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## More realism and more imaginations: Thoughts on Germany's future China policy

by Dr Peter Hefele

**The coalition agreement stipulated that the Federal Government would develop a China strategy. In this context, it is important to consider the resources available. Above all, Germany's future China policy should, firstly, improve coordination of expertise on China within both government bodies and civil society; secondly, consistently take European, transatlantic and Pacific dimensions into consideration, and, thirdly, overcome Germany's lack of strategic thinking in alternative scenarios.**

Even though dealing with the People's Republic of China is one of the key fields of German policy, Germany has only fragments of a China strategy at best. In their coalition agreement, the Social Democratic Party (SPD), Alliance 90/The Greens and the Free Democratic Party (FDP) agreed to develop such a strategy. The starting point is classifying interactions with the People's Republic of China in the categories *partnership*, *competition* and *systemic rivalry* – as the coalition agreement defined them in accordance with the European Commission's wording from 2019. This reflects a significant shift in assessment of China's domestic developments and foreign relations, as well as German-Chinese relations. However, the fact that a strategy is only now being presented indicates the weakness of German policy in terms of defining and implementing complex political concepts in a highly dynamic environment. The German government's most recent and quite ambitious strategic concept, the policy guidelines on the Indo-Pacific region issued in 2020, comes closest to what could be considered a China-related strategy paper. While this paper of about seventy pages attempts to convey the impression that it is describing a comprehensive strategy expressly not directed against China, the document in all its dimensions does not make sense without the *China factor*. It leaves the impression of a certain reluctance to have this paper interpreted as part of a strategy for containing China.

Unlike countries such as the United States or Australia, Germany only started to take a more nuanced and realistic view, especially of the risks of increasingly close economic ties to the People's Republic of China, at a very late juncture. It was not until around 2015 that a shift began to take place as several developments within China gave clear signs of the country's fundamental political reorientation, which also extended to its foreign relations. No further economic liberalisation or strengthening of privately owned companies was to be expected for the time being. On the contrary, the powerful role of state-run companies was reinforced, as was the Communist Party's influence, even in the private sector of the economy. The harsh NGO laws clearly demonstrated the intention to prevent further pluralisation of contact with foreign nongovernmental organisations, to the benefit of strict control by the party. And China's aggressively asserted claims in the South China Sea are now set in concrete in the truest sense of the words, as signs of the geopolitical changes to come.

At the same time, the hope of bringing together the three roles of partners, competitors and systemic rivals in order to enable Germany (and Europe) to take flexible action in the area of China policy may well be illusory because it implies that European, and especially German, policy still has considerable and independent influence on how *bilateral* relations with Beijing can be shaped – and that in opposition to the United States, if necessary, in the event of conflicting interests. Yet this ambition to shape the situation can only be achieved in close cooperation with the other EU member states, the US and democratic partner countries in the Asia-Pacific region. Nevertheless, this also means that the costs of various options for action must be discussed openly. German policymakers have shied away from discussions of this kind in the past, particularly in terms of taking a clear position, for example in a potential conflict between the US and China over Taiwan. This attitude also damages Germany's international reputation, especially among our Asian partner countries.

One of the main reasons for this inadequate strategic approach to relations with China is that, for far too long, political decision-makers and their advisors refused to continually adapt entrenched political patterns of perception and response to changes in the prevailing conditions. While the stability of Germany's behaviour and the associated reliability of expectations have earned the country a great deal of trust and international recognition in the past few decades – and rightly so – this “capital” is at risk of quickly losing value if key assumptions about the motives of other actors are no longer accurate. The shockwaves sent through Germany's defence and energy policy after Russia's invasion of Ukraine are one instructive example of this effect. After all, for most of its history, Germany's China policy took a one-dimensional approach as foreign trade (promotion) policy without any critical reflection on the strategic implications of investments in and trade relations with China, particularly in terms of security policy. So what is the position of German policy on the People's Republic of China? What options and instruments do we have at our disposal for further development of these relations? What would the new ‘design’ of Germany's China policy need to look like?

### **Dimensions and recommendations for strategic German policy on China**

A strategic revision of Germany's China policy must initially start with the matter-of-fact realisation that previous, in some cases only imagined, options for influencing the dynamics of China's domestic developments have come to a virtual standstill. The speed and intensity with which the country has isolated itself from the outside world in recent years – starting before the coronavirus pandemic – came as a surprise even to many long-time observers. This development has affected all levels of interaction, from increasingly insubstantial dialogue on the rule of law and the drastic elimination of academic exchange programmes, to sweeping foreign exchange control measures and complicated profit repatriation procedures for foreign companies. This situation is largely part of the ideologically motivated systemic rivalry that has escalated since Xi Jinping took office. The result is that the wide variety of ties linking Germany and China, which developed over the course of more than three decades, are increasingly giving way. The “epistemic challenge” (Klaus Mühlhahn) with regard to China is growing by the day, and with it the danger of false perceptions, a lack of communication and dwindling options for exerting influence.

Discussions about the development of foreign policy strategies often fail to consider the resources available. Accordingly, they often turn out vague and divorced from political realities. With that in mind, the following considerations focus specifically on two aspects of Germany's future China policy: (1) better coordination of expertise on China within both government bodies and civil society, and (2) European, transatlantic and Pacific dimensions, as well as Germany's lack of strategic thinking in alternative scenarios. These aspects address the *requirements* for strategic thinking more than strategic thinking itself. At the same time, their area of application extends far beyond China, meaning that they are of fundamental importance for the future viability of Germany's foreign policy.

## 1. Better coordination of China-related expertise and policy areas

Among the tired critiques of Germany's China policy trotted out incessantly is the claim that Germany lacks adequate expertise on China. That is absolutely not true! In recent years, there has been a striking increase in outstanding experts, especially younger ones, at universities, think tanks and foundations. Their networks both within Germany and with neighbouring European countries have improved significantly in both qualitative and quantitative terms. Nonetheless, compared to transatlantic or general Asia-Pacific expertise, there is certainly still room for further improvement. In this context, Germany primarily faces challenges in two areas:

a) Germany and Europe must maintain an autonomous *knowledge infrastructure regarding China*, which must be protected from any attempts at manipulation or external dependencies. Recent discussions about the Confucius Institutes and funding of think tanks by Chinese institutions and companies have increased public awareness of this danger. This does not mean that we should not continue to make every effort to break through the "great wall" the Beijing regime has put up around the country and to keep as many different channels of exchange open as possible. Yet this exchange needs to be far more critical than before, oriented towards our own clearly defined and communicated interests and with explicit red lines. Clear measures must be taken to prevent any form of (self-)censorship of China-related education and research. When students and researchers are selected for exchange programmes and vacant positions, the key criteria for Chinese applicants (aside from specialist qualifications) should be less the number than their personality, openness and sincere willingness to engage in dialogue. Germany should also promote development of its own China-related expertise more systematically.

b) As before, the major weakness of Germany's China policy is its institutional fragmentation. There has been some progress in this area in recent years, for example through the establishment of the Political Systems; Resilient Democracy division in the Federal Ministry of the Interior, which is to improve interministerial coordination of China-related policy matters. At the moment, however, this approach is primarily aimed at improving *horizontal* coordination. Yet because the increased activities of Chinese companies at the local level mean that all levels of our political and administrative system are facing similar challenges, better *vertical* coordination and development of skills is the next step, and one that is overdue. It does not need to take the form of a *top-down* approach such as systematic investment screening. Improving the sharing of knowledge and experiences between different municipalities can often be more helpful. In this regard, Germany can learn from Australia's or Taiwan's extensive experiences. Furthermore, the associated wealth of opportunities for state and "private-sector" Chinese actors to exert influence in the political arena should be an occasion to strive for the greater transparency in terms of lobbying, particularly from foreign actors, at the national, state and even local levels.

## 2. European, transatlantic and Pacific dimensions

Any strategy development process must start with the realisation that Germany's and Europe's options for independent policy on China have been declining for years. A paper by the German Institute for International and Security Affairs (SWP) states that: "Europe possesses no viable collective foreign policy position concerning the geopolitical struggle between the United States and China over hegemony in the Asia-Pacific region"<sup>1</sup> – and this is also true of other areas. Progress on the European Union's Common Foreign and Security Policy (CFSP) falls short of the strategic and operational requirements of a highly dynamic and conflict-prone environment largely shaped by China, both in neighbouring countries to the East and South and especially *East of Aden*. When it comes to China, there are also significant conflicting interests *within* the EU.

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<sup>1</sup> Lippert/von Ondarza/Perthes (ed.) (2019): [European Strategic Autonomy: Actors, Issues, Conflicts of Interests](#) (Berlin: German Institute for International and Security Affairs / SWP), accessed on 10 February 2022, p. 32-33.

And other European partner countries' accusation that Germany's unusually high level of economic ties has often led it to water down what was previously a clear European Union position certainly cannot be dismissed outright. At the same time, recent months have seen clear progress at the EU level, for example in sanctioning violations of human rights ("EU Magnitsky Act") or opening a WTO case against China's actions towards Lithuania regarding the Taiwan issue. This shows that the EU's will to take decisive foreign policy action is growing. The same is true of the United Kingdom. It would make sense for Germany – as a key member of the EU – to also strive for closer coordination with this partner country on China policy. Unresolved trade issues between the UK and the EU due to Brexit must not be allowed to overshadow their common strategic interests with regard to China.

In general, the age of far-reaching agreements between Germany and China, such as the "comprehensive strategic partnership" of 2014, has come to an end for the time being. The last major effort at a relatively far-reaching agreement, the *EU-China Comprehensive Agreement on Investment (CAI)*, most likely has little chance of being ratified by the European Parliament at this point, not least because of China's behaviour during the war in Ukraine. It would also be unlikely to make any significant contribution to improving relations between the two because the primary elements of conflicts are outside the economic sphere and would not be eliminated by this or any other agreement.

Even after US President Joe Biden took office, transatlantic relations have by no means been free of conflict with regard to China. For one thing, US-China relations will not improve substantially in the next few years. Existing conflicts can be managed at best, but not resolved. Accordingly, we can expect "collateral damage" for Europe at any time. This makes it all the more important that Germany and Europe clearly define their own interests, signal them to *both* major powers – the United States and China – in no uncertain terms and, if necessary, be able to withstand conflicts.

In terms of transatlantic relations, the main thing is to achieve a common Western position on regulatory and security policy matters vis-à-vis China. NATO's ongoing strategy development process and the Strategic Compass issued by the EU in March 2022 mark clear conceptual progress because Europe intends to dramatically expand its own options for action at the strategic and operational level and therefore also to meet long-time demands by the United States. At the same time, they emphasise the importance of Asia-Pacific partners such as ASEAN, which is also in the interest of the United States.

The war in Ukraine has caused an unexpected quantum leap in European and German strategic culture. This will also have a positive effect on various nonmilitary transatlantic areas of cooperation such as high-tech development and the resilience of supply chains, as well as climate protection and enforcement of standards and regulations. All of these areas play a vital role in geopolitical competition and require closer coordination among democratic countries (*Alliance for Democracy*). The *EU-US Trade and Technology Council* founded in 2021 could offer a blueprint for this purpose. Yet the aforementioned areas also come with considerable potential for conflicts with our partners, including those in the Indo-Pacific region. After all, there are still significant conceptual differences, for example in terms of privacy protection in the digital economy or minimum social and ecological standards.

### **Strategic foresight and thinking in alternative scenarios**

A lack of imagination and courage in Germany's foreign policy would play into the hands of Chinese's established political line. The official narrative propagated by the Communist Party of China of the superiority of, and supposed lack of alternatives to, its own political model is very seductive, and is used as a resource to stabilise the party's rule both domestically and internationally. As with Russia, however, the fear of political instability in the event of a regime change cannot serve as an argument against seeking contact with "another China". Within and outside of the People's Republic of China, there are intellectuals, artists and entrepreneurs who stand for a different, open and liberal China. We should listen to these voices and

give them a place in the discussion. Of course, we should also try to find common ground with the existing regime to tackle global challenges. Nevertheless, the cooperation often referred to in fields such as climate protection and global standards and regulations is a double-edged sword, because China is also always a competitor. Only a unified position within the EU, and better still with transatlantic and other like-minded partners, offers the prospect of cooperation with mutual benefits.

In light of Beijing's massive increase in soft power activities<sup>2</sup>, Germany needs to consider the strengths of its wide variety of tools in the area of foreign relations. As described above, China policy goes far beyond conventional work on bilateral relations and is an integral part of all policy areas. In response to this situation, an array of nongovernmental initiatives and series of talks, e.g. at the Mercator Institute for China Studies (MERICS) and the political foundations, have emerged in Germany in recent years and considerably increased insight into the workings of Chinese policy within the country and internationally.

On the whole, Germany's wide range of governmental and private-sector (intermediary) organisations and their decades of experience and global presence put the country in a good position in terms of conveying democratic values and establishing relationships on equal terms with partner countries. There is room for improvement regarding closer links to Germany's clearly defined political goals. This would require more communication among the German intermediary organisations in other countries as these organisations are facing growing competition from Chinese influences, in the areas of cooperation such as with political parties or journalism training, especially in third countries.

Finally, we cannot discuss China strategies without talking about Taiwan. For geopolitical and economic reasons, and in order to support democracy, German policy should abandon its extreme reluctance to pursue closer relations with the island republic. There are many more opportunities for cooperation in this context that would not immediately violate the principle of the One China policy. In addition to economic cooperation, for example on innovation and energy policy, there is considerable potential for expansion in scientific exchange, as well as the field of cyber security. The "Chinese world" is much larger than Germany's China policy has cared to admit in the past. Accordingly, more realism *and* more imagination are not always mutually exclusive, but rather – if pursued wisely – open up new options for political action.

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<sup>2</sup> See, for example, Dams/Martin/Kranenburg (ed.) with Seaman/Julienne (2021): [China's Soft Power in Europe: Falling on Hard Times. A Report by the European Think-tank Network on China](#) (Paris: Institut français des relations internationales), accessed on 10 February 2022.