

# EU-China relations under the German presidency

– By Zsuzsa Anna Ferenczy and *Ma Junjie*

9Dashline (20.07.2020) – <https://bit.ly/39fpcvD> – Germany is in a position of strength to accelerate the much-needed shift in EU-China relations towards economic and political reciprocity. Growing EU leverage over China gives Berlin the responsibility to act. But human rights can't fall victim to the pragmatic trade cooperation Berlin and the EU have maintained with Beijing.

In the midst of a global health crisis, on 1 July Germany took over the presidency of the Council of the European Union, with Chancellor Angela Merkel in her last year in office. The six months will be no walk in the park: the aim is to [succeed](#) in positioning Europe as a united entity in the global great-power rivalry between the US, China and Russia.

These are particularly trying times for an internally divided Europe, with a more assertive China and a more aggressive Russia, a chaotic neighbourhood in the east and south of the Mediterranean, and a transatlantic relationship at a record low. As the Presidency motto "Together for Europe's recovery" [suggests](#), overcoming the consequences of the *coronavirus crisis* and supporting the economy are among the priorities. Another ambition is to seek a "*strong Europe in the world*". Striking a deal on the recovery package is no small task. Strengthening the EU's capacity to act as a global leader is an even bigger challenge. Yet, *Europe* – and perhaps the democratic world facing a growing authoritarian threat – *expects Berlin to deliver* on both tasks.

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*engagement in trade China would gradually liberalise, no longer holds as it did in 1967 when US President Richard Nixon spoke of the value of inducing change in China.*

As a founding member of the EU, Germany has shown it has some of the essential drivers to live up to the task: the *leadership skills*, the *economic strength* and a solid record of *commitment to the European project* rooted in the defence of human rights, rule of law and democracy. German foreign policy is largely aligned with these core values, but also driven by important commercial interest, two ambitions Berlin has not managed to reconcile.

Berlin will need all these drivers to lead EU efforts to rebalance EU-China relations, a strategic partnership that suffers from a political and economic *imbalance*. But Berlin will need more: internally, *to consolidate its own China policy* to reflect the new reality and *to unite the EU* around it, and externally, to support an *affirmative strategy* with democratic countries to withstand efforts to undermine democracy.

### **German priorities**

Concerning Berlin's priority to work on a post-pandemic recovery plan, inspired by a [Franco-German](#) initiative, the Commission has already [proposed](#) the "Next Generation EU" instrument of 750 EUR billion, to be embedded within the next long-term EU budget, and to be, controversially, financed through shared debts. A German herself, Commission President Ursula von der Leyen [believes](#) this is "Europe's moment". [Not everyone](#) agrees though. With some member states calling for "[fair](#)" distribution of EU recovery funds, *the EU is divided*. At the time of writing this article, member states are split north and south, and east and west, [deadlocked in a protracted summit](#) over size, design and conditions of the multi-billion-euro package.

Concerning geostrategic priorities, Berlin knows well that both speaking with one voice, and working with allies are key to Europe's tackling *the lack of reciprocity* in EU-China relations. In Berlin's eyes, the EU has a "[great strategic interest](#)" in maintaining cooperation. The Presidency [priorities](#) explicitly say "we want to expand cooperation with China and work to foster greater reciprocity in all policy areas". From what has been officially articulated, Berlin appears determined. Ensuring continuity, the Presidency is building on the preceding [Finish Presidency](#), and their "strategic reflection" seeking a more balanced economic relationship. This is also in line with the EU's labelling China a "[systemic rival](#)" in March 2019. Germany has committed to working hand in hand with Brussels, particularly to increase pressure on Beijing to open up its markets to create a level-playing field for foreign and domestic companies. *But Berlin must still articulate the same commitment for human rights.*

## **Berlin and Beijing**

When it comes to dealing with China, Germany's economic might has been decisive in shaping bilateral ties, but also EU-China relations. Trade cooperation has brought *prosperity for both sides* and has ensured Germany a *position of strength* within the EU vis-à-vis China. But cooperation has turned into *rivalry*, jeopardising Germany's leading role in high-tech manufacturing while supporting Beijing's state-driven economic model.

The belief in the West, shared by Germany, that through engagement in trade China would gradually liberalise, no longer holds as it did in 1967 when US President Richard Nixon spoke of the value [of inducing change](#) in China. But while the US has abandoned its ambition for a more closely integrated relationship with China, Germany does not follow the same path, at least not for now. *Germany itself remains [torn](#) with a government supporting cooperation, and a corporate sector*

*calling for a tougher policy and urging caution at the same time, making concerns for human rights the least relevant.*

Since 2016 Germany has been *China's biggest trading partner* in Europe, with a [volume of trade](#) of almost 200 billion euros in 2018. China is important to Germany; it was the demand for German exports created by China that [contributed](#) to Germany reasserting its economic dominance in the eurozone following the 2008 financial crisis.

Sino-German economic cooperation even led to turning the Western German city of Duisburg, [Wuhan's sister city](#) since 1982, into "[China's gateway to Europe](#)" in the framework of the Belt and Road Initiative (BRI). But while Beijing promised tremendous opportunities, it has posed [challenges](#) to European interests to maintain an open and rules-based economic system, by [creating dependencies](#) and helping Beijing increase its political and economic leverage inside Europe.

Unprecedented in its scope and ambitions, BRI has left Germany's role in addressing the China question all the more important. But it was the 2016 [acquisition of Kuka](#), a German robotics manufacturer, by China's Midea for 4.5 billion EUR, that signalled that the China opportunity turned into an even greater *threat*, demanding the strengthening of German competitiveness. Berlin's stance has toughened. Together with France, Germany has led the 2019 [EU-China Strategic Outlook](#), which labelled China a "systemic rival". With Paris and Rome, Berlin also [initiated](#) a European-level [investment screening mechanism](#) to protect European interests and ensure a level-playing field to European businesses.

### **"Wandel durch Handel" no more?**

In reality, *Germany remains split* between the preservation of cooperation and calls for a tougher stance. With the Presidency, this division is now of even higher relevance to the EU's efforts to adjust its China policy. Just as Germany's

Foreign Minister urged Beijing to [clarify](#) its position on interning Uyghurs in prison camps, German carmaker VW has defended its presence in Xinjiang province, where it operates a production facility, [justifying](#) its decision as “purely economic”. On China’s passing a controversial security law in [Hong Kong](#), German Foreign Minister Heiko Maas has urged [dialogue](#) with China and Chancellor Merkel made it clear Berlin aims to maintain a “[critical, constructive](#)” dialogue with Beijing.

But the Chancellor has come under [heavy criticism](#) from her own party and opposition politicians for not taking a tough enough position. Green parliamentarian [Margarete Bause even accused Berlin](#) of pretending to be sitting at a “side table in Brussels”. Some even consider Germany stuck in a [strategic grey zone](#); aware of the China threat, but not willing to step up. As the pandemic has reconfirmed, Berlin maintains its [balancing act](#) with Beijing, in a cordial partnership with only cautious opposition.

Notwithstanding divisions, Berlin remains in a position of *strength*, which carries a *responsibility* to represent both EU interests and values in their dealings with Beijing. Responsibility implies a relationship of *trust* inside Europe, as Commission President Ursula von der Leyen [noted](#), speaking about Europe’s high expectations of the German Presidency. Because China [listens](#) to Germany, Berlin is in a special place to lead Europe’s adjustment to a new reality with China through the consolidation of internal unity.

*Image credit: [European Council President/Flickr.](#)*

## **European consensus?**

Internally, it is encouraging that European consensus is

finally emerging on the need to address the asymmetry with China. Member states agree China has become a “systemic rival”. A [shift](#) in tone is unfolding in Brussels, intensified by the pandemic. For the first time, Europe [accused](#) China of engaging in targeted influence operations and disinformation campaigns around COVID-19 in the EU seeking to undermine democratic debate. Quite the blow to a “strategic” partner. In a further move, in a joint [statement](#), EU member states agreed on the need to further protect strategic assets and technology from foreign investments, thus strengthening the EU’s strategic autonomy.

Yet, this consensus is vulnerable and skin-deep only. Member states continue their own cooperation with Beijing, which means *Berlin can’t make genuine progress without internal unity*. The EU’s complex decision-making has not facilitated coordination for the management of global challenges in general, including the health crisis, or the 2008 global financial crisis and the unprecedented wave of migration peaking in 2015. But on 1 July, Berlin [committed](#) to joint approved action, European solidarity and common values.

It is in these same areas that Europe has shown itself to be the weakest and most vulnerable to Chinese – and Russian – influence in fighting the virus.

### **Tough times ahead**

The current state of global affairs is especially challenging for Berlin, and it might even get worse before it gets better in the second half of the year. The global health crisis has amplified confrontation in US-China ties, and intensified tensions in EU-China relations, while global challenges, such as climate change or poverty, have not disappeared. In the midst of global uncertainty, it is clear that if Germany wants to consolidate its central role in shaping Europe’s future, as well as preserve the [European way of life](#) and help maintain the rules-based order, the moment to act is now. Former Polish

Foreign Minister Radek Sikorski's [words](#) uttered almost a decade ago in Berlin are particularly fitting now: "I fear German power less than I am beginning to fear German inactivity".

Berlin must keep the pressure on China and discuss the most urgent issues with Beijing, namely both protecting EU interests and speaking up for human rights. It is useful to remember that with a deterioration in US-China relations, the EU and its companies are now all the more vital for China. But both economic and political reciprocity must be on the table. In the words of China's former Ambassador to Germany, Mei Zhaorong, [ideological differences](#) are cause for concern. But human rights can't fall victim to the pragmatic trade cooperation Berlin and the EU have maintained. Growing EU [leverage](#) over China gives Berlin the responsibility to act. It should also give the Presidency the confidence to be upfront with China. It is around this reality that Berlin must bring member states together and consolidate the nascent consensus.

German Foreign Minister Maas [declared](#) Europe can only survive if we are united as the European Union. The time for hesitation has passed. China respects [strategic strength](#) and is contemptuous of vacillation and weakness, in the words of former Australian prime minister Kevin Rudd. With its leadership skills, strong pro-European commitment and economic strength, as Europe's "[indispensable nation](#)" Germany is in the position to accelerate the much-needed shift in EU-China relations. And because no rebalancing will be sustainable without cooperation on urgent global issues, Berlin must support working together on global challenges with China and with democratic partners across the globe to ensure a sustainable future.

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