Analyses OSW

CENTRE FOR EASTERN STUDIES 8.02.2012 www.osw.waw.pl

Angela Merkel pays a visit to China

Wizyta Angeli Merkel w Chinach, Konrad Popławski

During her visit to China (1–3 February), the German chancellor attempted to convince the Chinese government to become engaged in assistance for the eurozone (Beijing, which has currency reserves worth US$3.2 trillion, could support the ESM and EFSF stabilisation funds, which have been created to combat the crisis in the eurozone). The German chancellor during her meetings with Wen Jiabao and Hu Jintao, the prime minister and the president of China respectively, also appealed for better protection of intellectual property and easier access for German firms to the Chinese market. She reiterated this appeal at the business summit in Guangzhou, which was attended by representatives of German corporations and entrepreneurs from China. Merkel also made attempts to persuade Beijing to change its stance on Iran and Syria. There was a scandal during this visit since Chinese authorities did not allow one of the best-known human rights activists to attend the meeting with Chancellor Merkel at the German embassy. Sections of the German media and some opposition members have criticised Merkel for her failure to firmly react to this affront.

Commentary

- Angela Merkel's visit to China was the first one during which she clearly represented not only Germany but also the entire eurozone. The German chancellor hoped she would convince China to support the stabilisation of the eurozone, for example, through increasing China's engagement in the IMF or the purchase of EFSF bonds. China has limited itself to declarations so far, being unwilling to take the risk of engaging its currency reserves in rescuing the eurozone and not seeing a clear plan for the currency union to overcome its problems (last October's visit to Beijing by the head of the European Financial Stability Facility, Klaus Regling, focused on rescuing the euro but ended in failure). For this reason Angela Merkel was trying to present the fiscal pact, which had been signed a few days before, as a successful remedy to overcome the eurozone's crisis. However, the Chinese government is more interested in buying individual firms (one example of which is the recent purchase of the German construction company, Putzmeister), while its aid to the eurozone will be made dependent on political concessions, such as recognising China as a market economy or lifting the embargo on exports of weapons from the EU to China.

- Maintaining good political relations with Beijing is vital for Berlin, considering China's increasing role as an economic partner: mutual trade turnovers last year reached 140 billion euros, and China became the most important exporter to the German market.

German exports to emerging markets will allow the high dynamics of German exports to be maintained. Germany is attempting to convince China to lift barriers to the access foreign firms have to public tenders. Germany also expects Beijing to cancel the limits imposed on exports of rare earth metals (90% of the global deposits of some of them are located in China), which are necessary for the development of renewable energy in Germany, which is the basis of the energy transformation (*Energiewende*) currently underway in Germany.

- China's harsh reaction to Angela Merkel's attempts to meet with the opposition shows that it will be difficult to influence the very assertive policy of China. Neither Germany's growing role in the eurozone nor the strategic partnership between Berlin and Beijing – one effect of which were the first intergovernmental consultations held last year – will change this.