



Dialogue and Derisking: Germany Employs Dual Strategy Towards China

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Germany's China strategy, published on 13 July, defines relations with the country in line with the EU's approach, which is based on partnership, competition, and systemic rivalry. In showing a broad catalogue of the threats arising from Chinese policy, Germany's strategy reflects an increasingly critical attitude of China. Among other things, it points to human rights violations that country and advocates reducing economic dependence on it. These measures, however, are to be accompanied by sustained political dialogue on key global issues.

The necessity for Germany to develop a policy strategy towards China was identified in the 2021 coalition agreement of the SPD-Green-FDP government. It was to review Germany's relations with China in a comprehensive manner and indicate how Germany should prepare for effective systemic competition with it whilst maintaining political dialogue. The final shape and content of the strategy towards China is the result of a compromise between the Chancellor's Office and the Foreign Ministry.

Development of the Strategy. Publication of the document was postponed several times due to the differences of opinion between the parties that make up the ruling coalition. The original draft prepared by the Foreign Ministry, headed by Annalena Baerbock from the Greens, reflected their political priorities, making German-Chinese cooperation conditionally linked to China's respect for human rights. This stance was opposed by Chancellor Olaf Scholz of the SPD, who sees Germany as lacking instruments that can change the Chinese authorities' attitude toward human rights. According to Scholz and some SPD politicians, due to the scale of Germany's economic dependence on China, the only solution is to reduce it gradually and evolutionarily. The liberal FDP sought to maintain the best possible economic relations with China, but also advocated supporting German companies in diversifying their trade partners and increasing their R&D spending so that they are better prepared to compete technologically with Chinese companies.

The development of the document was accompanied by an intensification of Chinese-German relations, especially as a result of the [lifting of pandemic restrictions in China in December 2022](#). In addition to a number of meetings at the ministerial level, [Chancellor Scholz visited Beijing in November 2022](#), and a session of the German-Chinese Intergovernmental Committee was held in Berlin in June, with Premier Li Qiang in attendance.

In recent months, there have also been growing differences between German businesses and the federal government over limits on the presence of German companies in the Chinese market. In 2022, China was Germany's largest trading partner for the seventh consecutive year, with a turnover of €298.9 billion. In some sectors, Germany is heavily dependent on China: for example, about 80% of imported laptops and 85% of rare earth metals came from there. In addition, German companies invested a record €11.5 billion in China in 2022.

Targeting Threats. The most important part of the strategy is the extensive list of threats to Germany, the European Union, and the international community arising from China's policy. These mainly concern economic dependencies, including imports from China (e.g., in the electromobility industry), the importance of the country's market for German exporters, and Chinese investments in critical infrastructure (e.g., telecommunications or energy) and other sensitive areas. Also significant are the perceived threats posed by China's rhetoric

about NATO's actions, the intensification of the former's partnership with Russia and support of Russian aggression against Ukraine, as well as China's undermining of the rules-based international order. Germany's strategy document criticises China's violations of human rights, including repression of Uighurs in [Xinjiang](#), Tibetans, and [Hong Kong residents](#). Chinese hybrid activities, such as disinformation, are also an important area of concern.

The strategy identifies instruments to counter these threats. Like the EU and the U.S., Germany sees the need to reduce dependence on China (derisking). This is understood both as the need for the development of industry in the Union, diversification of supply chains, limiting technological cooperation with authoritarian states, and reducing the presence of German companies in China. According to the German government, businesses should consider the risks of involvement in China, including in the context of civil-military use of technology and products as well as human rights violations. To encourage German companies to diversify their business activities and reduce such risks, the Scholz government envisions creating financial mechanisms to encourage companies to move investments outside of China. It is also engaged in talks with South American countries and South Africa on the supply of raw materials, including rare earth metals.

In the face of the challenges emanating from China, Germany is looking to work more closely with its G7 partners and selected Far East countries. Important in this regard is the role of Japan and South Korea, among others, as well as the [U.S.](#), which is mentioned in the strategy mainly in the context of cooperation with the EU, and the ASEAN countries. The latter is connected to the importance of the Indo-Pacific to Germany's security as one of the world's largest exporters. Germany confirms respect for the "One China" policy, but at the same time supports, for example, Taiwan's participation in the work of international organisations. It does not reject the possibility of changing the status quo in the Taiwan Strait, but only peacefully and with the consent of both sides. In addition, the German Navy is to continue to participate in operations ensuring freedom of navigation in the South China Sea.

The Indispensability of Dialogue with China. In addition to identifying threats from China, the strategy emphasises Germany's willingness to cooperate with China, which is in line with the position of the Chancellor's Office. In addition to close economic relations, political, people-to-people cooperation (implemented, for example, through youth exchange programmes), and academic cooperation are considered key to this approach. The document also emphasises the crucial

dimension of institutional contacts and contains a long list of dialogue and bilateral formats that Germany wants to maintain.

The German government seems to suggest that a reduction in threats from China can be achieved not through rivalry and decisive action (e.g., sanctions or restrictions on cooperation), but by maintaining intensive contacts, including at the highest level. The basis of this approach lies in the belief that Germany is for now highly economically dependent on China. The strategy is in line with the [EU's](#) conservative approach to China as a partner, competitor, and rival, and utilises it as the basis of German-Chinese relations and Germany's actions within the European Union. The strategy also emphasises the need to improve the effectiveness of the EU's actions through more frequent majority decision-making on Common Foreign and Security Policy.

Conclusions. The strategy's content is an attempt to reconcile the conflicting postulates of Germany's political and business communities regarding relations with China. It also fits in with the principle applied by the Chancellor in other aspects of foreign policy (e.g., arms deliveries to Ukraine) of evolutionary changes while minimising threats. However, the actions proposed in the strategy may start a process that will result, for example, in limiting Germany's cooperation with China in selected sectors or on specific products viewed as a threat to, for example, German and EU critical infrastructure or the democratic order. Indeed, the strategy is an expression of the increasingly widespread negative judgments of Chinese policy in Germany, as symbolically demonstrated by its announcement by the German foreign minister at the MERICS think tank in Berlin, which has been [subject to Chinese sanctions](#). The most difficult part for the German authorities will be to convince German businesses (including major corporations such as Volkswagen and BASF) to take greater regard for national security in their business activities in China, even at the expense of profits.

Both the content of the strategy and Baerbock's words indicate that the document will serve as the basis for Germany's position in shaping EU policy towards China, pointing out, among other things, the importance of EU autonomy. The strategy notes the importance of the EU's cooperation formats with the United States, but no longer adheres to convergence of the partners' positions in assessing certain threats from China, such as data security and scientific research.

The Chinese Foreign Ministry reacted negatively to the strategy, but in a subdued manner, treating the list of threats contained in the document as a reflection of current political and economic challenges facing Germany. It rejects responsibility for them and warns Germany against reducing its cooperation and noted the interests linking the two countries.