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German business with Merkel in China

Ryszarda Formuszewicz

On 5-7 September Angela Merkel visited China for the twelfth time during her tenure. The Chancellor was accompanied by a 25-person delegation of leading representatives of the German economy, including from Siemens, Allianz, BASF, Daimler, Deutsche Bank, BMW, VW and Fraport. Eleven economic agreements were concluded (a selection of which are listed in the Annex). As part of an extensive network of bilateral relations, the Chancellor participated in the sixth meeting of the Sino-German Economic Advisory Committee, and in the conclusion of the Sino-German Dialogue Forum. In her speeches she called for the resolution of the trade disputes between China and the United States, promoted multilateral cooperation and emphasised the need to protect the environment. She called for an increase in Chinese involvement in Germany, even after German regulations supervising foreign investments in strategic sectors were tightened up.

China is Germany's most important trading partner: turnover in 2018 amounted to €199.3 billion. China is the third largest market for exports from Germany, after the US and France (in 2018 goods worth €93.1 billion were exported to China, compared with €113.5 billion to the USA), and so the Chinese market is of key importance for the German automotive and mechanical engineering industries.

Commentary

- Germany fears the adverse effects of the China/US rivalry on its economy. At the same time, though, it is taking advantage of its rising importance for Beijing, mired in a trade war with the US, to obtain concessions for German investors. In addition to demands for transparent and non-discriminatory access to China’s domestic market, and for the protection of intellectual property, the questions associated with the extension of the Social Credit System to businesses and China’s new cyber-security regulations hindering the protection of economic information are top priorities for German business. A bilateral agreement on this topic concluded shortly before Merkel’s visit presumably lived up to German expectations; its signing may also be intended to reduce German anxieties about the participation of Huawei in the development of the 5G network in Germany.
- A heavy cloud hanging over the visit was the protests in Hong Kong, which have been ongoing since June, not only because of the risk of their escalation, but also in light of growing pressure on Chancellor Merkel to adopt a public position on the matter, as demanded by opposition politicians in Germany and representatives of the protesters themselves. During a joint press conference with the Prime Minister of China, Merkel

called for the peaceful resolution of the dispute, although this was received with some reserve by the Chinese side, which was concerned with putting a positive spin on her visit. China offered harsh criticism of the meeting between German Foreign Minister Heiko Maas and the opposition leader Joshua Wong in Berlin after Merkel had returned to Germany.

- From the German point of view, the visit was part of its preparations to assume the EU presidency in the second half of 2020, during which Berlin intends to develop EU/Chinese cooperation. In particular, a joint summit is planned in September in which representatives of all the member states will participate. The goals of the Presidency would also be achieved if next year the European Commission could finalise its negotiations on an agreement concerning investment protection.