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WORLD

Germany Retains China Ties Despite Rising Geopolitical Tensions

German Chancellor Olaf Scholz will be the first Western leader to visit Beijing this week as leader Xi Jinping leans toward Russia



Chancellor Olaf Scholz is visiting China as Germany's economy teeters on the brink of a recession.

PHOTO: MICHELE TANTUSSI/REUTERS

By *Bojan Pancevski* [Follow](#)

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German Chancellor Olaf Scholz heads to Beijing this week, days after Chinese leader Xi Jinping embarked on a third term and reaffirmed his support for Russia despite Moscow's invasion of Ukraine.

The visit—it is also the first by a Group of Seven leader since the start of the Covid-19 pandemic—comes amid a standoff between China and the U.S. over the future of Taiwan, which Beijing sees as a renegade province. Beijing also angered Washington and its allies in recent days, when it said it would deepen relations with Russia and repeated its position that the North Atlantic Treaty Organization was to blame for the war in Ukraine.

The trip is also happening as Germany's economy teeters on the brink of a recession because of rocketing energy costs and falling exports, raising China's significance as an economic lifeline for German manufacturers. China accounts for 12.4% of German imports and 7.4% of its exports, according to the German

Economic Institute, a think tank, making it Germany's largest trade partner.

This dependence has pushed Mr. Scholz to walk a tightrope, seeking to maintain a vital economic relationship while navigating rising East-West geopolitical tensions. His critics at home and abroad are growing concerned that Berlin has failed to learn the lessons from its economic dependence on Russia as Beijing hardens its own relations with the West.

Last week, Mr. Scholz allowed China's state-control shipping company Cosco Shipping Holdings Co. to acquire a 24.9% concession of a container terminal in Hamburg, Germany's largest port, despite opposition from within his government. After the decision, Germany's Foreign Ministry said the deal would increase China's hold on critical infrastructure in Germany.



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PHOTO: AXEL HEIMKEN/AGENCE FRANCE-PRESSE/GETTY IMAGES

Mr. Scholz's critics say that by visiting China, the chancellor is ignoring the lessons from Germany's high dependence on Russian fossil fuels, which became a liability after Moscow invaded Ukraine and began throttling natural-gas deliveries to Europe. In a rare joint warning directed at China, Mr. Scholz's own security and intelligence services said Germany had become excessively dependent on a hostile power.

The trip has raised eyebrows abroad too. Asked about the visit, Thierry Breton, the EU commissioner in charge of the bloc's internal market, said that "when

dealing with a systemic rival for the whole of the EU, it is no longer possible for individual Member States to play it solo...After our dependence on Russian gas, Europe needs to avoid repeating its mistakes from the past.”

Some allies are concerned that the trip plays to a longstanding divide-and-conquer argument by Beijing that Berlin should distance itself from the U.S. Germany should strengthen European unity and strategic autonomy rather than become too dependent on the U.S. for security and energy, Wu Huiping, professor of German studies at Tongji University in Shanghai, told Chinese state media.

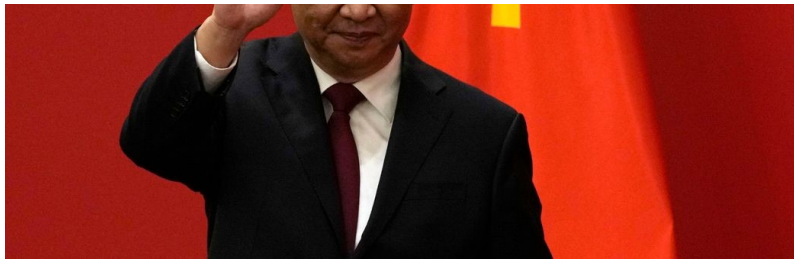
On Monday during a press briefing, Chinese Foreign Ministry spokesman Zhao Lijian said Beijing believed the visit would “inject new impetus into deepening China-Germany comprehensive strategic partnership in a new era.”

German chancellery officials say the talks would primarily focus on opening a much-needed dialogue with Mr. Xi about Russia’s war in Ukraine and Moscow’s nuclear saber-rattling.

Like his predecessor, Angela Merkel, who visited China a dozen times, Mr. Scholz will bring along executives of companies ranging from automobile giant Volkswagen AG, which makes 40% of its sales in China, to BioNTech SE. China hasn’t approved BioNTech’s Covid-19 vaccine, which has been used widely throughout much of the Western world.

Aides to Mr. Scholz said he has urged companies with large China businesses to diversify and declined to renew a government guarantee to VW in May that would compensate the company in the event of a loss of assets in China, citing human-rights violations in the Xinjiang region. The government is currently working on a new China policy document in an effort led by the China-skeptical Foreign Ministry.





Chinese leader Xi Jinping recently reaffirmed his support for Russia despite Moscow's invasion of Ukraine.

PHOTO: ANDY WONG/ASSOCIATED PRESS

While German investments in China reached a decade's high of over 5 billion euros, equivalent to \$4.94 billion, in the first half of 2022 after declining for years before the pandemic—according to Rhodium Group, a consulting firm—these have increasingly been focused on a few industrial behemoths, while many smaller businesses are becoming weary about their China exposure, according to Rhodium.

Chancellery officials said Mr. Scholz had sought backing for his course in Europe. During a meeting in Paris last week with French President Emmanuel Macron, the two condemned protectionism by both China and the U.S., especially with regards to the Biden administration's Inflation Reduction Act, which envisages subsidies for companies investing in the U.S.

Still, the officials said they don't want to further damage relations with China when they hope to convince Beijing to distance itself from the war in Ukraine.

"We have no illusions about China, but we are not about to start a war on two fronts," a senior German official said in reference to the confrontation with Russia. Open criticism of China wouldn't be helpful when Mr. Scholz wants Mr. Xi to reconsider his acceptance of Russia's war, the official said.

Janka Oertel, Asia expert with the European Council on Foreign Relations, a pan-European think tank, said "it is wise from the Chancellery to be prudent and not to open two fronts, but at the same we simply need to deal with Russia and China simultaneously."

Any Chinese attempts to regain Taiwan would trigger a forceful western response, including crippling U.S. sanctions that would cut German business off from China, she said.

Parallel to Beijing's more aggressive posture on the international stage, the concentration of power in Mr. Xi's hands has made the country a tougher place to do business. The Chinese leader's strict no-Covid policy, including recurrent lockdowns in China's largest cities, has disrupted the economy and made it all but impossible for most Western business people to visit. Criticism of China's policies by Western investors have led to brutal online campaigns or official sanctions targeting specific brands.

Hans Dietmar Schweisgut, a former EU ambassador in Beijing, said EU-China relations have been steadily declining, and cautioned that China's global ambitions and the alignment with Russian President Vladimir Putin could eventually eclipse even the most pressing economic concerns.

“For a long time we have underestimated the fact that China strives for...world supremacy, in order to shape the global order in its own image,” he said.

—Sha Hua in Singapore and Georgi Kantchev in Berlin contributed to this article.

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