

## De-risking can wait. Scholz's visit to China

Lidia Gibadło , Paulina Uznańska

Germany's Chancellor Olaf Scholz (SPD) went on a three-day visit to China on 14–16 April. He met the Chinese leader Xi Jinping and Prime Minister Li Qiang in Beijing; he also visited Chongqing, an important automotive production hub, as well as Shanghai. Scholz was accompanied by 12 representatives of German companies, including Mercedes, ThyssenKrupp and BASF. Federal ministers of agriculture, digitisation & transport and the environment were also part of the German delegation to China. Scholz last visited the country in November 2022, and Berlin hosted bilateral intergovernmental consultations in June 2023.

During the visit, a bilateral plan to foster the circular economy & efficient resource management and a letter of intent regarding dialogue and cooperation in the field of connected and automated mobility were signed. It was also declared that the Chinese market would be opened to German agricultural products, including pork, apples and some beef products.

### Commentary

- During his stay in China, Scholz adopted a distinctly conciliatory tone and a cooperative approach towards the country, distancing himself from the more assertive stance the European Commission and France have taken. The European Commission has accused China of subsidising industries that are vital for green transformation, such as solar panel and lithium-ion battery manufacturing, as well as the electric vehicle sector (which is fundamental for the EU's industry), and of dumping in these sectors. During his visit, the Chancellor assured his hosts that Chinese cars should have equal access to the European market, provided that no dumping, overproduction or violation of intellectual property rights is involved. He also advocated for increasing the competitiveness of European businesses. Leading companies from Germany, which are widely present on the Chinese market, fear an escalation of the trade war and Chinese retaliation. The German industrial association VDA is openly opposed to raising customs barriers on Chinese cars. This stance increases the likelihood of tensions within the EU, which may work in Beijing's favour.
- Scholz's visit did not bring any breakthrough in terms of limiting China's support for Russia or engaging China in negotiations to end the war in Ukraine. So far, Beijing has not specified whether it will participate in the peace summit planned to be held in Switzerland this summer (the main obstacle being the exclusion of Russia from it). In a conversation with the Chancellor, Xi Jinping only pledged Chinese support for

coordinating and promoting the event. Germany also achieved modest results in other matters related to the war. The Chinese side reiterated its previous opposition to the use of nuclear weapons, but Scholz did not receive any binding declarations concerning Chinese entities' circumvention of EU sanctions on Russian dual-use products.

- China views Germany as the most important partner which could slow down the European Commission's 'protectionist' moves. This is why it is making attempts to convince Berlin that Chinese initiatives such as exporting cheap electric vehicles, lithium batteries and photovoltaic products can mitigate global inflation and are essential for Germany's energy transition. Beijing's aim is to increase the empowerment of businesses, so that they, rather than national governments, make decisions regarding the implementation of the de-risking agenda, which would help reduce the withdrawal of European firms from the Chinese market and the decrease of their investments. Germany's openness to cooperation in the field of technology is also important to China. The declaration made during the visit regarding dialogue and cooperation in the field of connected and automated mobility suggests that Germany intends to continue its cooperation with China in the standardisation of sensitive technology, which could potentially strain relations with the US in the future.
- The position taken by the Chancellor's Office implies that Berlin does not intend to take any more ambitious measures to reduce the risk associated with Germany's economic dependence on China — a stance which has primarily been advocated by the Greens in the government (see '[A dangerous resemblance. Moves to revise Germany's China policy](#)'). Alongside the increasing volume of trade, there is also a trend for leading German corporations to invest more and more in China. Last year these investments reached a record high of €11.9 billion, and according to the German Economic Institute (IW), their level over the past three years corresponds to that of the 2015–20 period. Both these figures and the willingness of major firms to expand their operations in China undermine the idea of de-risking, which has been the core of Germany's strategy towards China since 2023 (see '[Germany's strategy towards China: a farewell to illusions](#)'). Berlin is thus increasing the threat to the stability of the entire EU in the event of a further deterioration of Beijing's relations with the West. This scenario could materialise if Donald Trump wins the presidential race this year, as this could lead to an escalation of the US–China economic conflict (see '[Facing another Zeitenwende. How Germany could react to a possible victory for Trump](#)').