/popular_demand_for_strong_european_foreign_policy_what_people_want.pdf.

⁵⁵ Wike, R., Fetterolf, J. and Huang, C. (2021), 'British, French and German Publics Give Biden High Marks After U.S. Election', Pew Research Center, 19 January 2021, <https://www.pewresearch.org/global/2021/01/19/british-french-and-german-publics-give-biden-high-marks-after-u-s-election>.

Conclusion

For now, neither the COVID-19 crisis nor China's increasingly assertive behaviour abroad has fundamentally shaken the German government's commitment to close relations with China. Chancellor Merkel's push for an EU–China investment agreement in the final weeks of 2020 attest to this. Germany's deep economic relationship with China, and its view of Beijing as a partner on issues such as climate, will continue to influence the approach of policymakers in Berlin. But pressure is building, both within the German political establishment and indirectly, through the hardening positions of the country's closest allies, for a stronger rethink. Recent setbacks for Merkel on the 5G issue and on the CAI underscore how tenuous her position on China has become. Germany may find it increasingly difficult to maintain a policy of open engagement with Beijing when countries like Australia, Canada, India, Japan and the UK are all pushing back more forcefully. Over time, a country that has had to come to terms with its own painful history in the 20th century may find it unacceptable to turn a blind eye to China's far-reaching surveillance state and its mass detention of Uighurs in Xinjiang's re-education camps in the 21st. Beijing's security crackdown in Hong Kong and its sabre-rattling over Taiwan have further raised the pressure on Germany to recalibrate its approach.

After years of strategic ambiguity under Merkel, important political shifts in 2021 could bring more clarity. In the US, President Joe Biden has signalled that he will be pushing Europe to engage in a more structured dialogue on the strategic challenges presented by China, a discussion that was impossible while Trump was in the White House. Speaking after Biden at an event organized by the Munich Security Conference in February 2021, Merkel acknowledged the need to develop a transatlantic agenda in relation to Beijing, even as she described this as 'complicated'.⁵⁶ France – Germany's close ally in Europe – is pushing a strategic autonomy agenda that sees the EU emerging as a separate pole of power, distinct from both the US and China. How Germany chooses to position itself between its weakened post-war ally and security guarantor on the one hand, and a rising, more assertive power with which it has forged deep economic ties on the other, will shape Europe's broader response to US–China competition. It will, therefore, also play an important role in determining the success of US efforts under the Biden administration to build a coalition of like-minded democracies to counter Beijing.

In September 2021 Germany will elect a new federal government. Although not all of the leading candidates to succeed Merkel, who is stepping down after 16 years in office, are promising a different approach to China, the next German chancellor will have a vastly different – and more demanding – set of foreign policy choices than those facing Merkel when she came into office in 2005. Under her leadership, the German government has resisted pressure to choose between Beijing and Washington. For her successor, sitting on the fence is likely to prove a far tougher challenge.

⁵⁶ Speech by Chancellor Angela Merkel at 'MSC Special Edition 2021' (2021), 19 February 2021, <https://securityconference.org/msc-special-edition-2021>.

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Acknowledgments

This briefing paper is published in partnership with the Europe Programme, as part of a multi-year project led by the US and the Americas Programme at Chatham House that analyses foreign policy debate on China's rise in the US, Canada and Europe. The project examines key trends in a range of policy areas *vis-à-vis* China that could support or hinder the future of the transatlantic relationship.

The topic of this paper featured in many expert roundtable discussions held both in person at Chatham House and virtually, between December 2019 and December 2020. We thank all those who contributed to the roundtable discussions, as well as those who provided feedback through anonymous peer reviews of the draft paper.

Chatham House would also like to thank the Konrad Adenauer Foundation (Konrad-Adenauer-Stiftung) for its generous support of this project.

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Cover image: Employees work on the assembly line of Volkswagen Tayron at a whole-vehicle manufacturing base of the Chinese-German joint venture FAW-Volkswagen Automotive Co Ltd on 5 December 2019 in Tianjin, China.

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ISBN 978 1 78413 470 9

This publication is printed on FSC-certified paper.
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