

Easing tensions: German finance minister visits China

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In the second half of November, Vice Chancellor and Finance Minister Lars Klingbeil (SPD) became the first politician from the current CDU/CSU-SPD government to visit China and Singapore. In Beijing, accompanied by representatives of German banks and insurance companies, he took part in the fourth German–Chinese financial dialogue. During a joint press conference with Vice Premier He Lifeng, Klingbeil stressed the importance of engaging in dialogue with China to address global challenges but also highlighted the need to uphold the principles of free trade, warning that what he described as ‘unfounded’ export controls on rare earth metals posed a threat to the global economy. Moreover, he emphasised China’s ‘special role’ in efforts to end the war in Ukraine and its potential influence on Russia. As SPD chair, Klingbeil participated in the second strategic dialogue between the SPD and the Chinese Communist Party (CCP) and met Wang Huning, the fourth-ranking figure in the party hierarchy, regarded as the CCP’s chief ideologue. In Shanghai, in his capacity as minister, Klingbeil met with representatives of the German business community.

Klingbeil’s trip did not produce a breakthrough on any of the contentious issues. Despite a growing list of problems and the German government’s assertive rhetoric, Berlin remains keen to maintain cooperation with Beijing because of the German economy’s dependence on China. The coalition continues to pursue a policy of avoiding confrontation while simultaneously strengthening cooperation with other partners in Asia as part of Germany’s de-risking strategy.

Commentary

- **Klingbeil’s visit was intended to ease the tensions in Germany’s relations with China that arose after Foreign Minister Johann Wadephul (CDU) cancelled his planned visit in October.** His decision was prompted by the Chinese side’s failure to confirm meetings with key government officials other than the foreign minister. According to media reports, this was a response to Wadephul’s criticism of China, notably expressed last August during his visit to Japan, where he condemned China’s aggressive actions in the Indo-Pacific and its support for Russia’s invasion of Ukraine. Beijing reportedly demanded that he retract those remarks. The Chinese government’s actions may also have been intended as a message to the German Chancellor, who, during the Bundestag election campaign, had labelled China (alongside Russia) as a leader of the authoritarian axis challenging liberal democracies. At the Berlin Foreign Policy Forum organised by the Körber Foundation, Wadephul announced that he would travel to China later this year. Chancellor Friedrich Merz’s first visit to the country is scheduled for next year.

- **The Chinese government sought to use Klingbeil's visit to drive a wedge between the German coalition partners over policy towards China.** Wadephul's decision to cancel his visit had drawn criticism from some members of the SPD. To avoid controversy, Klingbeil emphasised that his trip had been coordinated with both the Chancellery and the Foreign Ministry. From the perspective of the CCP leadership, the key element of the visit was Klingbeil's meeting, in his capacity as SPD co-chair, with Wang Huning. This engagement received greater media coverage and was followed by a longer official statement from the Chinese side than that issued after Klingbeil's talks with Vice Premier He Lifeng. By granting the SPD access to senior CCP and state officials as part of inter-party relations, Beijing aims to encourage the Social Democrats to obstruct any initiatives of the coalition government that would be unfavourable to China. At the same time, the Chinese government is likely to sideline CDU/CSU ministers known for their critical stance towards China. The CCP's objective is to ensure that influential German politicians understand Beijing's position and, ideally, articulate it in favourable terms on issues of importance to China – all under the banner of 'seeking common ground while preserving differences'.
- **German companies continue to push for access to the Chinese market despite the deteriorating conditions for doing business in China and increasingly strained trade relations.** Key challenges include China's imposition of export restrictions on rare earth metals and derived products (see: '[At the monopolist's mercy: Germany's dependence on Chinese rare earth elements](#)'), as well as intensifying technological competition in the semiconductor sector (see: '[The European front of the war over microchips. The Netherlands joins the anti-Chinese coalition](#)'). Germany is also grappling with a widening trade deficit with China: between January and September this year, imports of Chinese goods to Germany rose by 8.9%, while German exports to China declined by 11.9%. According to a 2024 survey by the German Chamber of Commerce in China, 92% of German companies had no plans to withdraw from the Chinese market. At the same time, 51% of businesses operating there intended to increase investment over the next two years. The most frequently cited reason (87%) was the need to remain competitive in the local market. Meanwhile, weak domestic demand in China was identified as the most significant macroeconomic challenge for businesses, cited by 56% of respondents.