

GLOBAL AND REGIONAL ORDER

MUNICIPALITIES: A KEY ELEMENT OF GERMANY'S CHINA POLICY

Developments and Perspectives

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In practice, Germany's China policy takes place first and foremost in the municipalities. Municipal actors generally make their own decisions with Chinese actors about investments or education. Municipalities are the key element in Germany's China policy.



A successful reorientation of Germany's China policy will depend on the extent to which municipal authorities and their actors are involved in organising sustainable processes such as de-risking.



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1

GERMAN-CHINESE MUNICIPAL RELATIONS IN THE TIME OF THE *ZEITENWENDE*

In the wake of a *Zeitenwende* or tectonic shift, nothing is what it once was. Norms that used to apply no longer do. The current period of global politics is characterised by crises, confusion, and uncertainty. While the familiar structures of the liberal international order remain in place, they are no longer able to provide sufficient stability and security. This is the period of an emerging interim order, in which it is no longer clear what the future world order will look like.

The ruptures in the liberal international order, the COVID-19 pandemic and, above all, from a German perspective, Russia's invasion of Ukraine have altered the analysis of which actors will play a decisive role in shaping the international political framework in the future. In this context, China can no longer be considered a rising power but rather should be understood as a global power with intent on shaping international politics in its own image and to exert decisive influence over a reconstitution of the world order. Dealing with China is thus, for both Germany and Europe, a so-called *wicked problem*,¹ a complex issue for which there is no definitive solution. In lieu of finding a perfect solution, the focus has to be on strategic management of relations.

Accordingly, the current German government emphasised that German policymakers need to rethink relations with China in the coalition agreement drafted in late 2021. This called for a "comprehensive China strategy in Germany within the framework of the common EU-China policy" and was presented on July 13, 2023. The goal of the China strategy is "to enable the Federal Government to assert our values and interests more effectively in the complex relationship with China," as well as "to present means and instruments by which the Federal Government can work with China, without endangering Germany's free and democratic way of life, our sovereignty and prosperity, as well as our security and partnerships with others."²

If the China strategy is to be implemented successfully, a closer look needs to be taken at German-Chinese municipal relations and their practical organisation. With the (re)ascendancy of geopolitics, the increasing importance of the nation-state, autonomy, and sovereignty, and talk of spheres of influence, bloc formation, and all-encompassing security, the political focus is now primarily on relations between governments (high politics). This emphasis pushes a conception of geopolitics that includes aspects of everyday life (everyday politics) and the local level (low politics) into the background. However, municipal relations should not be regarded as merely one more abstract option in dealings with China but as the actual everyday expression of relations.

In keeping with this, the basic standpoint in this study is that German-Chinese municipal and local relations are creating specific knowledge about the world, and especially the role of Germany and China in it, all of which influences how we understand the world and how relationships emerge within it. This understanding of geopolitics, which is not confined to 'high politics', makes it possible to look at new aspects, connectivities, and venues of international politics. This makes clear the extent to which conceptions of 'high politics' – for example, the increasingly prominent view of China as a systemic rival, debates about our dependency on China or the need for 'de-risking', and the building up of national and European resilience in relation to China – are reflected in German-Chinese municipal relations, but also the points at which differences arise.

This change of perspective will make it possible to highlight what characterises German-Chinese relations from the local actors' standpoint and how relations between the different levels (federal/municipal, *Länder*/municipal) find expression in municipal relations. The present study's findings and recommendations are thus not only relevant for the municipal level but can also serve as an example of a new geopolitical foundation for dealings with China.

STRUCTURE OF THE STUDY

German-Chinese relations at the local level have not received much scholarly attention. What is available are either region-specific analyses (for example, on the *Ruhrge-*

¹ For a detailed discussion of the challenges posed by 'wicked problems' in democratic systems, Head, Brian W. (2022): "Political Governance of Wicked Problems", in: id.: *Wicked Problems in Public Policy. Understanding and Responding to Complex Challenges*, Palgrave Macmillan, Cham, <https://doi.org/10.1007/978-3-030-94580-0>.

² Government of the Federal Republic of Germany (2023): *Strategy on China*, p. 9, <https://www.auswaertiges-amt.de/blob/2608580/49d-50fecc479304c3da2e2079c55e106/china-strategie-en-data.pdf>.

biet³) or isolated, very broad overviews, such as the one by Anja Goette and Qianlan Gao commissioned by Engagement Global's *Servicestelle Kommunen in der Einen Welt* (SKEW) (the Communities in One World Service Agency), which has also conducted seven round tables on municipal partnerships with China since 2016.⁴ In addition, there are individual critical publications, for example, by Roderick Kefferpütz, in which the subnational level is treated primarily as "another channel for pursuing strategic interests" on China's part.⁵

The present study, too, can only present German municipalities' relations with China in all their complexity, history and depth through examples. The aim is to demonstrate, in three broadly defined study regions, how different actors from the administration, politics, the economy, and education characterise German-Chinese municipal relations and how to evaluate all this in the context of the debate on the reorientation of Germany's China policy. The regions included in this study are the greater Düsseldorf/Duisburg, the metropolitan region of Hannover, Braunschweig, Göttingen, Wolfsburg, and central Germany (above all Saxony and Thuringia).

A focal point of this context is that China is changing under the leadership of Xi Jinping; as a result, German dealings with China must also change.⁶ In the first part of this study, we devote two chapters (2 and 3) to this changing context. We look at both changes in China – based on three selected areas – and the changing developments in Germany's China debate. In this way, we highlight why the degree of dependency on China is shaping the discussion of German

dealings with China and what consequences this has for municipalities. Chapter 4 is dedicated to an inventory of municipal relations, featuring data and facts and outlining our methodological approach. This is followed by an evaluation of over 80 interviews, which we cluster and analyse under four main findings in Chapter 5. Finally, and in the context of Germany's China strategy of July 2023, we draw some initial conclusions and formulate key policy recommendations on the basis of our findings.

3 See, among others, the study by Thomas Heberer and Anna Shpakovskaya, which analyses both the German and the Chinese standpoints on city partnerships, with a particular focus on Duisburg/North Rhine Westphalia: Heberer, Thomas / Shpakovskaya, Anna (2022): *Städtediplomatie in den 2020er Jahren: Mehr als eine Geschichte zweier Städte. Kommunale Diplomatie und Städtepartnerschaften zwischen Deutschland, Europa und China. Implikationen für Nordrhein-Westfalen*, Working Papers on East Asian Studies No. 133, Universität Duisburg-Essen, Institute of East Asian Studies (IN-EAST), Duisburg. Another important resource are the materials prepared by Engagement Global for the round tables on municipal partnerships with China, see "Engagement Global – Deutsch-chinesische kommunale Partnerschaften – Runder Tisch China" (German-Chinese municipal partnerships – China round table) at: <https://skew.engagement-global.de/deutsch-chinesische-kommunale-partnerschaften.html>.

4 Goette, Anja / Gao, Qianlan (2018): *Deutsch-Chinesische Kommunalbeziehungen*, Dialog Global – Schriftenreihe der Servicestelle Kommunen in der Einen Welt (SKEW), No. 19 (2018), Bonn, <https://skew.engagement-global.de/dialog-global/dialog-global-nr-19.html>.

5 Kefferpütz, Roderick (2021): *Stadt, Land, Fluss im Blick Beijings. Chinas subnationale Diplomatie in Deutschland*, China-Monitor, 18 November 2021, Mercator Institute for China Studies, <https://mercics.org/de/studie/stadt-land-fluss-im-blick-beijings-chinas-subnationale-diplomatie-deutschland>.

6 Cf. Scholz, Olaf (2022): "'Offener und klarer Austausch': Darum geht es bei meiner Reise nach China" [Open and frank exchange: that is what my visit to China is all about], in: *Frankfurter Allgemeine Zeitung* (online), 2 November 2022, <https://www.faz.net/aktuell/politik/inland/olaf-scholz-erklaert-seine-china-reise-offener-und-klarer-austausch-18431634.html>. The same approach can be found in the leaked document on the China strategy, as well as in all documents about China issued by parties in the German Bundestag.

Metropolitan area Düsseldorf/Duisburg



Municipal agreements (selection)

- Duisburg – Wuhan (1982)
- Düsseldorf – Chongqing (2004)
- Essen – Changzhou (2015)
- Ratingen – Huishan, Wuxi (2007)
- Sprockhövel – Zaozhuang, Shandong (1987)
- Wuppertal – Dongguan (2013)



Confucius Institutes

- Confucius Institute Düsseldorf
- Confucius Institute Ruhr Metropolis e.V. (Duisburg)



Economic actors and networks (selection)

- China representative of the city of Duisburg
- China Business Network Duisburg (CBND) e.V.
- Department for the coordination of China-related matters of the city of Duisburg
- NRW.Global Business, Agency for promoting foreign trade (Düsseldorf)
- China Competence Centre Economic Development Office Düsseldorf
- Deutsch-Chinesische Wirtschaftsvereinigung e.V. [German-Chinese Business Association] (DCW, Düsseldorf)
- Chinese Enterprises Association (CEA) in NRW e.V. (Düsseldorf)
- IHK Düsseldorf
- Messe Düsseldorf GmbH
- Representative Office of the Provincial Government of Jiangsu (Düsseldorf)
- Representative Office of the Province of Sichuan (Düsseldorf)
- IHK Köln
- China Competence Centre (C³) Economic Development Wuppertal



School exchanges* (selection)

- Vocational college of the city of Bottrop – Beijing
- Max-Planck-Gymnasium Duisburg – Wuhan
- Landfermann-Gymnasium Duisburg – Chengdu
- Maria-Wächtler-Gymnasium Essen – Changzhou
- Burggymnasium Essen – Shanghai, Kunming
- Dietrich-Bonhoeffer-Gymnasium Hilden – Chongzhou
- Gymnasium am Turmhof Mechernich – Qingdao
- Gymnasium Adolfinum Moers – Wuhan
- BBZ Neuss-Weingartstraße – Wuxi



Companies (selection)

- Baosteel Tailored Blanks GmbH (Duisburg)
- NGC Transmission Europe GmbH (Duisburg)
- Radisson Hotels Deutschland GmbH (Duisburg)
 - Schnellecke Group (Duisburg)
- Yuxinou Germany GmbH (Duisburg)
- Ecovacs Europe GmbH (Düsseldorf)
- Huawei European headquarters (Düsseldorf)
- ZCC Cutting Tools European headquarters (Düsseldorf)
- Klüh Service Management GmbH (Düsseldorf)
- Messe-Düsseldorf-China Ltd. (Düsseldorf)
- Minmetals Germany GmbH (Düsseldorf)
- OROPE Germany GmbH/OPPO Electronics Corp. (Düsseldorf)
- Rheinmetall AG, Henkel AG & Co. KGaA (Düsseldorf)
 - Xiaomi Technology GmbH (Düsseldorf)
- ZF Automotive Germany GmbH (Düsseldorf)
- ZTE Deutschland GmbH (Düsseldorf)
 - Kiekert AG (Heiligenhaus)
- Saurer GmbH & Co. KG (Krefeld)
 - XCMG Europe GmbH (Krefeld)
- Yanfeng International Automotive Technology Europe S.a.r.l. & Co. KG (Neuss)
 - Mahr GmbH (Wuppertal)
- WuXi Biologics GmbH (Wuppertal)



Civil society associations (selection)

- Gesellschaft für Deutsch-Chinesische Freundschaft [Society for German-Chinese Friendship] Düsseldorf e.V.
- Deutsch-Chinesische Gesellschaft [German-Chinese Society] Neuss e.V.



Other (selection)

- Borussia Düsseldorf (table tennis)
- KFOM German-Sino School of Business & Technology (Essen), VHS Düsseldorf
 - VHS Düsseldorf

Note: * The COVID-19 pandemic interrupted school exchanges or shifted them online. To date, not all exchanges have been resumed. Dormant exchanges or those from the recent past are therefore also listed here.

Metropolitan region Hannover – Braunschweig – Göttingen – Wolfsburg



Municipal agreements (selection)

- Braunschweig – Zhuhai, Guangdong (2009)
- Hannover – Changde (2004)
- Peine-Nanchang, Jiangxi (2009)
- Wolfsburg – Changchun, Jilin (2006)
- Wolfsburg – Dalian, Liaoning (2010)
- Wolfsburg – Jiading, Shanghai (2015)
- Wolfsburg – Nanhai, Guangdong (2016)



Companies (selection)

- Motortech GmbH (Celle)
- Gotion Germany Battery GmbH (Göttingen)
- EEW Energy from Waste GmbH (Hannover)
 - Linglong Germany GmbH (Hannover)
 - Schnellecke Group (Hannover)
 - Sievert Logistik SE (Hannover)
 - Schlote Gruppe (Harsum)
- KSM Castings Group GmbH (Hildesheim)
- KraussMaffei Extrusion GmbH (Laatzen)
 - Senatex GmbH (Langenhagen)
 - Gauss PSA GmbH (Wolfenbüttel)
- IPMA Projectmanagement Monitoring & Assistance GmbH (Wolfsburg)
- Volkswagen AG (Wolfsburg)



Agreements at state level Lower Saxony

- Province of Anhui (1984)
- Province of Shandong (2010)



Economic actors and networks (selection)

- China Netzwerk Arbeitgeberverband Region Braunschweig e. V. (China Network of the Employers' Association of the Region of Braunschweig)
- Deutsch-Chinesische Wirtschaftsvereinigung e. V. (German-Chinese Business Association) (DCW, Hannover)
- Hannover Messe
- Verein zur Förderung Chinesischer Unternehmer Niedersachsen (Association for the Promotion of Chinese Business People in Lower Saxony) (VFCN, Wendeburg)



Confucius Institutes

- Academic Confucius Institute at the Georg-August-Universität Göttingen
- Leibniz-Konfuzius-Institut Hannover e. V.



Civil society associations (selection)

- Deutsch-chinesische Bildung und Fortbildung (German-Chinese education and training) e. V. (Braunschweig)
 - Deutsch-Chinesische Gesellschaft (German-Chinese association) Braunschweig e. V.
- Institut für Berufsbildung Niedersachsen (Lower Saxony Institute for Vocational Training) e. V. (Hannover)
 - Chinaforum Wolfsburg e. V.



School exchanges* (selection)

- Hoffmann-von-Fallersleben Gymnasium Braunschweig – Zhuhai
- Martino-Katharineum Gymnasium Braunschweig – Zhuhai
- Wilhelm Gymnasium Braunschweig – Shanghai
- Otto-Hahn-Gymnasium Gifhorn – Hangzhou
- Europa Schule Humboldt Gymnasium Gifhorn – Hangzhou
- Hainberg Gymnasium Göttingen – Nanjing
- Gymnasium Goetheschule Hannover – Shanghai
- BBS 1 Northeim – Hefei / Anqing
- Cooperation involving four gymnasiums and one vocational school, Peine – Nanchang
- Phoenix Gymnasium Wolfsburg – Zhuhai



Other (selection)

- Cooperation between VfL Wolfsburg and, among others, Ningbo Joyntech Technology



Note: * The COVID-19 pandemic interrupted school exchanges or shifted them online. To date, not all exchanges have been resumed. Dormant exchanges or those from the recent past are therefore also listed here.

Central German Metropolitan Region



Municipal agreements (selection)

- Borna – Shangcheng, Hangzhou (2015)
- Borna – Dujiangyan, Chengdu (2016)
- Chemnitz – Taiyuan, Shanxi (2004)
- Dresden – Hangzhou (2009)
- Erfurt – Xuzhou, Jiangsu (2005)
- Halle (Saale) – Jiaxing, Zhejiang (2009)
- Jena – Panyu, Guangdong (2007)
- Leipzig – Nanjing (1988)
- Leipzig – Chongqing (1988)
- Magdeburg – Harbin (2008)
- Riesa – Wuzhong, Suzhou (1999)
- Riesa – Suzhou (2004)



Economic actors and networks (selection)

- China Network Thuringia
- China Centre HTW Dresden
- Deutsch-Chinesische Wirtschaftsvereinigung e. V. [German-Chinese Business Association] (DCW)
- HTWK Leipzig
- IHK Chemnitz
- IHK Dresden
- IHK Leipzig
- Thüringen International
- Wirtschaftsförderung Sachsen [Saxony Economic Development Agency]



School exchanges* (selection)

- Montessori School Huckepack Dresden – Hangzhou
- Gymnasium Martineum Halberstadt – Zhengzhou
- Südstadt Gymnasium Halle – Jiaxing
- Saaleschule Halle – Jiaxing
- Internationales Gymnasium Pierre Trudeau Magdeburg – Beijing
- Walter Gropius Gymnasium Roßlau – Hangzhou
- Salzmannschule Schnepfenthal – Shenzhen



Companies (selection)

- Contemporary Amperex Technology Thuringia GmbH (CATL, Arnstadt)
- CE Cideon Engineering GmbH & Co. KG (Bautzen)
 - VEM Group (Dresden)
- WKS Technik GmbH (Dresden)
 - Joynext GmbH (Dresden)
- TCS TürControlSysteme AG (Genthin)
- Schnellecke (Glauchau/Dresden/Leipzig)
- Bohai TRIMET/Automotive GmbHs (Harzgerode)
 - Harzgerode Guss GmbH (Harzgerode)
- Micro-Hybrid Electronic GmbH (Hermisdorf)
- Kugel- und Rollenlager Leipzig GmbH (Leipzig)
- Mingzhi Technology Leipzig GmbH (Markranstädt)
 - COTESA GmbH (Mittweida)
- SK Automation Germany GmbH (Neudietendorf)
- Koki-Technik Transmission Systems GmbH (Niederwürschnitz)
- Avancis GmbH (Torgau)



Confucius Institutes

- Confucius Institute Erfurt
- Confucius Institute Leipzig
 - Confucius classroom at the Salzmann School in Schnepfenthal



Civil society associations (selection)

- Chinese Pavilion in Dresden e. V.
- German-Chinese Society in Thuringia (Erfurt)
- German-Chinese Society in Jena e. V.
- German-Chinese Centre Leipzig e. V.



Other (selection)

- Erfurt Training Centre – cooperation classes for industrial mechanics with the firm XCMG Xuzhou
- Cooperation agreement between soccer clubs FC Carl Zeiss Jena and Mushengyuan FC Panyu

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2

CHANGES IN CHINA UNDER XI JINPING

Under Xi Jinping's leadership, the orientation of Chinese policy has changed substantially since 2012/2013. Beijing is no longer concerned with adapting China or the Chinese Communist Party (henceforth CCP or the Party) to international norms and regulations but instead seeks to shape the world and its order in Chinese terms. China under Xi Jinping is a future-oriented and influential great power. It is modern, with cutting-edge technology in some areas; that said, it is still fundamentally an authoritarian regime. Deng Xiaoping's reform policies, which embedded China in the international community, have not fostered democratisation of the political system (in the Western-liberal sense) or a free market economy. Instead, China has shown that societal development and modernisation are possible without merely copying the Western democratic model. For the political leadership under Xi Jinping, the national modernisation path and (foreign-)policy successes are, on the one hand, evidence that states should pursue their "own" development paths, and on the other hand, a legitimisation of the CCP's aspiration to global leadership. In a keynote speech in February 2023, Xi Jinping clearly expressed this viewpoint once again: "Chinese-style modernisation breaks with the myth that 'modernisation equals Westernisation', and presents a different model of modernisation, extending the options for modernisation available to developing countries and providing a Chinese solution for the whole of humanity to explore a better social system."⁷

For China, the shrinking of civil society spaces goes hand in hand with pursuing one's own modernisation path. This was already happening before the COVID-19 pandemic, for example, with the adoption of a controversial law on foreign NGOs in 2016 and the implementation of a series of comprehensive laws on various aspects of national security since 2015. The outbreak of COVID-19 boosted and accelerated the political leadership's control of internal development and digital surveillance of society. The CCP and government leadership's "zero-COVID policy," with its strict lockdown and quarantine provisions, has also made this clear to foreigners living in China.

The centralisation of the political system around the CCP, with Xi Jinping at its core, is also a discernible key change. This development is made evident in particular by the institutional reforms adopted after the 13th and 14th National People's Congresses in 2018 and 2023, as well as the confirmation of a third term for Xi Jinping at the 20th National CCP Congress in October 2022.⁸ Instead of a separation of state and Party in complementary structures, their integration is now taking centre stage under the direction of the CCP and the party leadership of Xi Jinping.

These developments within China are of decisive importance for our analysis of municipal relations because they extend into society and reinforce the CCP's influence there. One example is the campaign to build up Party structures in private companies, which also applies to foreign firms.⁹ This is putting into effect a passage from the Party constitution, according to which a Party cell is supposed to be established in all social organisations, associations, firms, and institutes with more than three full Party members.¹⁰ Under Xi, the aim is to utilise these structures better and more actively in order to implement campaigns with policy objectives more effectively, such as economic growth, fighting corruption, and national security. This aspiration results not only in the expansion of the CCP's surveillance and control prerogative and of its centralised leadership structure into society but also accelerates the Party's constant adaptation to the particular challenges of Chinese society and Chinese development goals. Furthermore, the CCP has been learning explicitly from experiences of societal upheaval outside China, for example, in the

⁷ Xi Jinping (2023): Speech at the opening ceremony of the study session focusing on the study and implementation of the spirit at the 20th CCP National Congress, 7 February 2023, https://www.gov.cn/xinwen/2023-02/07/content_5740520.htm. Original text: "中国式现代化，打破了“现代化=西方化”的迷思，展现了现代化的另一幅图景，拓展了发展中国家走向现代化的路径选择，为人类对更好社会制度的探索提供了中国方案。”

⁸ Cf. Snape, Holly / Wang, Weinan (2020): "Finding a place for the party: debunking the 'party-state' and rethinking the state-society relationship in China's one-party system", in: *Journal of Chinese Governance* 5(4), p. 477–502, <https://doi.org/10.1080/23812346.2020.1796411>.

⁹ See, for example, the 'perspective' issued on September 16, 2020 on reinforcing 'united front' activities to boost the private economy in the new era. People's Daily (2020): The General Office of the CPC Central Committee issued the "Opinions" to strengthen the united front work of the private economy in the new era. <http://cpc.people.com.cn/n1/2020/0916/c64036-31862864.html>, Original text: 中办印发《意见》加强新时代民营经济统战工作 2020年09月16.

¹⁰ Cf. The constitution of the Chinese Communist Party, partially revised at the 19th CCP National Congress, accessed on 24 October 2017, CCP members website [中国共产党章程. 中国共产党第十九次全国代表大会部分修改, 2017年10月24日通过. 共产党员网], <https://www.12371.cn/2017/10/28/ART11509191507150883.shtml>.

post-Soviet territories. Some scholars have termed this capacity for change “adaptive authoritarianism”.¹¹

The changes occurring in China under Xi are key to our analysis. Particularly in the empirical evaluation of the interviews (Chapter 5), it becomes clear that the political context is central to the characteristics and peculiarities of German-Chinese municipal relations. For example, political developments under Xi's leadership have shifted the political debate in Germany on how to deal with China. The tone has become much more mistrustful. On top of that, there is much more uncertainty concerning how far-reaching centralisation processes are in China and their effects on Chinese actors. The lack of clarity concerning precisely who is behind particular Chinese companies or administrative units and how much influence the CCP wields over the activities of Chinese actors has increased enormously, especially at the municipal level.

In what follows, we delve into three areas in more detail, as these examples illustrate the ever-greater coherence between domestic and foreign policy, as well as economic activities, under Xi. The fact that foreign policy is increasingly regarded as an extended arm of domestic policy inevitably confronts municipalities with the challenge of trying to understand China better. Contextual knowledge is the key to remaining steadfast when dealing with Chinese actors.

ECONOMIC CONDITIONS

The CCP's massive legitimisation crisis at the outset of Xi Jinping's term of office in 2012/2013 motivated the political elite to concentrate power in the hands of ‘strong man Xi’. According to Nimrod Baranovitch, a number of the decisions that underpinned Xi's consolidation of power early on were made before he actually had the power to decisively challenge the political order.¹² This includes, in particular, the first wave of the anti-corruption campaign and the abandonment of the principle of ‘collective leadership’ so that Xi could become chair of an enormous number of committees (the *chairman of everything*) and preside as the “core of the Central Committee”.

Initially, the anti-corruption campaign was a response to increasing inequality in China. Numerous cases came to light in which cadres exploited their political influence to enrich themselves illegally. This was one reason for the CCP's legitimisation crisis; it threatened the Party narrative of a moderately prosperous society with common pros-

perity. Corruption, however, enabled Chinese cadres to build up client networks whose loyalty could easily conflict with the power claims of the Party leadership. The anti-corruption campaign enabled Xi to prevail over rival factions within the Party and, at the same time, to tackle one of the public's main concerns. There is little evidence that the campaign was directed against only a certain group or stratum of officials.¹³

In the meantime, this ongoing campaign¹⁴ strengthened central leadership's direct control over the grassroots level. It has also led, among other things, to the proscription and reduction of the open exploitation of privileges, for example, when it comes to allocating subsidies, implementing regulations, and travel and hospitality at public expense. As recently as September 2023, the Central Committee of the CCP adopted another five-year plan to combat corruption (2023–2027), which once again laid out the Party's zero-tolerance attitude to corruption.¹⁵ The plan describes how it should be combated in each significant sector and at all levels, right down to local cadres. The upshot is a further break with familiar patterns of activity between Chinese economic and political elites, bringing about a fundamental change in China's tried and tested economic policy framework. This is intended to give the CCP more direct control over key actors (including state-owned enterprises).¹⁶

Signs of how effective the campaign has been include the negative consequences for the tourist industry,¹⁷ possible positive effects as regards companies' compliance with environmental standards¹⁸ or more efficient allocation of sub-

¹¹ On this, cf. Ahlers, Anna Lisa / Schubert, Gunter (2011): “‘Adaptive Authoritarianism’ in Contemporary China: Identifying Zones of Legitimacy Building”, in: Deng, Zhenglai / Guo, Sujian (Eds.): *Reviving Legitimacy: Lessons for and from China*, Lanham: Lexington Books, pp. 61–81.

¹² Baranovitch, Nimrod (2021): “A strong leader for a time of crisis: Xi Jinping's strongman politics as a collective response to regime weakness”, in: *Journal of Contemporary China* 30 (128), pp. 249–265, <https://www.tandfonline.com/doi/full/10.1080/10670564.2020.1790901>.

¹³ Qian, Jingyuan / Tang, Feng (2022): *Campaign-Style Personnel Management: Task Responsiveness and Selective Delocalization during China's Anti-Corruption Crackdown (2013–2020)*, <http://dx.doi.org/10.2139/ssrn.4219395>.

¹⁴ Besides examples at provincial level (Yunnan) politicians with close ties to the centre have also frequently been targeted by purges under the aegis of the campaign. Cf. Singh, Naina (2023): “Xi's Anti-Corruption Campaign: Yunnan Province in Focus”, in: *China Brief*, Volume 23, Issue 2, 2 February 2023, The Jamestown Foundation, <https://jamestown.org/program/xis-anti-corruption-campaign-yunnan-province-in-focus/>; He, Jiahong (2020): “Corruption and anti-corruption in China: a case study of high-ranking officials”, in: *Journal of Financial Crime*, Volume 27, No. 3, pp. 715–734, <https://www.emerald.com/insight/content/doi/10.1108/JFC-03-2020-0041/full/html>.

¹⁵ Cf. the Central Commission for Discipline Inspection and the National Supervisory Commission (2023a): “The Head of the Office of the Central Anti-Corruption Coordination Group (CACG) answered reporters' questions about the [CACG's] work plan ... (2023–2027)” [中央反腐败协调小组办公室负责人就《中央反腐败协调小组工作规划（2023—2027年）》], 20 September 2023, <http://dangjian.people.com.cn/n1/2023/0920/c117092-40081462.html>.

¹⁶ Cf. the Central Commission for Discipline Inspection and the National Supervisory Commission (2023b): “Interview with Qu Qingshan: The Party's self-revolution – a completely new category and an important proposal” [曲青山：党的自我革命——一个全新范畴和重大命题], 21.9.2023, https://www.ccdi.gov.cn/toutiaon/202309/t20230921_295149.html.

¹⁷ Cf. Ming, Yaxin / Liu, Nian (2021): “Political uncertainty in the tourism industry: Evidence from China's anti-corruption campaign”, in: *Current Issues in Tourism*, Volume 24, Issue 18, pp. 2573–2587, <https://doi.org/10.1080/13683500.2020.1852195>.

¹⁸ Cf. among others, Chen, Zhongfei / Zhou, Mengling / Ma, Chunbo (2022): “Anti-corruption and corporate environmental responsibil-

sidies to promote innovation.¹⁹ For local-level decision-makers, however, centralisation and control by the relevant disciplinary committee may stifle local initiative and innovation, narrowing the scope for regional reforms.²⁰ Considerable uncertainty looms over Chinese actors. In economic processes in particular, especially those involving foreign actors, it is often unclear what is still possible and what is not under the conditions of the anticorruption campaign.

This was intensified by the comprehensive policy programme for achieving “common prosperity” (共同富裕) adopted by the Central Financial and Economic Affairs Commission in 2021, to which increasing reference has been made in China’s *People’s Daily* since January 2020.²¹ The term gained importance at a time when, for example, Chinese technology companies – such as Ant Group or DiDi – began to come under particular pressure and a series of new, stricter regulations were rolled out for whole economic sectors. According to economist Xin Sun, this policy is part of an attempt by the CCP to obtain more control over the financial system (fiscal centralisation in the hands of the Party).²² It also is intended as a method of extending the authority of the CCP and the central government to local government policymaking. In this way, local government independence, which was formerly a cornerstone of reform policy and opening-up, is being reversed, while dependence on Beijing is augmented. Xin Sun also emphasised that the policy of ‘common prosperity’ has tightened up regulations on private companies. This diminishes competitiveness and increases the bureaucratic burden of companies in China. In line with this, the policy is often linked to development aims in rural regions, such as the revitalisation of villages and combating poverty, creating a contrast to the strong emphasis on technology that was so prevalent in the previous model of development.²³

ity: Evidence from China’s anti-corruption campaign”, in: *Global Environmental Change* 72, 102449, <https://doi.org/10.1016/j.gloenvcha.2021.102449>.

- 19 Cf. Fang, Lily H. / Lerner, Josh / Wu, Chaopeng / Zhang, Qi (2018): “Corruption, Government Subsidies, and Innovation: Evidence from China”, *Harvard Business School Entrepreneurial Management Working Paper* 19-031, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3251449.
- 20 Cf. Teets, Jessica C. / Hasmath, Reza / Lewis, Orion A. (2017): “The Incentive to Innovate? The Behavior of Local Policymakers in China”, in: *Journal of Chinese Political Science* 22, pp. 505–517, <https://doi.org/10.1007/s11366-017-9512-9>; and Wang, Peng / Yan, Xia (2020): “Bureaucratic Slack in China: The Anti-corruption Campaign and the Decline of Patronage Networks in Developing Local Economies”, in: *The China Quarterly* 243, pp. 611–634, <http://dx.doi.org/10.1017/S0305741019001504>.
- 21 On the use and history of the term “common prosperity”, cf. Bandurski, David (2022): “Common Prosperity”, in: *The CMP Dictionary*, China Media Project, 8.7.2022, https://chinamediaproject.org/the_ccp_dictionary/common-prosperity/.
- 22 Cf. Sun, Xin (2022): “Decoding China’s ‘Common Prosperity’ Drive”, in: *LSE Ideas*, April 2022, <https://www.lse.ac.uk/ideas/publications/updates/decoding-china%27s-common-prosperity-drive>.
- 23 Cf. among others, Liao/Shen/Li (2023): “Modernisation based on the Chinese model – modernisation for common prosperity of the people as a whole (Focus of both sessions)” [中国式现代化——全体人民共同富裕的现代化 (两会聚焦)], in: *People’s Daily* (Overseas Edition), 7 March 2023, http://paper.people.com.cn/rmrbhwb/html/2023-03/07/content_25968966.htm.

Because international cooperation at the municipal level often depends on the initiative of individual actors, they are equally affected by changing circumstances in China. Long-established relationships may fall apart if contact points are restaffed or the incumbents are demoted, for instance. It is even possible for positions to remain vacant following a staffing shakeup. The centralisation of power under the CCP means that cooperation partners that are closer to the central authorities have become much more important but are also much harder to assess. The fact that the Chinese government accepts the negative consequences of its various campaigns and programmes for international economic relations is underlined by the growing importance of stability and security in China’s political system above all, as opposed to the credo of economic development.

THE DUAL CIRCULATION STRATEGY

It is not only the global framework for domestic and foreign companies that has changed in China. Under Xi Jinping, the strategic orientation of Chinese economic policy has also changed significantly. The ‘dual circulation strategy’ is emblematic of this. Xi made reference to it as early as April 2020 at a session of the Central Financial and Economic Affairs Commission. It was then enshrined as a vision at the meeting of the CCP’s Central Committee in May 2020 and finally taken up as a key element of the 14th Five-Year Plan (2021–2025).²⁴

A number of motivations underlie the reorientation of China’s economic policy under Xi Jinping. First and foremost, there is the ongoing trade war with the United States – China’s *Zeitenwende*.²⁵ However, the shift is also a response to protectionist tendencies worldwide. Other factors include experiences from the COVID-19 pandemic, which ranged from interrupted supply and production chains and seemingly endless lockdowns to a corresponding increase in uncertainty and diminished economic activ-

- 24 Cf. Xi Jinping (2021): “Understanding the new development stage, applying the new development philosophy, and creating a new development dynamic” [把握新发展阶段·贯彻新发展理念·构建新发展格局], 30.4.2021, http://www.qstheory.cn/dukan/qs/2021-04/30/c_1127390013.htm; Xi Jinping (2020): Speech to the CCP Politburo Standing Committee [中共中央政治局常务委员会召开会议 习近平主持], in: *XinhuaNet*, 14.5.2020, www.xinhuanet.com/politics/leaders/2020-05/14/c_1125986000.htm; State Council of the People’s Republic of China (2021): The 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives for 2035 [中华人民共和国国民经济和社会发展第十四个五年规划和2035年远景目标纲要], 13.3.2021, http://www.gov.cn/xinwen/2021-03/13/content_5592681.htm. For a discussion see, among others, Rühling, Tim (2021): “Aktionsplan China und Außenpolitik: Was Deutschland tun muss, um im Systemwettbewerb mit China zu bestehen”, in: Mölling, Christian / Schwarzer, Daniela (Eds.): *Smarte Souveränität: 10 Aktionspläne für die neue Bundesregierung*, Berlin: Forschungsinstitut der Deutschen Gesellschaft für Auswärtige Politik e. V., pp 47–56, <https://nbn-resolving.org/urn:nbn:de:0168-ssaoar-75644-1>; Kohlmann, Thomas (2020): “Pekings ‘neue’ Politik der zwei Kreisläufe”, in: *Deutsche Welle*, 29 October 2020, <https://www.dw.com/de/peking-stellt-weichenf%C3%BCr-politik-der-zwei-reisl%C3%A4ufe/a-54930330>.
- 25 Conversations between Nadine Godehardt and Chinese experts in Beijing, late April 2023.

ity. Together with the fundamental challenges of the middle-income trap facing a rising economic power, all this led to a reorientation of economic policy. Central to the 'dual circulation strategy'²⁶ is the idea of "mutually supporting domestic and foreign cycles", in which the internal cycle dominates. The primary aim of this is to boost the internal market through consumption and, at the same time, to diminish China's dependency on foreign direct investment and technology.

Key to boosting domestic demand is lowering China's very high savings rate: In 2021, this stood at 45 per cent (compared with 31 per cent in Germany and only 18 per cent in the United States). If the Chinese government is able to reduce inequalities the savings rate is expected to fall and demand to rise.²⁷ According to Xi, a stronger domestic market should provide a basis on which to open up the exchange of goods, services, capital, and labour more than ever before.²⁸ The Chinese government can't claim much progress so far, however. Instead, the savings rate is continuing to rise while youth unemployment is growing, and the real estate crisis threatens to spill over into other economic sectors. As a result of the continuing campaign against corruption, experiences of the zero-COVID policy and the global economic effects of Russia's invasion of Ukraine, uncertainty and mistrust pervade Chinese society. Trust is also lacking in the performance of the Chinese domestic market and, ultimately, in the Chinese leadership's ability to govern.

In principle, there is nothing to indicate that China's economy is heading towards a complete decoupling with these 'two circuits'. These circuits do not function separately from one another. In fact, the external circuit strengthens the internal one by means of competitiveness, higher and high-value imports, financial resources, and labour. Conditions on the ground are changing, however, because of the increasing political influence on the Chinese economy. This may make what is already a difficult market for German companies to navigate even more complicated.²⁹ The

tough economic situation may induce the Chinese leadership to reintroduce partial reopenings and ease market access, at least temporarily. This may already be discerned in dealings with Chinese private companies, which, after the introduction of a series of new regulations and regulatory agencies, have been given more leeway in the Chinese market, although in the context of much stricter controls from the CCP.

In recent years, it has also become evident that the Chinese government is also leveraging its economic influence abroad for political purposes. For example, it has sanctioned foreign actors that produce in countries whose governments have come into conflict with China (for example, Lithuania in relation to Taiwan³⁰). Beijing responded to US economic sanctions and export restrictions in technology-intensive sectors for the first time in August 2023. Since then, an export license has been required to export gallium and germanium from China,³¹ important metals that are used in the semiconductor industry and elsewhere. China has also made it clear that it may impose export controls in relation to the solar energy sector at any time.³² This would also directly affect German and European cooperation with China. Accordingly, Germany and, in particular, its municipalities would be well advised to diversify their foreign economic relations. The Federal Government's China strategy emphasises its desire "to reduce [dependency risks] swiftly and at appropriate cost to the German economy, in particular if it extends to products indispensable to health, the energy transition and technological innovation".³³ Moreover, it is essential that Berlin and Brussels pursue consistent dialogue with Washington to ensure they are not caught by surprise when the Americans go it alone.

The introduction of the dual circulation strategy has exacerbated the existing uncertainties for the German economy. It is unclear how competitive conditions may change in the foreseeable future and whether the Chinese market and production chains to and from China will remain accessible for foreign actors within the present framework. What is likely to be decisive, from a Chinese standpoint, is

²⁶ In an economic cycle, a dynamic emerges from the interaction of supply and demand for goods, services, labour and capital. This creates an economic space in which the state, companies, financial institutions and private individuals can all participate. If, at some point, there is insufficient supply or demand for crucial resources, this can impair the functioning of the entire cycle. A distinction is also made here between cycles with or without the involvement of foreign actors.

²⁷ See also, Chu, Tianshu / Wen, Qiang (2017): "Can income inequality explain China's saving puzzle?", in: *International Review of Economics & Finance* 52, pp. 222–235, <https://doi.org/10.1016/j.iref.2017.01.010>.

²⁸ Cf. Xi Jinping (2021).

²⁹ According to the Business Confidence Survey carried out by German Chamber of Commerce – Greater China, German companies' confidence in China as a business location has never been so low. Having said that, over half the businesses surveyed in 2022 still expressed a wish to further increase their investments in China. While still high, this is down from previous years, where the figure was around 70 per cent. cf. German Chamber of Commerce in China (2023): *Rocky Roads Ahead. Business Confidence Survey 2022/23*, <https://china.ahk.de/market-info/economic-data-surveys/business-confidence-survey-202223>. For Japan, the figure is around 50 per cent,

cf. German Chamber of Commerce and Industry in Japan and KPMG AG (2023): *Business Climate Survey: German Business in Japan 2023*, <https://japan.ahk.de/en/infothek/surveys-and-studies/>. On this basis, it makes little sense to talk of an incipient decoupling.

³⁰ Andrijauskas, Konstantinas (2022): "An Analysis of China's Economic Coercion Against Lithuania", Council on Foreign Relations, 12 May 2022, <https://www.cfr.org/blog/analysis-chinas-economic-coercion-against-lithuania>.

³¹ See Federal Institute for Geosciences and Natural Resources (2023): "Pressemitteilung – Chinesische Exportkontrollen für Gallium und Germanium könnten sich auf die globale Halbleiterindustrie auswirken", July 2023, https://www.bgr.bund.de/DE/Gemeinsames/Oeffentlichkeitsarbeit/Pressemitteilungen/BGR/DERA/dera-bgr-2023-07-07_chinesische-exportkontrollen-fuer-gallium-und-germanium.html?nn=1542132.

³² Hua, Sha / Dvorak, Phred (2023): "New China Rule Threatens to Disrupt U.S. Solar Ambitions", in: *The Wall Street Journal*, 31 January 2023, <https://www.wsj.com/articles/new-china-rule-threatens-to-disrupt-u-s-solar-ambitions-11675173199>.

³³ German Federal Government (2023), p. 35.



the extent to which firms are perceived as politically acceptable or important for their development aims. Firms that are no longer 'needed' or 'wanted' face being squeezed out of the Chinese market.

The Chinese economy remains highly susceptible to crisis. This uncertainty has only been exacerbated by reforms of state-owned companies and the consolidation of the CCP in the economic realm. Political influence over companies in China also factors into the uncertainty. German municipalities with close economic ties to China will, therefore, need to keep an even closer eye on cooperation with the Chinese side, the broader context of relationships, and qualitative developments, whether with respect to new legislation or internal requirements for Chinese actors in particular sectors with Western partners, or with regard to the emergence of new actors, such as state-owned companies.

SECURITISATION³⁴

Under Xi Jinping, there has been an extreme securitisation, initially in the national policy context, but subsequently also in the foreign policy realm. In a nutshell, everything is a potential security problem. In terms of domestic policy, after all, Xi Jinping called for "concept of comprehensive national security" as early as his first speech in April 2014. This applies to both internal and external security and stresses not only traditional areas, such as military security or economic and political security but also non-traditional areas, such as cultural or ecological security. Furthermore, there are already signs of yet another looming change in Chinese thinking. Under the "concept of comprehensive national security"³⁵, development and security are constructed as mutually reinforcing. This deviates from the 'development first' principle, which frames national security as conditional on economic development. Early on in his term of office, Xi emphasised security as of key importance for China's continuing economic development. Since 2020, security and development have been integrated on an equal footing in official Party discourse.³⁵

The emphasis on national security as a key basis for a more developed and secure China does not stop at national borders. In 2022, Xi Jinping announced the Global Security Initiative (GSI) within the framework of the virtual Boao Forum, an Asian global economic forum along the lines of Davos. Xi transposed central aspects of the domestic Chi-

Box 1: Military-Civil Fusion

Military-Civil Fusion (MCF) refers to the targeted building-up and promotion of China's civilian economic and scientific capacities, which simultaneously strengthens its military capabilities. This involves key technologies of the Fourth Industrial Revolution (4IR technologies), including artificial intelligence, robotics, and Big Data, which are being developed mainly in the commercial sector. The dividing lines and development cycles between commercial and military (further) use are thus often blurred.

Under Xi, MCF is a key component in the modernisation of the Chinese armed forces. This was laid down in the 2015 white paper on military strategy. MCF has been an integral part of China's national strategy since Xi's speech at the 19th CCP Congress in 2017. The aim is to use the results of military research for economic development and vice versa. In 2017, Xi decided to establish a central commission for integrated military and civilian development. At the first plenary session, he emphasised that progress should also be made with corresponding structures at the provincial, district, and municipal levels in order to identify and implement key projects.³⁶ Models and catalysts in this regard included the Defense Innovation Initiative (DII) and the Third Offset Strategy in the United States, as well as initiatives in other countries, all of which led China to the impression that it could fall behind in the race for defence-related innovations and capacities.

Finally, military-civil integration highlights that China's goals and plans do not stop at national borders. This means that, in addition to German companies and research institutes, policymakers and administration will also increasingly face the task of scrutinising whether their relations with China may also have military implications. On this, the Federal Government's Strategy on China says: "Chinese direct investments pose particular challenges for us owing to the political and economic circumstances in the country of origin. The Military-Civil Fusion policy pursued by the Chinese Government is particularly critical in this context as civilian corporate interests and the development of military capabilities can no longer be clearly distinguished from one another."³⁷

nese discourse on security to the global arena and stressed that safeguarding security is a key condition of development.³⁸ The GSI incorporates the Chinese vision of security reform of the UN system. The focus here is on "indivisible security", contrasted with the concept of "collective security" embodied by US-led military alliances, which China regards as bloc politics and a remnant of the Cold War mentality. The GSI also mentions certain locations of regional insecurity (such as the Horn of Africa and the Middle East) that China might become more closely involved in

³⁴ This section owes a great deal to Godehardt, Nadine (2022): "Andocken – Diskursmacht – Versicherheitlichung. Chinas geopolitischer Code und die Belt and Road Initiative", in: *Aus Politik und Zeitgeschichte* 43–45/2022, <https://www.bpb.de/shop/zeitschriften/apuz/chinas-neue-seidenstrassen-2022/514460/andocken-diskursmacht-versicherheitlichung/#footnote-target-24>.

³⁵ Cf. Wang, Howard (2023): "'Security Is a Prerequisite for Development': Consensus-Building toward a New Top Priority in the Chinese Communist Party", in: *Journal of Contemporary China*, Volume 32, Issue 142, pp. 525–539, <https://doi.org/10.1080/10670564.2022.2108681>.

³⁶ Quotation: "All provinces (autonomous regions, municipalities) are to accelerate the establishment of lead institutions for the development of military-civilian integration...." ["各省 (区、市) 要加快设置军民融合发展领导机构 (...)"], from: Xi Jinping (2017): speech at the first plenary session of the central commission on the development of military-civilian integration [习近平在中央军民融合发展委员会第一次全体会议上的讲话要点], 20 June 2017, <http://theory.people.com.cn/n1/2018/0103/c416126-29743666.html>.

³⁷ German Federal Government (2023), p. 39.

³⁸ Cf. Wang, Yunsong / Bao, Han (2022): "Global Security Initiative Offers China's Solution to Safeguarding Global Security and Peace", in: *China Daily* (Global Edition), 7 June 2022, <https://global.chinadaily.com.cn/a/202206/07/WS629f03d1a310fd2b29e61335.html>.

in the future. The main objective, however, remains transforming the international legal framework. The GSI is thus pursuing a long-term vision in accordance with the UN as the core of the international security system while acknowledging the short-term realities of having to deal with a multipolar world in which individual countries dominate security relations.

It is evident that the domestic and foreign policy instruments of Chinese policy are converging.³⁹ A notable new development is that the Chinese leadership is not only willing to run certain risks in pursuit of its central security interests on the basis of both internal and external securitisation (see Taiwan) but also open to the possibility of taking an economic hit in order to ensure stability in regions outside China's immediate neighbourhood within the framework of the GSI – and this despite the fact that economic and security policy factors are integrated to a particularly high degree by new technologies (see Box 1).

For the Chinese government, there is no contradiction between international cooperation and integration on the one hand and strengthening and centralising political control on the other. On the contrary, in the economic sphere, both actions contribute to the development of comprehensive security. This is illustrated by the dual circulation approach in Xi Jinping's economic policy agenda.

³⁹ This can be seen in the Global Development Initiative (GDI), which was announced in 2021, and is further reinforced by the announcement of the Global Civilization Initiative (GCI) in March 2023. The GCI is aimed at anchoring Xi's notion of inclusivity at a global level. The GCI, the GSI, and the GDI provide the cornerstones of a global governance system that China will participate in shaping.

3

DEVELOPMENTS IN GERMANY'S CHINA POLICY

Future orientation and policy realignment are high on the current German government's agenda. For example, the term 'strategy' was used more than 70 times in the *Ampelkoalition* ("traffic light" coalition) agreement of 2021 alone. The goal in relation to China was to come up with a "comprehensive strategy on China", which is embedded in the coalition agreement itself. The notion of a realignment of German policy on China has thus hovered over Berlin since December 7, 2021, which contrasts with the oft-mentioned pragmatism applied to German-Chinese relations during Merkel's 16 years as chancellor. The protracted and controversial discussions in and between the government parties finally resulted in the publication of the first national Strategy on China on July 13, 2023. This strategy, embedded in a comprehensive National Security Strategy (adopted on June 14, 2023) and called for in the coalition agreement, makes clear that future dealings with China will be much tougher than in the past.

German and European relations with China were already tense even before the COVID-19 pandemic and Russia's invasion of Ukraine. The mood in economic and political circles has progressively deteriorated since Xi Jinping came to power in 2012/2013. In the years that followed, a series of events that indicated that under Xi, China would neither democratise (in a Western liberal sense), open up economically, nor become more accommodating internationally contributed to a change of attitude in German industry.

Perhaps the main precipitating factor was the rapid increase in Chinese direct investments in Germany in 2016 and 2017, especially the takeover of Kuka, an industrial robotics manufacturer, by Chinese company Midea in 2016. But while the Kuka takeover underlined China's determination to catch up globally in the area of future-oriented technologies (see China's industrial policy titled "Made in China 2025"), the first Huawei debate, in 2018/2019, brought much more far-reaching issues to light. Namely, the extent to which technologies from the Chinese telecommunications manufacturer should be built into Germany's 5G network became a hot-button issue. In Germany's political debate, this led to the expansion of critical infrastructure with matters of national security.

The Huawei debate laid bare the limits of purely market-economic regulation. These limits were also spotlighted in the case of power transmission system operator 50Hertz. The

State Grid Corporation of China's (SGCC) attempt to acquire shares in 50Hertz in March and June of 2018 was ultimately foiled by Belgian parent company Elia and the German government with the help of the KfW. As a direct result, the German federal government tightened up the rules on foreign direct investments so that the screening threshold for critical infrastructure was lowered from 25 to 10 per cent. It is worth noting in the wake of these events that the issue wasn't so much a fear of dependency on China as resilience and reciprocity. This is also reflected in the Federation of German Industry's policy paper on China from January 2019. Although it characterised China for the first time as a systemic competitor, especially in the context of China's political system and the stark challenge it poses to the liberal, open, and social market economy, the BDI's paper was not about dependencies, but rather issues of market access, and the disadvantaging of German companies both in and outside China as a result of the Chinese government's massive subsidies.⁴⁰

Although dependencies were not the focus, the publication of the *EU Strategic Outlook* in March 2019 helped the idea that the challenges posed by China were no longer confined to the economy come clear. China is, to borrow its apt formulation, at once a partner, a competitor, and a systemic rival. The recognition that China under Xi is a global political actor that pursues its own interests and is attempting to change international structures, norms, and conventions summarises the state of the debate at the outset of the COVID-19 pandemic.⁴¹

REORIENTATION OF GERMANY'S CHINA POLICY

The current political debate on Germany's China policy is primarily determined by efforts to reduce one-sided dependencies on China. Two developments are decisive in this

⁴⁰ Cf. Federation of German Industries e.V. (2019): *Policy Paper on China. Partner and systemic rival – how do we deal with China's state-controlled economy?*, January 2019, <https://bdi.eu/media/publikationen/#!/publikation/news/china-partner-und-systemischer-wettbewerber>.

⁴¹ Cf. European Commission (2019): *EU-China – A strategic outlook*, 12 March 2019, https://commission.europa.eu/document/download/1fedf472-1554-416e-8351-1346f80a4ff8_en?filename=communication-eu-china-a-strategic-outlook.pdf.

regard, reflecting the increasing geopoliticisation and securitisation of international politics. They have had a noticeable impact on German and European dealings with China.

First of all, the COVID-19 pandemic brought to light the vulnerability of global production and supply chains, in particular vis-à-vis Asia and, above all, China. The negative consequences of there being such a concentration of suppliers in certain sectors, such as pharmaceuticals or medical equipment, shifted the public debate on German and European dependencies on China. Moreover, China cut itself off from the rest of the world with its zero-COVID policy and recurring lockdowns. This also affected many foreigners living in major Chinese cities and exacerbated the alienation between German and Chinese actors, the impacts of which can still be felt.

Second, Russia's war of aggression against Ukraine has shed a harsh light on the unpredictability and unreliability of authoritarian regimes. This brought home to Europe – and to Germany in particular – the consequences of dependency on undemocratic regimes in essential areas such as energy. The negative consequences of interconnectivity, especially in critical areas such as the security of supply, have been a novel experience for Germany since the end of the Cold War. As a result, the security of supply chains and access to raw materials has become a major focus of national and European policymaking. The issue of German and European autonomy from states such as Russia and China increasingly dominates the debate on the German federal government's new China strategy.

It is now clear that German policymakers are trying to ensure that future dealings with China are free of the mistakes made with regard to Russia. Political decision-making in Germany and Europe is pervaded by worries about existing and perhaps increasing dependencies on China for critical raw materials, rare earth metals, and other things.⁴² This has also influenced Germany's strategy on China, much of which concerns how Germany will deal with the challenge China poses in the future. Two areas in particular stand out: the reduction of import dependencies while strengthening the internal market and the diversification of economic and political partners.

In her keynote speech on China at the end of March 2023, EU Commission President Ursula von der Leyen coined the term "de-risking" in relation to this policy.⁴³ De-risking complements Europe's threefold approach to China as a partner, competitor, and systemic rival. That said, it also expresses a shift in emphasis in European relations with China in the di-

rection of systemic rivalry. Von der Leyen distinguishes between diplomatic and economic de-risking. The first is based on changes in China under Xi Jinping. The EU needs to present its position in relation to the Chinese government openly and clearly, and not shy away from differences of opinion, but rather address them confidently while leaving room for communication. Economic de-risking, by contrast, refers to the identification and reduction of risk areas in European-Chinese relations. At the same time, European independence and diversification capacities must be boosted to ensure European security of supply over the long term. Building up EU capacities in critical sectors is crucial in this respect.⁴⁴

These initial ideas about de-risking in dealings with China have, in the meantime, become part of a far-reaching change of strategy in Brussels, which is also manifest in the publication of the European Economic Security Strategy.⁴⁵ This constitutes a response to geopolitical tensions and technological upheavals and is also aimed at maintaining the openness and dynamism of the European single market. This strategy is basically a European approach to risk management in which the key risks facing Europe are named, including supply chain security, protection of critical infrastructure (physical and digital), technology security, and protection against the instrumentalisation of (one-sided) economic dependencies. The strategy also contains proposals on priorities and objectives to help achieve economic security in the EU. Although China is not mentioned specifically in this European Economic Security Strategy, it will have lasting effects on future dealings with China.

Other European initiatives should be interpreted in conjunction with the aims of the European Economic Security Strategy, such as the Critical Raw Materials Act (CRMA), with which Brussels intends to safeguard the supply of critical and strategic raw materials over the long term, to reinforce the relevant supply chains and to diversify imports, as well as to build up EU monitoring and resilience in the face of short-term supply bottlenecks in order to boost the circular economy and safeguard European raw material supply. These regulations are not directed against China but rather aim to strengthen European sovereignty.

CONSEQUENCES FOR MUNICIPAL RELATIONS

The change of direction in China policy has direct consequences for German-Chinese municipal relations. After all, Germany's China policy in practice takes place first and foremost in the relevant municipalities, not in Berlin. Al-

⁴² On critical raw materials see Carry, Inga / Godehardt, Nadine / Müller, Melanie (2023): "Die Zukunft europäisch-chinesischer Rohstofflieferketten. Drei Szenarien für das Jahr 2030 – und was sich daraus ergibt", in: *SWP-Aktuell*, No. 15/2023, <https://doi.org/10.18449/2023A15>.

⁴³ European Commission (2023a): Speech by Commission President Von der Leyen on relations between the EU and China, 30 March 2023, https://ec.europa.eu/commission/presscorner/detail/en/speech_23_2063.

⁴⁴ Furthermore, it is essential to stand shoulder to shoulder with partners on certain foreign and security policy issues (for example, within the framework of the G7) and to come up with an alternative to China's Belt and Road Initiative (BRI) (for example, Global Gateway).

⁴⁵ European Commission (2023b): *Joint Communication to the European Parliament, the European Council and the Council on "European Economic Security Strategy"*, 20 June 2023, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023JC0020&qid=1687525961309>.

though the federal government is responsible for foreign policy, the federal system bestows on the *Länder* their own cross-border competencies – exclusively so in the areas of education and culture.⁴⁶ As part of the *Länder*, municipalities have the right to self-administration, which ultimately confers on them a certain independence in foreign relations. Our analysis shows that municipal relations provide a window into the areas in which there are strategic dependencies with China and where we are likely to benefit from added value. Municipal actors generally make their own decisions about greenfield investments, educational and cultural cooperation, and town or city twinning with Chinese actors.

On top of all that, it has been possible in recent years to stabilise communication channels with China, despite all the obstacles and limitations, at the municipal level, in contrast to the national level, albeit at a low level. Although the COVID-19 pandemic and China's strict pandemic policy have hampered communication and cooperation, an analysis of municipal actors shows it was nevertheless possible to continue cooperation with China.

The change of direction in German policy on China shows that debates on the port of Hamburg, the role of the Confucius Institutes, new city twinning partnerships, and the biggest battery cell plant in Europe in Arnstadt in Thuringia are no longer merely municipal issues. They form part of a debate on European "de-risking" and show that municipal relations with China are of geopolitical importance. The success of a new China policy will inevitably depend on the extent to which the municipalities and their actors, as well as the individual *Bundesländer*, can be "brought on board" to shape the "de-risking" process.

⁴⁶ Article 32 (1) of the Basic Law says: "Relations with foreign states shall be conducted by the Federation."

4

SURVEY OF GERMAN-CHINESE MUNICIPAL RELATIONS AND METHODOLOGICAL APPROACH

Building up cooperative relations and cultural, technical, and scientific exchanges have been the focus of German-Chinese municipal twinning since it began in the 1980s. The basic objective of these twinning links, also known as sister city agreements, is to establish links of mutual benefit based on the two sides' respective interests; the benefit does not have to solely be material. This sets the German-Chinese agreements apart from relationships wherein the main concern is international understanding, on the one hand, and straight-forward "development partnerships"⁴⁷ on the other. Today, the context in which municipal relations take place is fundamentally changed: They have become much more complex, and the focus is different in different regions of Germany.

At present, there are over 80 municipal exchanges and twinning agreements between Germany and China; this number increased sharply in the 1980s and 2000s in particular (see Figure 1, as well as the full-page figure in the Appendix). Twinning is particularly prominent in the states in the west and south: North Rhine-Westphalia (36 partnerships), Bavaria (17), and Baden-Württemberg (16).⁴⁸ Moreover, agreements are not just between large cities. Small German municipalities also have twin municipalities in China; for example, Troisdorf in North Rhine Westphalia, which has just under 77,000 inhabitants, has been linked with Nantong, a city near Shanghai, since 2004.

The first agreements were signed in the early 1980s when China's economic "reform and opening-up" policies created

the right conditions for visits by delegations of representatives from the fields of politics and business, but also science and culture. For example, in 1982, the first official twinning agreement was reached between Duisburg and the central Chinese city of Wuhan. It was aimed at sharing experiences from the iron and steel industry.⁴⁹ Educational exchanges were also part of municipal relations from the beginning. In 1987, for example, a group of Hamburg students travelled to Shanghai within the framework of the sister city agreement established the year prior (1986).⁵⁰ This was the beginning of the world's first school exchange programme with the People's Republic of China. The first twinning arrangements with east German municipalities followed in 1988, including Leipzig–Nanjing and Rostock–Dalian.



Box 2: Business networks

A large number of regional and transregional networks have emerged from cooperation with China. Some have focused on German companies that produce or sell in China (for example, IHK Frankfurt am Main's China Competence Centre), others on Chinese companies established in Germany or with branches there (for example, the Chinese Enterprises Association in North Rhine-Westphalia or the Chinese Chamber of Commerce). Other networks have specialised in bringing companies from the two countries together. The latter category includes, in particular, networks founded by regional business development agencies, such as the Thuringia China Network, which promotes both cooperation and investments on the ground, and contacts with China. Most initiatives offer information events to improve networking and exchanges of information. Transregional associations such as the Deutsch-Chinesische Wirtschaftsvereinigung [German-Chinese Business Association] also provide a platform for advocacy and training provision. Regarding membership, the Landscape is similarly diverse: some networks are predominantly German or Chinese, while others are more mixed. At present, the uncertain environment, lack of expertise, and reduction of existing capacities mean that the knowledge generated by and through these networks is stagnating or even declining

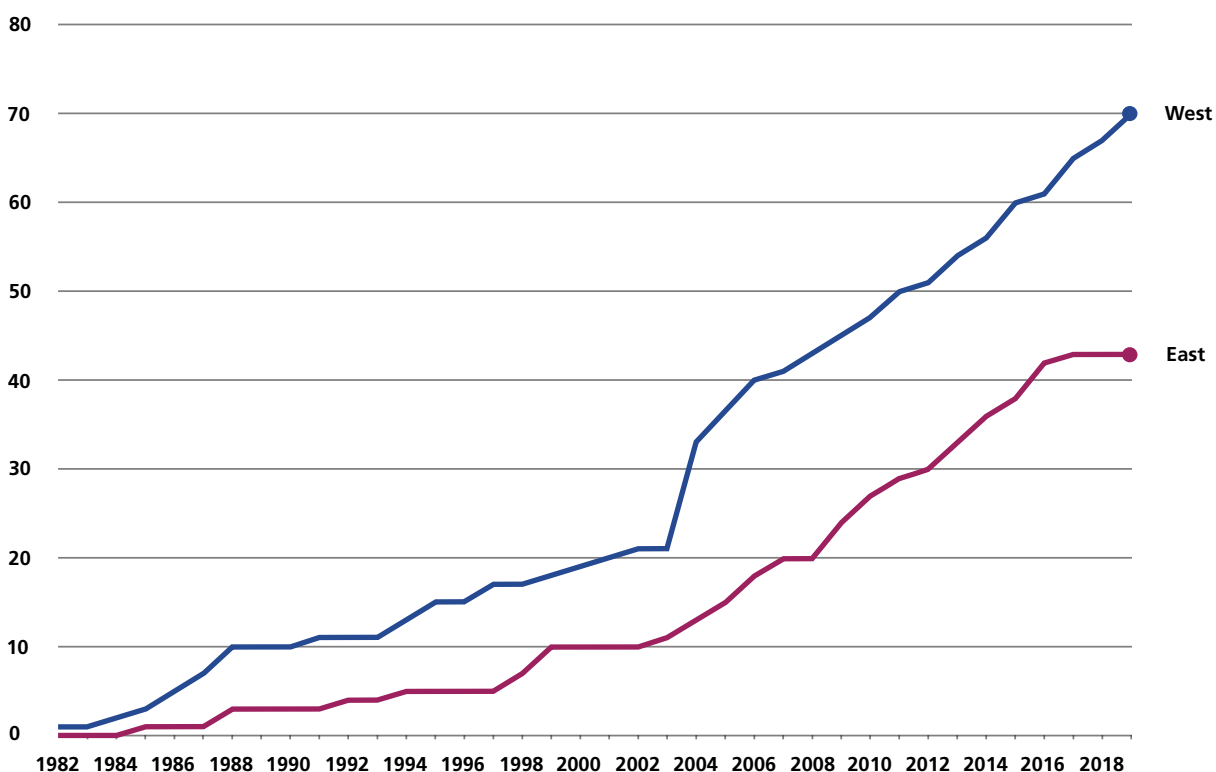
⁴⁷ Cf. Held, Ulrich / Merkle, Rita (2008): *Deutsch-chinesische Kommunalbeziehungen. Motivationen, Strukturen, Aktionsfelder*, Dialog Global – Schriftenreihe der Servicestelle Kommunen in der Einen Welt, Issue 19 (2008), pp. 48 ff., https://skew.engagement-global.de/publikationen-archiv.html?file=files/2_Mediathek/Mediathek_Microsites/SKEW/Publikationen/Publikationen_Archiv/Schriftenreihe_Dialog_Global/skew_dialog_global_nr19_deutsch_chinesische_kommunalbeziehungen_studie.pdf&cid=131303; as well as: Ahlers, Anna Lisa (2014): *Kommunalpolitik in China: Warum wir chinesische Politik erst verstehen, wenn wir auch die lokale Ebene in den Blick nehmen*, China-Monitor, No. 10, 18.6.2014, Mercator Institute for China Studies, p. 9, <https://merics.org/de/studie/kommunalpolitik-china>.

⁴⁸ According to data from the Council of European Municipalities and Regions, German Section, 86 German municipalities entered into partnership with a Chinese municipality between 1983 and 2019, two of them in Taiwan (cf. www.rgre.de/partnerschaft/online-daten-bank). According to information from Goette/Gao (2018) 110 German municipalities maintain 132 active municipal relations with China. Another study by MERICS, however, found 115 partnerships, cf. Kefferpütz (2021).

⁴⁹ Cf. City of Duisburg (ND): "Städtepartnerschaft Duisburg und Wuhan" [Twinning of Duisburg and Wuhan], <https://www.duisburg.de/rathaus/rathausundpolitik/intbeziehungen/partnerschaften/wuhan.php>.

⁵⁰ Cf. Senate Chancellery of Hamburg (ND): "Chronologie der Städtepartnerschaft" [Chronology of town twinning], <https://www.hamburg.de/shanghai/206008/chronologie/>.

Figure 1
German-Chinese municipal partnerships (1982–2021)



Source: Council of European Municipalities and Regions – German Section (www.rgre.de/partnerschaft/online-datenbank) and Engagement Global SKEW (<https://skew.engagement-global.de/landkarte-deutsch-chinesischer-kommunaler-partnerschaften.html>), as of 2019.

These early municipal relations endured through global political events, such as German reunification, the fall of the Soviet Union, and the 1989 violent suppression of the protest movement in Beijing and beyond.

In parallel with the first municipal links, contacts also started to be made at the *Land* (state) level. Currently, 15 out of 16 *Bundesländer* (federal states) maintain official ties with Chinese provinces; some, like North Rhine-Westphalia, have entered into several twinning arrangements (Shanxi in 1984, Jiangsu in 1986, and Sichuan in 1988). Jiangsu and Sichuan both currently maintain representative offices in Düsseldorf. By contrast, there are no geographical correlations between municipal partnerships and the *Land* level. Overall, instances of cooperation between the *Land* and municipal levels with respect to city twinning are the exception rather than the rule.

THE DEGREE AND INTENSITY OF RELATIONSHIPS VARY GREATLY

The intensity of exchange and the level of institutionalisation vary considerably on the German side. Fairly often, town twinnings, as in the case of Düsseldorf or Jena, can be traced back to individual political decision-makers or business people who played a decisive role in establishing first contact and maintaining relations. In smaller municipalities, the commitment of individuals is even more material to the intensity of the relationship. Often, key individu-

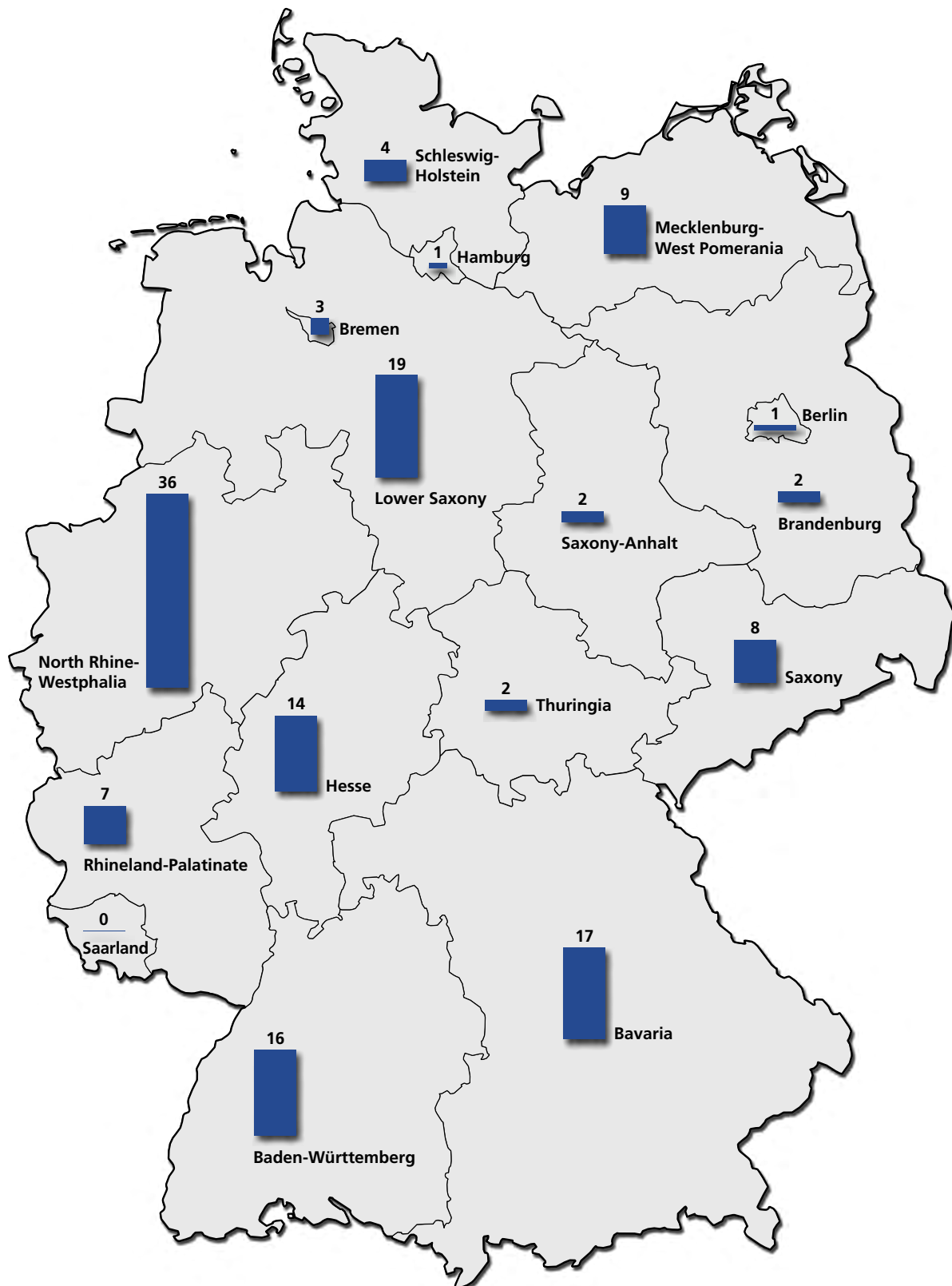
als have years of experience with China or are part of the Chinese diaspora. In any case, they have a strong personal interest in China-related topics. Partnerships have changed in the wake of China's economic transformation. While educational cooperation has gained significance,⁵¹ twinning arrangements have increasingly taken on economic policy importance, whether it be to promote local competence on China, to bid for Chinese investments within the framework of European location competition, or to support SMEs in obtaining market access to China.

The regional distribution of German companies involved in significant cooperation with China or Chinese companies with shareholdings and greenfield investments in Germany varies considerably. In traditional industries, such as steel, chemicals, infrastructure or auto parts supply, it is primarily Chinese state-owned companies that are interested in cooperation with and stakes in German firms (for example, Sinochem and KraussMaffei since 2016). In newer sectors, such as automation, medicines, batteries, information and communication technologies, large Chinese conglomerates are opening branches and production and research facilities in order to take advantage of proximity to sales markets and suppliers, as well as the European single market (for example, WuXi Biologics in 2020 and Huawei Technologies in 2001). In these sectors, Chinese firms cooperate closely with European and German partners, take on and

⁵¹ Cf. Goette/Gao (2018), p. 56.

Figure 2

German-Chinese municipal partnerships by federal state



Note: The graph includes municipal relationships formalised by means of a "friendship", "partnership", or other twinning agreement.

Sources: Council of European Municipalities and Regions – German Section (www.rgre.de/partnerschaft/online-datenbank) and Engagement Global SKEW (<https://skew.engagement-global.de/landkarte-deutsch-chinesischer-kommunaler-partnerschaften.html>), data from 2019.



Box 3: Civil society associations

German-Chinese associations dedicated to China-related issues operate on a voluntary basis at the municipal level. The main objective of such associations is generally described as international understanding and cultural exchange. Besides the provision of information and intercultural awareness or expertise, another important concern is the facilitation of encounters between Germans and people in and from China. The associations thus play an important role in including the Chinese diaspora. Furthermore, their activities tend to vary considerably. While in Braunschweig the main focus is language teaching, the association in Erfurt aims primarily to support Chinese people living in Thuringia, especially students. The Chinese Pavilion in Dresden is both a general neighbourhood centre and a place for German and Chinese engagement. Some associations support and actively shape town twinnings, while others have a cultural, scientific, or economic focus. Membership figures are in the single-digit to low three-digit range. Worries about retaining membership numbers are common, as many associations depend on the considerable commitment of individuals.

Only three of the eight associations in the regions within this study's investigation are part of the Allianz Deutscher China-Gesellschaften (ADCG; Alliance of German-Chinese Associations, previously known as an *Arbeitsgemeinschaft* or Working Group) founded in 2016. The ADCG currently has 24 member associations and cooperates with the quasi-governmental Chinese People's Association for Friendship with Foreign Countries (CPAFFC), which, in the Chinese political system, is tasked with cultivating relations with other countries at the subnational level. This refers in particular to cooperation with China-related civil society associations and the linking of twin towns. The CPAFFC is represented through branches at the provincial, city and district level, and, because of its bureaucratic functions, it is pretty much unavoidable for German partners within the framework of formal municipal relations (but not in civil society associations), at least indirectly.⁵⁸ At the same time, it is classified by experts as a CCP instrument of influence within the framework of the "United Front" strategy.⁵⁹

train local skilled workers, or organise recruitment from China. German mid-sized firms often set up branches in China; conversely, smaller Chinese firms are now increasingly setting up branches in Germany (such as the TCS Tür-ControlSysteme and Shanghai SK Automation Technology, which opened up offices in 2018). Companies say that the most significant structural problems and risks are bureaucratic holdups related to visas and the immigration authorities, as well as investment restrictions. These issues also derive from communication failures and lack of expertise within municipal administrations.

Despite the increasing importance of economic contacts, many partnerships continue to focus on social and cultural exchange.⁵² Educational exchange stands out as an emphasis of many town twinnings.⁵³ In 2018, just under three-quarters of municipalities with Chinese twin cities indicated that education or school and youth exchanges were among their areas of activity.⁵⁴ A significant proportion even regarded these exchanges as their primary pursuit.⁵⁵ Finding a partner school and funding are among schools' biggest challenges in organising exchanges with China. Municipalities sometimes help with this, for example, by facilitating the search for a partner (for example, within the framework of the Duisburg–Wuhan city twinning) or through grants to cover travel or programme costs for school trips in twin cities. When delegations from the Chinese twin city visit, groups of students are often involved in the visiting programme. Elsewhere, by contrast, school exchanges are entirely independent of municipal partnerships. Business actors with connections to China may also be external partners for schools in the municipal sphere. In some municipalities, local firms subsidise school exchanges or arrange internships or plant visits at their premises in China. In the City of Roth (Bavaria), besides the municipality, local firms support school exchanges financially. An example is Leoni, which has premises in Changzhou, among other Chinese locations. Leoni functioned as an "idea provider"⁵⁶ when it came to getting a twinning agreement off the ground between Roth and the district of Xinbei (Changzhou) in 2014. The Wilo firm from Dortmund also has locations in China and in 2013, for example, entered into a cooperation agreement with a Dortmund school that puts a particular focus on Chinese language teaching.⁵⁷

Besides the institutionalised municipal links, local initiatives contribute to the integration and support of the Chinese community and intercultural exchange with China. They are often run by volunteers and may emerge from various fields, such as academia, culture, or education. Institutionally, they may be associations that arise from city or school

⁵² Cf. *ibid.*, p. 53.

⁵³ Before the outbreak of the COVID-19 pandemic, around 250–300 schools in Germany maintained partnerships with Chinese schools. See Frenzel, Andrea / Stepan, Matthias (2019): *Der weite Weg nach China*, China-Monitor, April 2019, Mercator Institute for China Studies, p. 18.

⁵⁴ Cf. Goette/Gao (2018), p. 56.

⁵⁵ Cf. *ibid.*, p. 58.

⁵⁶ Cf. City of Roth (ND): Partnerstädte [Partner cities]: Xinbei (Changzhou), <https://www.stadt-roth.de/de/leben-wohnen/partnerstaedte/xinbei-changzhou>; see also Tschapka, Tobias (2014): "Distrikt Xinbei und Kreisstadt Roth sind jetzt Partner", in: *nordbayern.de*, 31 March 2014, <https://www.nordbayern.de/region/roth/distrikt-xinbei-und-kreisstadt-rothsind-jetzt-partner-1.3551275>.

⁵⁷ Geschwister-Scholl-Gesamtschule Dortmund (ND.): Unsere Partner: Wilo-Pumpentechnik, <https://gsg-do.de/unsere-partner/wilo-pumpentechnik/>.

⁵⁸ Society for German-Chinese Friendship Düsseldorf e.V. (2016): "Chinesische Partner-Freundschaftsgesellschaften im Überblick" [Overview of Chinese partner and friendship associations], in: *Drachenpost – Jubiläumsausgabe 40 Jahre GDGF 1976–2016*, 100 (4), Vol. 35, p. 85.

⁵⁹ Yoshihara, Toshi / Bianchi, Jack (2020): *Uncovering China's Influence in Europe. How Friendship Groups Coopt European Elites*, Center for Strategic and Budgetary Assessment, p. 10–11, [https://csbaonline.org/uploads/documents/CSBA8225_\(Uncovering_China's_Influence_Report\)_FINAL.pdf](https://csbaonline.org/uploads/documents/CSBA8225_(Uncovering_China's_Influence_Report)_FINAL.pdf); Yan, Flora (2023): "China's Sister-City Relationships in Focus", in: *CCP Stealth War Newsletter*, No. 133, The Jamestown Foundation, 12 May 2023, <https://jamestown.org/program/sw-133-feature-chinas-sister-city-relationships-in-focus/>; Lomová, Olga / Lulu, Jichang / Hála, Martin (2019): "Bilateral dialogue with the PRC at both ends: Czech-Chinese 'friendship' extends to social credit", in: *Sinopsis*, 28 July 2019, <https://sinopsis.cz/en/friendship-and-social-credit/>.

Table 1
Overview of study regions

	Central Germany	Hannover – Braunschweig – Göttingen – Wolfsburg	Metropolitan area Düsseldorf-Duisburg
GDP in millions of euros (2019)	97,300	168,500	520,652
GDP per person in employment	64,400	82,300	76,400
Number of people in employment	1,500,000	2,000,000	6,800,000
Employees without a vocational qualification as a proportion of all employees' subject to social insurance contributions	7.3%	11.8%	14.5%
University students	105,300	135,100	604,800
Number of overnight stays (tourism)	6,600,000	11,300,000	16,500,000
Proportion of settlement and traffic area in total area (land use ratio)	14.9%	14.6%	30.4%
Population density (people/km²)	213	206	833
Proportion of total population under 18 years of age	15.3%	16.3%	16.7%
Proportion of people 65 years of age or older in total population	26.5%	22.9%	21.5%
Proportion of foreigners in total population	6.3%	10.8%	15.2%
Net immigration rate per 1,000 inhabitants	3.4	2.3	1.5

Source: BBSR (2020). https://www.ikm-monitoring.de/ikm_monitoring. Data has been rounded off.

twinnings, but also individual initiatives arising out of civil society involvement of citizens or small businesses. There are also associations that came into being from diaspora networks.⁶⁰

GEOGRAPHIC FOCUS AND METHODOLOGY

At the outset of the research project in summer 2021, the study was directed towards Germany as a whole. The aim was to develop the topic of German-Chinese municipal relations in successive phases. The initial focus was on analysing secondary research and the data situation, together with exploratory background discussions. Selective interviews were also conducted with contact partners from

very different milieus (federal government, municipalities, China). The sometimes problematic data situation in conjunction with the often multi-layered cooperation mechanisms, as well as the abundance of different China-related municipal projects led, in the second project phase (more or less up to the end of 2022) to a focus on three broadly defined study regions:

- (i) Metropolitan area Düsseldorf/Duisburg;
- (ii) Metropolitan region of Hannover – Braunschweig – Göttingen – Wolfsburg;
- (iii) Central German Metropolitan Region (especially Saxony and Thuringia).

Selection was based on a variety of criteria. Because the survey was to involve actors from administration, politics, business and the economy, and education, these actors needed to be more or less equally represented in all study regions. Moreover, the aim was to look at the widest possible variety of regions. On one hand, Greater Düsseldorf/Duisburg brings its long experience with China and already existing industrial and logistics infrastructure to the study.

⁶⁰ For a more detailed discussion of the Chinese diaspora, see Schäfer, Carsten (2022): *Chinas Diasporapolitik unter Xi Jinping: Inhalte, Grenzen und Herausforderungen*, SWP-Studie 9/2022, Stiftung Wissenschaft und Politik / Deutsches Institut für Internationale Politik und Sicherheit, Berlin, <https://doi.org/10.18449/2022S09>.



On the other hand, eastern Germany (not including Berlin/Brandenburg, as usual), where relations underwent a reset after 1990 and China has increasingly been identified as a(n) (economic) partner only in the past two decades. It was also important in this respect that in central Germany in particular, in contrast to Greater Düsseldorf/Duisburg, there are many available industrial areas, which is increasingly important for attracting Chinese greenfield investments. In the final phase of the study, which lasted until summer 2023, more interviews were conducted and with some partners more than once.

Over 80 interviews were conducted for this project. The conversations were semi-structured and informal. The vast majority (> 90 per cent) took place digitally (see overview in the Appendix). The conversations were not recorded and so the basis for analysis was the authors' memory protocols. It was crucial to establish a certain trust from the outset because many respondents had been unsettled by the uncertainty regarding the main thrust of the China strategy, changes in China under Xi, the transformation of the German debate on China towards a debate on dependency, as well as German media reporting. The lead-in questions and the presentation of the project at the start of the interviews were thus extremely important. In most cases, the conversation strategy was to listen as much as possible and only to ask about the individual facts, or, at a later stage in the project, to incorporate experiences from other conversations by way of comparison. The interviews were evaluated using qualitative content analysis, which was summarised in various clusters (see Chapter 5).

Box 4: Confucius Institutes

At present, there are 19 Confucius Institutes in Germany, founded between 2006 (Berlin) and 2017 (Bonn). Confucius Institutes are a global educational and cultural policy initiative of the Chinese state, organised and largely funded by the (quasi-) education authority Hanban and its successor institution the Chinese International Education Foundation (CIEF). Seventeen of the institutes are registered associations under German law, and two are non-profit limited liability companies (GmbHs). Typically, the German and Chinese sides each provide a director within a cooperative organisational setup. In Germany, the institutes were originally founded on the basis of a framework agreement between Hanban/CIEF and a Chinese and German university; however, only 11 are still running as affiliated institutes or within cooperative arrangements of German universities. Since 2020, eight German universities have ended cooperation with the Confucius Institutes that they originally co-founded. The programmes of particular Confucius Institutes vary. Most offer language courses and cultural events, as well as lectures on various topics. Some have an economic or research-related focus. Confucius Institutes are often integrated in the local cultural scene and organise, for example, events with museums or municipal libraries. They are also tied into unofficial Chinese networks, where such networks exist. Various municipal actors may have a stake in the institute's activities. In some cases, municipalities are members of supporting associations or their advisory boards (for example, in Freiburg and Paderborn) or figure as cooperation partners (for example, in Berlin). Local business representatives are also frequently involved in such associations (for example, the Siemens company in Nürnberg-Erlangen). The Audi Confucius Institute in Ingolstadt is named after one of its main sponsors, while in the city-state of Bremen, the business authorities are one of the founding partners.

5

FINDINGS: MUNICIPALITIES ARE AT THE CORE OF GERMANY'S CHINA POLICY

The project's analyses and interviews confirm the key importance of municipalities for Germany's policy on China. Decisions, whether they concern cultural institutions, city partnerships, expertise on China, supply chains, or investments in infrastructure, are largely taken at the local level and negotiations are conducted by municipal representatives. Many similarities can be found in the case studies that may be extremely useful to actors from politics, business, science, and civil society in finding possible solutions to better integrate the different levels.

COMPETITION AS A DEFINING ELEMENT OF MUNICIPAL CHINA POLICY

For municipalities, success and prosperity depend heavily on whether they are able to secure local jobs and tax revenues to provide sustainable development. To that end, many municipalities pursue two economic goals in their partnerships with China: (i) investments and business relocations from China, and (ii) support for local businesses with trade and investment partners in China. To achieve this, it helps to advertise the location in the region and internationally. Municipalities are in competition for scarce resources in the economic domain (private investments, workers), but also in the political domain (subsidies, public investments), both in relation to other municipalities, in the competition between *Bundesländer*, as well as in the European context. Furthermore, even within a municipal administration, China-related activities compete for attention and resources with other concerns. The municipalities are also exposed to enormous financial pressures, which often compels them to accept the most affordable offer in municipal tenders. In some sectors, this plays into the hands of Chinese actors. One example of this can be found with the Chinese electric bus manufacturer BYD, whose buses have been in use since 2020 in Bochum, Gelsenkirchen, and Herne. In previous tenders, it was often the sole bidder. On top of that, in their municipal activities political actors are subject to democratic competition and are required to justify their decisions at mayoral elections to the citizenry and the municipal council. Local interest groups may also exert strong influence.

A number of paths are open to municipalities to achieve their objectives (see Figure 3). For example, they may maintain contact with state business development agencies or

Germany Trade & Invest (GTAI),⁶¹ pursue their own initiatives and maintain their own offices in China, or organise delegations with business representatives. They may also enter into cooperation with other municipalities and institutions in Germany, especially in the context of location competition: different capacities and conditions, such as the status of provincial/state capital enable cities such as Düsseldorf to diversify their international cooperation with different regions.⁶² Cities such as Duisburg, by contrast, may achieve significant success by specialising in economic contacts with China, although, in this case, they are more dependent on geopolitical developments.

When it comes to attracting new business establishments and investments (such as the so-called greenfield investments), infrastructure, location, available space, and tax incentives are key factors on which German municipalities are in close competition with European regional authorities within the single market. Despite its increased importance, China is only one of many cooperation partners for almost all municipalities. Given its great geographical distance and cultural barriers, it does not loom as large as some European partners.⁶³ Small to medium-sized municipalities can be an exception in this respect if the establishment of one big plant or investment and a major cluster

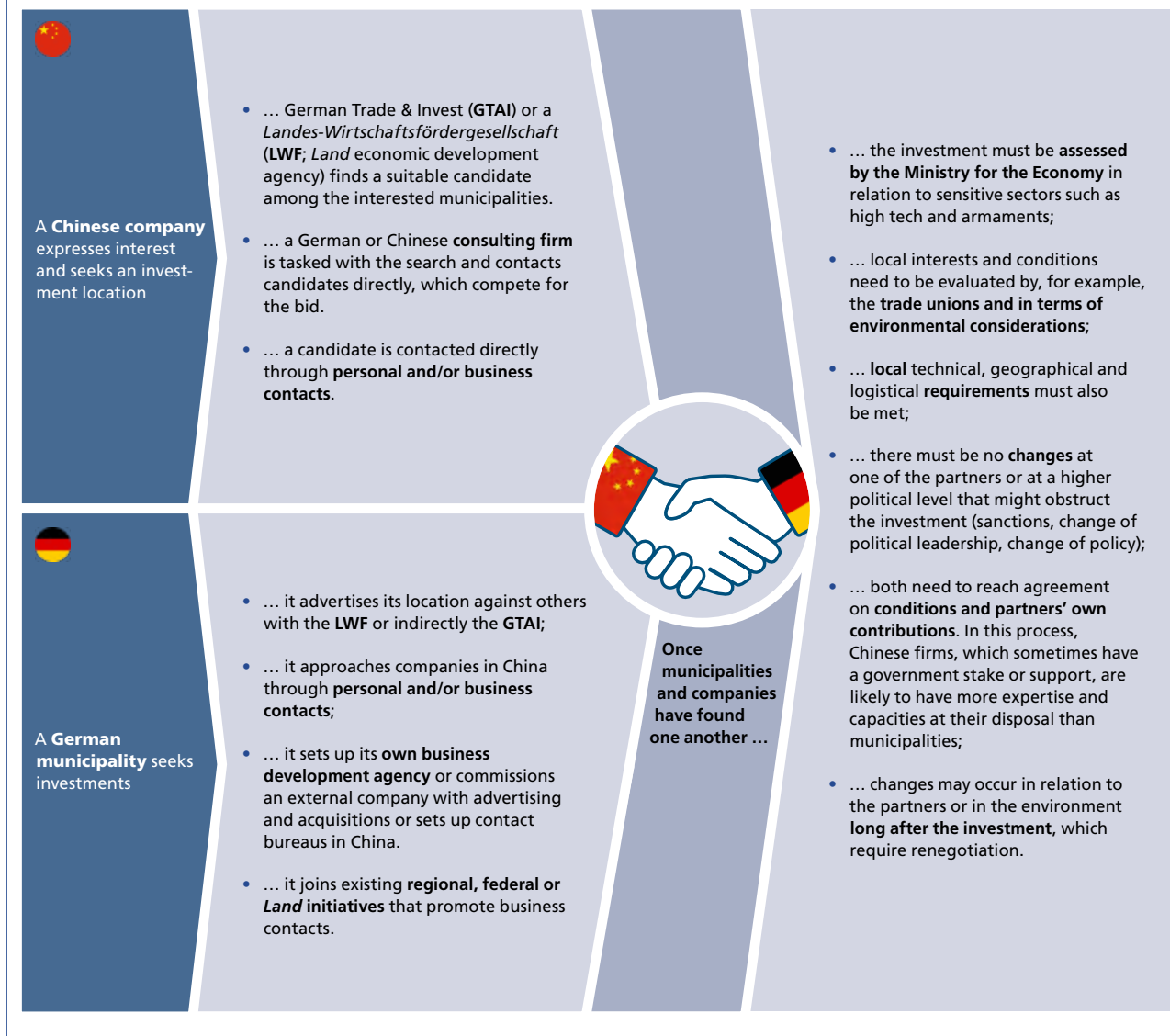
⁶¹ Germany Trade & Invest (GTAI) is the foreign trade agency of the Federal Republic of Germany. It has offices worldwide and cultivates partnerships in order to support German companies abroad and to attract foreign companies and support them in doing business in Germany.

⁶² For example, specific types of infrastructure, such as airports, as well as cultural factors, such as the international appeal of life in certain cities and regions, may exert substantial influence over investment decisions.

⁶³ Both the absolute number of investments and the total number of known transactions had started to fall steadily after peaking in 2016. The prevalence of Chinese investments was trending downward even before the COVID-19 pandemic. While previously the focus was on traditional industries (such as steel and machine parts) and the sale in Germany of cheap parts manufactured in China, the focus in recent years has been on targeted investments in high-tech sectors (for example, robotics and medicine) with research in Germany. Declining capital surpluses in China have also led to some major investments focused more on value preservation than on strategic links to the Chinese market (for example, by large private corporations such as HNA Group and state investment funds such as Jinjiang International). Cf. Rusche, Christian (2020): "Chinesische Beteiligungen und Übernahmen in Deutschland", in: *Wirtschaftsdienst – Journal for Economic Policy*, Vol. 100, No. 2, pp. 144–146, <https://doi.org/10.1007/s10273-020-2586-6>.

Figure 3

Chinese investments at the municipal level – schematic sequence



accounts for a disproportionately large share of the local economy, as in the case of the battery manufacturer CATL in Arnstadt (Thuringia).

In such cases, the risks and opportunities pose particular challenges for municipalities. In most instances, however, experience confirms⁶⁴ that business establishments and stakes have had a positive effect on municipal development and that is why they are courted. For both sides, however, the economic benefits take centre stage. If there are not projected to be economic benefits or the potential

is under- or overestimated, such projects are rarely implemented on political grounds alone, especially because German municipalities often lack the resources, while on the Chinese side, the conditions and controls regarding investment profitability have been tightened up. An increase in investment conditionalities could therefore cast economic cooperation into doubt.

Things are different when it comes to promoting contacts between local businesses and China. Big companies are more independent of municipalities and indeed can help the latter to build up intercultural and educational contacts. One example is the significance of VW for the metropolitan area around Hannover. This has led to the formation of an important cluster of German and Chinese suppliers and partner companies, boosted by the major conglomerate's business in China and scientific exchange. There is also a special historical connection of this kind in Duisburg, where one of the first city partnerships with China emerged from the cooperation between German steelworks and partners in Wuhan (see Box 5).

⁶⁴ For an overview see, among others, Dürr, Niklas / Rammer, Christian / Böing, Philipp (2020): *Direktinvestitionen zwischen Deutschland und China aus einer innovationspolitischen Sicht, Studien zum deutschen Innovationssystem*, No. 8 (2020), Leibniz-Zentrum für Europäische Wirtschaftsforschung; as well as the case studies described in Giustolisi, Alessio / Terstriep, Judith (2020): *Chinesische Investitionen im Ruhrgebiet. Eine Chance für den Strukturwandel?*, in: *Forschung Aktuell*, No. 9/2020, Institut Arbeit und Technik der Westfälischen Hochschule, <https://www.iat.eu/forschung-aktuell/2020/fa2020-09.pdf>.



**Box 5: A future for the production location:
The right investor and trade union work in
the case of Tailored Blanks GmbH**

Duisburg entered into a partnership with Wuhan in 1982. It started with a steelworks built by a consortium of Duisburg firms. In 1995, serial production of galvanised steel sheets (tailored blanks) began at the Thyssen factory in Duisburg-Bruckhausen. In order to make up for sales losses caused by the economic crisis, ThyssenKrupp sold its subsidiary Tailored Blanks GmbH (TB) to the Chinese state-owned corporation Wuhan Iron & Steel (WISCO) in 2012. The new parent group was not able to supply low-priced primary products and was not familiar with Germany's system of social partnership. The workforce felt isolated with the new owners and, among other things, complained about the behaviour of the former parent company. Tailored Blanks GmbH became unprofitable.

In 2016, the Chinese government merged WISCO and the Baosteel Group from Shanghai to form the China Baowu Steel Group in order to boost efficiency. As a state-owned company, it was run by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC).⁶⁵ New Chinese management negotiated a social plan with the trade union, which provided for limited layoffs with severance payments. The negotiations improved understanding and communication between the workforce and the new management. There were language and information barriers on both sides. In the meantime, pressure from China for the company to become profitable within a few years intensified. The first positive results were achieved in 2019, without wage cuts, and in 2020, members of the workforce were awarded bonuses. Supplies of high-quality primary products from the parent company boosted product quality, attracted new customers, and consolidated the company's position in relation to German and European competitors. The takeover averted the closure and the dismissal of over 800 employees.

The improved economic performance facilitated investments and thus, the company's future. The quality and innovation of German products enjoy a good reputation in China. Besides the sales in the European market, this further speaks against relocation of production to China. Little is yet known about the dependence of production on individual components. According to trade union information, Tailored Blanks GmbH was able to avoid the delivery problems resulting from the war in Ukraine and affecting wiring harnesses that led to the interruption of production at German car manufacturers. Employer organisations and trade unions should thus increase development and exchange of the relevant expertise, but also background information about Chinese partners.

Sources: Authors' interviews, as well as Giustolisi/Terstriep (2020).

Smaller German firms can also benefit from municipal activities by participating in joint trips and partnerships. Long-term relationships can thus grow alongside research efforts, educational institutions, German-Chinese associations, and other societies with positive effects on economic development. For example, in Erfurt, the occupational training centre of the Handwerkskammer (HWK; Chamber of Crafts) and with the Industrie- und Handelskammer (IHK; Chamber of Industry and Trade) train 200 Chinese

skilled workers a year to German standards in a training programme with the construction machinery manufacturer XCMG. In 2013, the firm opened a European headquarters in Krefeld with over 3,000 employees. The firm's head office is in Xuzhou (Jiangsu province), which has been twinned with Erfurt since 2007. In Wuppertal, Chinese biopharmaceutical manufacturer WuXi Biologics would like to double its workforce in this location after three years and meet the demand for skilled workers through local training and relocation from China (see Box 6).

EXTERNAL RISKS FOR MUNICIPAL FOREIGN POLICY

In crises, cooperation with Chinese firms can also lead to dependency, as the COVID-19 pandemic made particularly clear. Uncertainty arises especially when municipalities cannot fall back on unambiguous *Land* or federal guidelines, or when they make decisions that come into conflict with the political climate further down the line. This became clear recently in relation to COSCO's investment in the port of Hamburg or the now halted smart city projects with Huawei in Duisburg and Gelsenkirchen. These risks do not emerge directly from municipal relations with China but because changing external circumstances can have direct and long-term effects on the substance and implementation of municipal foreign policy. Geopolitical upheavals thus have political and societal ramifications even at the local level. At the same time, difficulties encountered in cooperation with China at the municipal level are not abstract; they often have very concrete outcomes.

Municipalities have only a limited capacity to prepare for the wide variety of external risks. There are little export-oriented municipalities in global supply chains can do in response to ruptures and crises in international politics (for example, global health crises or trade conflicts between the great powers). That said, preventive measures are available to large municipalities with the requisite financial resources, such as Düsseldorf, which is the state capital of North Rhine-Westphalia. Foreign policy risks with individual countries, such as China, can be prevented or ameliorated only through collaboration between the *Land* and federal levels, as well as with the acquisition of special expertise. Ultimately, municipalities are dependent on whether federal policymakers issue clear directives or statutory guidelines on relations with China. Over the long term, municipalities can operate successfully in the foreign policy realm, and the security policy sphere specifically, only with expert assistance from other state agencies, from both the *Land* and federal level. Smaller municipalities with limited personnel in particular suffer from a lack of advice and information. All too often there is no one working full-time on this issue in the local administration.

Furthermore, economic cooperation at the municipal level is not feasible without broad public backing, regardless of whether it is in a municipality's commercial interests. For example, in extreme instances, relations can be broken off

⁶⁵ 国务院国有资产监督管理委员会 [State-owned Assets Supervision and Administration Commission of the State Council].



as a result of controversies, as in the case of the Dutch city of Arnhem⁶⁶ or the city of Kiel where long-nurtured plans to raise friendly relations with the city of Qingdao to the level of city partnership were shelved because of public concerns.⁶⁷

More and more is being asked of municipalities within the framework of cooperation with China, as well as more generally in the area of international cooperation. The changing environment of these relations can no longer be ignored. They require that municipal actors cultivate a heightened awareness and sensitivity in dealings with difficult partners. It is all the more important, then, to identify robust objectives and agreements for municipal relations with China. To this end, the personal, cultural, and everyday levels of exchange must also be utilised in addition to the economic level. Finally, there are also linguistic and knowledge barriers to dealing with China at the municipal level. It is thus vital to develop and integrate capacities, both between municipalities and between the municipal, *Land*, and federal levels in order to create the conditions for resilient and successful cooperation with China at the municipal level. In the future, alternative formats, such as partnerships in international city networks or project-based trans-municipal cooperation, might provide solutions to reduce the risks of economic cooperation.⁶⁸

EXPERTISE ON CHINA STRENGTHENS RESILIENCE

Municipal relationships with Chinese partners are fraught with uncertainties. They range from their short-term planning to the pitching of financially supersized projects and from pressing for formal agreements at an early stage to the circumvention of official channels and sensitive requests that are difficult for the German side to gauge. In addition to these complexities, the Chinese side may respond slowly to inquiries from Germany, contact persons may change frequently, and structures may be opaque, all of which cause headaches for municipal administrations. In the experience of municipalities, boosting their China ex-

Box 6: Investments, technology, and expertise from China: Case study of WuXi Biologics Germany GmbH

Biopharmaceutical contract developer and manufacturer WuXi PharmaTech has a relatively long history. It was founded in 2000 by CEO and chairman Ge Li, a chemist, in the city of Wuxi (Jiangsu province). In 2008, the company took over the US firm AppTec Laboratory Services, which had locations in the United States. The company is one of the Chinese firms to have gone private in the United States, which it did in 2015 to boost its valuation in the domestic market. In 2016, the company – renamed WuXi AppTec – took over the German Crelux GmbH with research locations in Germany. Affiliate WuXi Biologics was listed on the Hong Kong stock exchange in 2017. Since then, it has been controlled by different international consortia and investment firms.

In 2020, WuXi Biologics entered into a lease agreement with Bayer AG in Leverkusen for pharmaceutical production facilities for an undisclosed sum. As a welcome gift, the firm donated 1,600 respiratory masks to the city hospital of Leverkusen, which has been partnered with the city of Wuxi since 2014. In 2021, the company generated around 50 per cent of its turnover in the United States, and the rest in Europe and China in almost equal proportions. Growth was driven in particular by orders arising in relation to the COVID-19 pandemic. In 2020, the company won a big order from AstraZeneca for vaccine production. At its peak, enormous turnover and strong investor interest were reflected in a fifteen-fold share price increase in 2017. Also in 2021, the firm acquired services and rights of use for a further Bayer AG site in Wuppertal for the production of drug substances for biologics for 150 million euros. This was coordinated with the business development agency NRW.Global Business. There are plans to increase production capacities for biopharmaceuticals with over 400 new high-tech jobs. In 2022, there were over 200 employees working at this location.

In February 2022, the US Commerce Department put two affiliate companies of WuXi Biologics in Shanghai and Wuxi on its list of unverified companies. Because of the pandemic, US authorities were unable to enforce the proper use (in other words, personal use, no resale) in China of high-tech equipment imported from the United States. In December 2022, verification was completed and the firm was removed from the list. In 2023, the company announced a production partnership with German biotech firm InflaRx for the COVID-19 drug Gohibic. The company is one of the biggest contract developers and manufacturers of modern biopharmaceuticals worldwide with over 12,000 employees in 27 countries.

Key to the company's success in Germany has been the hiring of many Germans in management positions. It is regarded as a 'German firm with a Chinese name'. Training is provided locally to meet the growing need for skilled workers. Highly qualified workers are also being brought in from China to strengthen know-how and skills on-site. Because its Chinese origins sometimes bring the company under particular scrutiny, it prioritises compliance with the highest environmental and social standards, such as equitable training and employment of young apprentices on site. In Wuppertal, WuXi Biologics is seen as a flagship company for German-Chinese cooperation.

Authors' interviews with Dr Benjamin Minow, managing director of WuXi Biologics Germany GmbH and Martin Wans, Director of Communications & Public Affairs Europe

- ⁶⁶ After protests against China's treatment of the Uighurs, the Dutch city of Arnhem dissolved its partnership with Wuhan in 2021. The decision was made despite active cooperation on hydrogen technology. Amnesty International Nederland points to the positive role of local partnerships for human rights in this instance. Cf. Amnesty International Nederland (2021): *Mensenrechten Centraal stellen in decentrale Partnerschappen met China*, March 2021, https://www.amnesty.nl/content/uploads/2021/03/Amnesty-International-Adviesdocument-Mensenrechten-in-Decentrale-Partnerschappen-met-China_.pdf?x82206; as well as Zwart (2022).
- ⁶⁷ On the debate concerning the city partnership between Kiel and Qingdao, see NDR (2023): "Kiel nimmt Abstand von der Städtepartnerschaft zu Qingdao", in: *ndr.de*, 20 September 2023, <https://www.ndr.de/nachrichten/schleswig-holstein/Kiel-nimmt-Abstand-von-der-Staedtepartnerschaft-zu-Qingdao,qingdao104.html>.
- ⁶⁸ Cf. Zwart (2022); also Fan, Shea X. / Huang, Charlie / Walker, Matthew / Bartram, Timothy (2020): "After 40 years of Australian-Chinese sister cities, how are they faring?", in: *The Conversation*, 29 January 2023, <https://theconversation.com/after-40-years-of-australian-chinese-sister-cities-how-are-they-faring-128549>.


Box 7: With new stereotypes, expertise on China is likely to suffer setbacks

Sharing knowledge makes a substantial contribution to building up and expanding expertise on China. One-sided access to information, however, may give rise to (new) stereotypes that may even run counter to the recognition that more China-related expertise is needed across society. For example, those who advocate for more Chinese language teaching and student exchanges in schools and municipalities report falling demand and growing scepticism regarding such proposals. Careful consideration and objective examination have always been essential parts of the process. Debate in parents' bodies or among teaching staff, however, is becoming increasingly heated and less nuanced. For example, human rights issues are raised as a blanket argument against school exchanges, or it is called into question whether Chinese language teaching is still appropriate. This development in the discourse is alarming at a time when China is becoming ever more important as a global actor, and as partner, competitor, and systemic rival to both Germany and Europe.⁶⁹ The federal government, however, has emphasised in its Strategy on China that schools and exchanges are important in the effort to generate more expertise on China.⁷⁰

pertise thus improves their capacities and contributes to more proactive participation and improved communications. Successful relationships also depend on the degree of self-awareness and ambition in the German approach and whether internal communication problems and conflicts of interest can be overcome. In this sense, self-awareness – understanding where one stands and where one's interests lie in the planned cooperation – is the most important capability in dealing with Chinese actors and a prerequisite for confident and strategic management of the relationship.

The concept of "China competence" describes the capacity to apply knowledge about China appropriately and to be able to frame specific problems methodically in a broader context. It is comprised of competencies in particular areas. Municipal actors recognise the need for China-related knowledge and expertise across a variety of areas as a key component of their dealings with China. Needs differ considerably depending on context, however. While some would like better all-round knowledge, for example, on the history of China or on current developments there, others stress the importance of technical and sector-specific knowledge, for example, on China's political and administrative structures within the framework of town twinnings. Actors in civil society and education specifically stress the principal need for intercultural skills. Communicative skills – the ability to deal with Chinese partners in Chinese – are particularly desirable but also difficult to obtain.

Ultimately, expertise on China ("China competence") remains hard to pin down. The value of individual competencies will depend on the context, although they can never fully substitute for one another. Only an integrated expertise on China imparts the ability to differentiate and contextualise. The notion of expertise on China thus cannot be reduced to merely passing on knowledge. Although the use of expertise on China as a tool or a way of upgrading one's capacities in dealing with China is the dominant approach at the federal level such a utilitarian understanding is regarded as inadequate by many representatives at the municipal "micro level".

Although China-related expertise is needed in the municipalities with regard to administration, business, education, culture, and civil society, at the same time, they also make it available for the broader population. The various actors within municipalities can create synergies via exchanges and networking. This is already happening in many municipalities. Practical experience is fostering expertise on China in many areas. As a consequence, municipalities' often quite specific experiences with China should be recognised and used as a resource.

INTEGRATING COMPETENCIES: KNOWLEDGE, INTERCULTURAL COMPETENCE, AND LANGUAGE

The need for knowledge about Chinese actors, structures, discourses, and strategies is understood throughout local government, even though China is not the most important issue in many municipalities. Nevertheless, there is a lack of experience, resources, and regional and supra-regional platforms – beyond general information available at the federal level – that would make it possible to swiftly form a comprehensive picture of one's Chinese counterpart. Municipal actors, especially in city halls, recognise the need "to get to know the Chinese context"⁷¹ and to be able to have a reasonable idea of what to expect from Chinese partners. For that purpose, they need both general background knowledge and specific knowledge, especially on current political and social developments. There is, however, a dearth of pooled and up-to-date information tailored to municipalities' needs. In response, municipalities sometimes resort to self-help by creating or making use of networking possibilities, which also do duty as knowledge exchange. Often, however, these measures are not structurally embedded and are rather ad hoc. Few comprehensive third-party networking options are available. Even the Service Agency Communities in the One World (SKEW) Round Table on Municipal Partnerships with China, which has existed since 2016,⁷² will not be continued beyond 2023. As

⁶⁹ Cf. Federal Government (2023), p. 10.

⁷⁰ Cf. Federal Government (2023), p. 61: "The expertise of the next generation is being built up at schools, higher education institutions and other educational institutions. We encourage them to increasingly spread expertise on China, including language skills. ... We advocate for more exchange between German and Chinese young people, students and academics, with the aim of supporting expertise on China through people-to-people contacts."

⁷¹ Qualitative interviews with actors from municipal administrations in the three study regions.

⁷² See Engagement Global – Deutsch-chinesische kommunale Partnerschaften – Runder Tisch China [German-Chinese partnerships – Round Table on China], available at: <https://skew.engagement-global.de/deutsch-chinesische-kommunale-partnerschaften.html>.



Box 8: Undervalued opportunities

Confucius Institutes face criticism because of their proximity to the Chinese state, which largely funds their activities. As originally conceived, they are organised as cooperative German-Chinese bodies, mainly in the legal form of registered associations under German law. The responsibility for their substantive programmes, besides their language courses and cultural events, generally rests with their German director, who usually gives careful consideration to how this cooperation should be conducted. The institutes not only pursue a low-threshold educational mission that, regardless of how one may judge its execution, is scarcely available elsewhere in Germany, but also provide an established channel for exchange and communication with the Chinese side. In addition, they build knowledge of the design and substance of Chinese foreign education policy.⁷⁴

German-Chinese associations, because of the political significance that China attributes to them, often come under (usually non-specific) suspicion of trying to exert influence. Many civil society associations, however, can generally be traced back to the initiative and intensive voluntary efforts of individuals and are not connected to German or Chinese umbrella organisations. Their language and travel offers, cultural endeavours, and other activities contribute to the development and expansion of knowledge on China to a certain extent in a space where other options are lacking. In their different ways, Confucius Institutes and associations meet a social need as contact points for an interested, overwhelmingly non-academic public. At the very least, the encounters and the knowledge acquired in this way represent an early or preliminary stage of expertise on China which is scarcely available to this target group elsewhere. German-Chinese associations, in particular, also offer valuable points of contact between Germans and Chinese people living in Germany.

a consequence, several municipalities have decided to continue with this successful and, to their mind, necessary format by organising it themselves from 2024. It became clear in our conversations that many municipalities continue to want a comprehensive networking option in partnership with the *Land* and federal levels. For special and urgent topics, such as when inquiries from interested parties in China need to be evaluated, rapid and uncomplicated communication channels with the relevant bodies are required.

Inter- and transcultural skills include the capacity to take a different perspective, and strengthen other alterity and stereotype competencies. They are not merely an optional “wellness” extra, but enable the development of effective and strategic communication in the first place. More inter- and transcultural skills thus mean a sustainable capacity to act and reflect. They promote a proactive stance in full awareness of one’s own interests and values while at the same time maintaining a realistic view of the Chinese partner’s motivations. Actors with advanced expertise on China, including inter- and transcultural skills, are much less likely to resort to generalisations. An understanding of the logic of Chinese actions is therefore practically useful, and not only relevant in relation to political and ideological matters.

When it comes to school exchanges, experienced teachers attach importance to active design (for example, in joint workshops on particular topics) so that real encounters are possible when students, but also teachers, get together. When teachers without a Sinological background conduct these student exchanges, it is likely to be more difficult for them to bring this about. There can be too much reliance on travel agencies, which may also be tasked with match-making between schools and offer programmes with a strong sightseeing component. On the Chinese side, they are often less familiar with project work, which makes it all the more important to take the initiative in facilitating in-depth encounters when Chinese guests visit Germany.⁷³

In municipal administrations, a lack of intercultural understanding can lead to generalisations, in which case problems easily become “culturalised”. In particular instances, difficulties often arise from specific conflicts of interest – for example, the partnering of two cities with different agendas – or from administrative problems. Furthermore, Chinese partner cities have varying profiles. Chinese cities that are more closely involved in international cooperation, or which are simply run more efficiently, tend not to be too opaque for German partners who don’t speak Chinese because communication is clearer and more comprehensible.

Municipal actors in all domains recognise the importance of Chinese language skills for substantive exchange. However, such skills are rarely available in administrations or business development agencies. This is openly discussed as a problem, even though a lack of language skills can be

partly compensated for with experience, technical expertise, and a sense of intercultural conduct. It would be difficult to do much about this in the short term; a mere 0.1 per cent of German secondary school students are learning Chinese and the number of university students taking Chinese studies courses (which in any case are understaffed) is extremely low. One possibility would be to involve reliable persons from the municipality in communications, such as Chinese-speaking employees from other departments. On top of that, committed and sustainable involvement on the part of the education authorities is needed at both the federal and *Land* level to improve Chinese language skills more broadly.⁷⁵

⁷³ Cf. Frenzel/Stepan (2019), pp. 38–39.

⁷⁴ Cf. Federal Government (2023), p. 61: “With China becoming increasingly important, there is also an ever greater need for people with expertise on China. This includes language skills, intercultural skills, country-specific expertise, knowledge of the aims that China is pursuing through its global engagement, and *practical experience with bilateral cooperation in the context of the Chinese political system*” (Authors’ emphasis).

⁷⁵ A joint working group involving the Federal Foreign Office, the Standing Conference of *Land* Ministers of Education and Cultural Affairs (KMK), and the Federal Ministry of Education is currently developing measures for schools in an initiative with the Bildungsnetzwerk China [German China Education Network].



Box 9: Communicating values

Successful German-Chinese cooperation depends on clarity about one's own position and objectives. This is first and foremost a question of one's own ambition. Within the framework of trust-based relations based on inter- and transcultural skills, communication is likely to be non-confrontational but nevertheless precise and confident. Particularly in the case of long-term and fruitful cooperation, introducing Chinese visitors to, for example, the variety of German political parties and the workings of parliament is sometimes an integral part of the programme. Chinese partners have also taken part in framework programmes on education in democracy. However, the tightening of ideological controls in China is increasingly limiting the freedom of Chinese partners visiting Germany. The official character of delegations and exchange meetings may paradoxically have a protective function here, as long as there is political backing for them on the Chinese side. It is important to be aware of certain red lines in order not to put Chinese partners in danger. Apart from highly sensitive political issues, there are nevertheless communication opportunities in which some sort of rapprochement is possible, for example, school exchanges in the form of joint project work on issues such as "structural change in an industrial region" or "stereotypes in Germany and China". Municipal actors – in city administrations, schools or Confucius Institutes – have also repeatedly pointed out that a decent knowledge of the Chinese language is indispensable for in-depth exchanges. Detailed and nuanced discussions on press freedom or political developments, for example, are simply not feasible in German or English in all these contexts, but they are feasible in Chinese.

THE CURRENT DISCOURSE ON CHINA CREATES UNCERTAINTY AMONG MUNICIPAL ACTORS

Changing German-Chinese relations is perpetuating a fairly negative view of China in public debate (see Chapter 3). This is being reinforced by media reporting on developments in China, changing German business attitudes, real changes in China under Xi Jinping, but not least because the German security services are increasingly scrutinising Chinese activities and influence in Germany and Europe. For example, the latest *Verfassungsschutzbericht* [Report on the Protection of the Constitution] describes China's sweeping approach to information gathering as the "greatest threat in terms of economic and scientific espionage as well as foreign direct investment in Germany".⁷⁶

China under Xi Jinping and the manner in which it is discussed inevitably affect how the public looks at German-Chinese municipal relations. For example, the fear of (media) criticism of municipal policy on China and cooperation with China has increased substantially among local actors. The focus here is the direct political impact of local

and cross-regional negative press. This unsettles those involved in Chinese investment projects, educational exchanges, and activities within the framework of city partnerships, as well as in civil society.

Interviewees from municipal administrations also point to changes in the relevant city and municipal councils. Both existing and new projects and cooperation between administrations and Chinese actors are increasingly being called into question across the political spectrum, whether it be municipal assistance in Chinese company takeovers and establishments or financial support for a local German-Chinese society within the framework of individual education and cultural projects. Although our interviewees across the board endorsed the new awareness in city and municipal councils, decisions and guidelines for the administration were often made sporadically, abruptly, and in line with whatever happened to be making the headlines. This has only increased the uncertainty in local councils. In accordance with that, our interviews highlighted the need for a more strategic discourse between all municipal interest representatives. Administrations are increasingly keen to achieve a common basic understanding, promote exchanges of knowledge and experience, and define parameters for cooperation to enable them to cope better with the so-called "China dilemma", namely, distancing oneself from China while at the same time cooperating with it. It was not uncommon, especially for smaller municipalities and cities, to express a wish for more sustained guidance from the federal and *Land* levels.⁷⁷

Besides the uncertainties outlined above, geopolitical tensions – especially the escalating struggle for hegemony between China and the United States – are increasing. This struggle has had direct consequences for companies in German municipalities and has exacerbated the uncertainty. Examples emerging in the study from greater Düsseldorf/Duisburg and central Germany show that SMEs doing business in the United States have been cut out of the US market after they accepted Chinese investment. This has had far-reaching consequences for both the companies and municipalities themselves, but also for Germany as an industrial location. The loss of US business cast the companies in this study, which are key job creators and economic motors in their respective municipalities, into an existential crisis. Only the strenuous joint efforts of the relevant companies, municipalities, and *Land* governments were able to save the day. As important suppliers to the automobile and aircraft industries, the loss of these companies would have had serious short- and medium-term consequences for German and European supply chains.⁷⁸

⁷⁶ Federal Ministry of the Interior and Community (2023): *Verfassungsschutzbericht 2022* [Report on the Protection of the Constitution 2022], p. 292, https://www.verfassungsschutz.de/SharedDocs/publikationen/DE/verfassungsschutzberichte/2023-06-20-verfassungsschutzbericht-2022-startseitenmodul.pdf?__blob=publicationFile&v=3.

⁷⁷ Cf. authors' qualitative interviews with employees of city and municipal administrations from all regions under study, period 2021–2023 (for a detailed list see Appendix).

⁷⁸ Cf. see authors' qualitative interviews with employees of the companies, company-level interest representatives and local business development agencies in the study regions Hannover-Braunschweig-Göttingen-Wolfsburg and central Germany, period 2022–2023.



THE GAP BETWEEN NATIONAL CHINA POLICY AND MUNICIPAL IMPLEMENTATION

Regardless of the changes and uncertainties described above, municipalities and other local actors continue to see the opportunities presented by German-Chinese (economic) cooperation. At the federal level, the focus tends to be on the risks. Differences in assessments of Chinese investments and their consequences are thus increasingly coming to the fore.

Our case studies show that Chinese actors are interested predominantly in medium- to long-term investment. Besides access to the EU single market, investment criteria include transport infrastructure, skilled workers, and research, and increasingly, avoiding future customs duties. In this context and given the tough competition with other municipalities and regions in the German and European neighbourhood for growth stimuli and tax revenues, municipalities remain open to Chinese investments.

It is accordingly not surprising that financially weak municipalities in particular evidently welcomed the smart-city solutions provided by Chinese technology companies to make their administrations more efficient and enable them to survive intermunicipal competition.⁷⁹ These considerations have been put on hold, not least due to massive pressure from the federal government, which intervened to prevent Chinese technology companies from gaining access to critical infrastructure and perhaps even to sensitive personal data. Nevertheless, a number of German cities and local municipalities make sporadic use of Chinese IT applications, for example, for traffic monitoring. In this context, municipal interest representatives point to a lack of awareness at the *Land* and federal level concerning the absence of technical alternatives and the need for financial support given cost pressures.⁸⁰ All too often, municipal tenders draw a blank, ultimately leaving Chinese providers as the only option.

Furthermore, although *Land* governments staunchly support the municipalities in attracting investments and company locations in order to make their locations more attractive in comparison to other *Länder* and elsewhere in the European neighbourhood, smaller municipalities and cities in particular feel rather left on their own in terms of implementation and continuing support when it comes to the final stretch, after the *Land* or federal institutions have helped to bring about, for example, greenfield invest-

Box 10: European dimension

Cooperation with municipal and regional authorities in the EU has become increasingly attractive for China since the reforms and opening-up policies of the 1980s. They are seen as supplementing existing cooperation mechanisms between China, the EU, and its individual Member States for the purpose of advancing political and economic interests. In the 1980s and 1990s, partnerships were struck between Chinese provinces and cities and their northern and western European counterparts. From the early 2000s, China also entered into relationships with regions and cities in Italy, Poland, and Spain.

In the aftermath of the European financial and economic crisis, as well as since the announcement of the Belt and Road Initiative in 2013, partnerships were formed primarily between Chinese and Southern and Eastern European actors. These occurred mainly between 2014 and 2016, which underlines the intensification of Chinese relations with southern and eastern Europe, for example, within the framework of the 16+1 format (later on 17+1, currently 14+1). Municipal and regional authorities in the EU are in fierce competition with one another here. Their organisational and decision-making capacities (level of autonomy) also differ considerably, and they have extremely diverse attitudes to Chinese activities and actors. Most have continued their partnerships in the wake of the deterioration of European-Chinese relations and the difficulties of the pandemic. Others, by contrast, have terminated their relationships or shelved controversial issues.

Conversations with European actors at the local level and with association representatives indicate a desire to share the tasks involved in making the requisite assessments systematically between European cities, regions, and Brussels. Awareness of increasing challenges in cooperation with Chinese partners was ubiquitous, while at the same time stressing the principle of mutuality and the added value that partnerships were still considered to have. In order to ensure improved flows of information, it would be worth shifting discussions on China's activities at the subnational level in the EU to institutions such as the European Committee of the Regions (CoR) or the European Parliament. More coordination is also desirable given the recently adopted approach of strengthening economic security within the EU. At the same time, dealings with China could also be improved, for example, by ensuring more rapid dissemination of information and experiences on Chinese investments Europe-wide in the wake of the adoption of the new screening mechanisms.

ments. Finally, support for larger investments or even transfers of ownership tends to exceed municipal capacities.

Contrary to the widespread fears, we found that Chinese owners and investors alike in all three study regions generally comply with laws and regulations on company code-termination, such as collective agreements and employment and location guarantees. Even after such guarantees expire, companies tend not to close up shop or relocate to China. According to municipal actors⁸¹, Chinese behaviour often compares positively with that of owners and inves-

⁷⁹ For example, Rüsselsheim am Main had planned a smart-city partnership with the participation of Chinese company ZTE and Gelsenkirchen had entered into agreements with mobile communications provider Huawei, cf. Kowalewsky, Reinhard (2022): "Auch Gelsenkirchen stoppt Huawei-Projekt", in: *Rheinische Post*, 14 November 2022, https://rp-online.de/wirtschaft/auch-gelsenkirchen-stoppt-huawei-projekt_aid-79922145.

⁸⁰ Cf. authors' qualitative interviews with employees of city and municipal administrations, local politicians and members of the Bundestag by constituency, 2021–2023.

⁸¹ Cf. authors' qualitative interviews in all three study regions with company interest representatives, the relevant individual trade unions, employees of city and municipal administrations, local politicians and members of the Bundestag by constituency, 2021–2023.

tors from other European countries or the United States. Although, at the outset, the new Chinese owners tend to be totally uncomprehending with regard to the aims and legal bases of company codetermination, conversations with works councillors at the relevant companies indicate that implementation of and adaptation to the Works Constitution Act and other policies tend to occur relatively quickly. Before they reach this point, however, the employees generally feel abandoned. In the case of takeovers, the German owners tend to be interested solely in wrapping things up quickly; municipalities, as well as local and regional trade union representatives, lack awareness and know-how. Here, too, there was a clear desire for more sustained guidance.

6

CONCLUSION AND POLICY RECOMMENDATIONS

Our analyses and conversations show that, in dealings with China, there is often too little awareness at the federal level concerning municipal processes, problems, and conflicts of interest with other political levels (federal, *Land*). A fundamental component is therefore missing for the development of strategic solutions in German policy on China. A realistic assessment of the interests and risks involved in German-Chinese municipal relations is no mere side issue but a core element of a future-oriented China policy.

In the municipalities' view, political responsibility for establishing a framework for dealings with China lies with the federal government. That is why many municipal representatives are hoping for improved support, guidance, and coordination, particularly in contrast to the current federal ("Berlin") policy discourse on China that, to many, offers no clear direction. Initial reactions to the strategy indicate a certain disillusionment among the municipalities because it is not evident, beyond the announcement that China policy issues will be dealt with within the framework of regular talks between the federal and *Land* levels, how the gap between Berlin's China policy and operational implementation in the municipalities will be closed. The abiding impression is that while the "China dilemma" (distancing oneself from China while cooperating with it) is recognised at the federal level (under the rubric of de-risking), concrete measures are lacking with regard to implementation or clear prioritisation of risk areas. The view that, while China policy is already being implemented in a series of other federal government "strategies" and "initiatives", the specific situation of the municipalities is not being taken into consideration there either is gaining ground. Besides a less ambiguous framework for action, many of those involved in the interviews hoped that the federal government would provide institutional structures and greater clarity on the issue of resources. Such wishes indicate that structural restrictions are much more prominent and decisive in dealings with China than municipalities' alleged 'naivety' in relation to the challenges China poses.

A China policy based on clear guidelines would offer municipalities the potential to assert their own interests, along with those of the federal government and the *Länder*, without coming into conflict with foreign and security policy goals. A lack of directives and strategies or ones that do not take municipal interests and tasks into account, by con-

trast, prevents strategic use of the benefits of cooperation with China in the economic and social realms, as well as the uncovering and minimisation of risks. Similarly, municipalities' extensive knowledge and experience dealing with China often goes to waste or is not shared systematically. An information and coordination office at the federal or *Land* level to advise and document a wide range of issues in dealing with China could be a starting point. Such a contact point would not be linked to any particular department but would perform coordination functions within the federal government while actively pursuing and developing dialogue with the *Länder*, as well as between the municipalities. This could sustainably improve understanding of the ever-changing situation, recognise developments early on, and lay the foundation for more active strategies on the part of Germany.

Given that the Strategy on China states that "we will strive to implement this Strategy at no additional cost to the overall federal budget"⁸², the question clearly arises of what, beyond heightened "awareness", future-oriented dealings with China should look like at any level. More work is needed on this, and resources from the federal and *Land* levels, as well as from other sponsors (such as foundations and companies), should be mobilised to set up both a central China hub and decentralised China branches across Germany to enhance our strategic empathy in dealings with China over the medium term.

CONCRETE RECOMMENDATIONS FOR THE FEDERAL LEVEL, THE *LÄNDER*, AND MUNICIPALITIES

Municipal level: Between guidance from the federal government and improved coordination with the *Land* and federal levels

- Development and financial support for inter-municipal network meetings focusing on China – less to reduce competition than to discuss the administrative and political problems arising from dealing with China (improvement of information flows and experience). The

⁸² Federal Government (2023), p. 9.

inter-municipal exchange (of views and information) on China in the Greater Düsseldorf Area is a pioneer in this respect. Supraregional networking approaches, such as the Round Table on Municipal Partnerships with China organised by Engagement Global's Communities in the One World Service Agency (SKEW), also reinforce the exchange of experience between municipalities and should be given further financial backing.

- Demand for more language skills, especially for city councils, businesses, and civil society. School and university language teaching must be greatly expanded in order to establish a broad basis for cross-sectoral competence rather than a cadre of China specialists.⁸³ The responsibility for this should lie first of all with the *Länder* and their educational authorities, for which reason the municipalities need to turn openly to the *Land* governments. The municipalities themselves should test and expand options in support of school administrations and teaching staff in their active transmission of expertise on China. Chinese language teaching, working groups, and school exchanges should be supported both conceptually and, to some extent, financially. This is all the more important because, from 2024 onward, supraregional funding of school exchanges with China by the Federal Foreign Ministry or the Mercator Foundation will be greatly reduced or discontinued altogether.⁸⁴
- Independent information sources about China should be established (a China hub), going beyond the general gathering of federal documents on China. This is key to helping people to recognise early on what objectives Chinese actors might be pursuing. This entails an understanding, for example, of when individual, economic, municipal policy, or party policy concerns are predominant. A grasp of the broader background of Chinese politics is indispensable here. Then, it could be possible, for example, to evaluate threats from Chinese actors correctly and in good time while nevertheless leaving room for productive debate. This kind of knowledge about China is key to raising awareness when selecting future areas of cooperation with Chinese partners, for example, within the framework of city partnerships (for instance, green economy, biodiversity, circular economy, or digital sustainability).
- For larger municipalities with established relations with China, it makes sense to further diversify partnerships with Asia (Indo-Pacific). The federal government should provide incentives for this purpose and, for example, develop flagship projects as direct 'federal-municipal partnerships'.
- It is crucial for municipal actors to clearly formulate their interests in exchanges with China. All too often, the question of what "our values and interests" are is sidelined in partnerships with Chinese actors. The development of a partnership concept within municipalities could facilitate strategic management of relations on an equal footing. This also goes hand in hand with a re-evaluation of existing cooperation in the various areas.
- Developments at the EU level should be monitored (even) more closely. As part of the outlined realignment of German and European policy on China more and more economic policy decisions are being taken in Brussels. It is crucial for municipalities and their interest representative organisations to make their voices heard in Brussels and to formulate their own interests. Beyond that, exchanges between European municipalities on dealings with Chinese partners should be intensified.

Federal level: Municipal relations as a core element of future China policy

- Create a central China hub and foster decentralised branches in cooperation with *Länder*, municipalities, and other sponsors. The task of a central "China hub" might be, among other things, to map Chinese activities at the municipal level Germany-wide and across sectors and to extend it to the European level. Municipalities and *Länder* cannot manage this alone.
- Bilateral relations between Germany/Europe and China will not become any simpler for the foreseeable future. Recent developments, exacerbated by Russia's war of aggression against Ukraine, underline that in the medium term, there will be a stronger focus in Germany's China policy on the activities of Chinese actors in Germany, including companies, educational institutions, and societies, among others.
- Municipalities require clear and trustworthy contact partners for different matters. The different issues are not covered satisfactorily in existing formats, such as federal-*Länder* discussions. Particularly for sensitive issues that may be difficult to evaluate, municipalities should have a fast, direct channel (hotline) for expert support from the federal and *Land* levels at their disposal. One option would be to appoint a China representative for the federal government who would play a coordinating role in developing the China hub and its branches.

⁸³ Cf. Federal Government (2023), p. 61: "The expertise of the next generation is being built up at schools, higher education institutions and other educational institutions. We encourage them to increasingly spread expertise on China, including language skills."

⁸⁴ Lee, Felix (2023): "Trotz Versprechen der Politik: China-Kompetenz schwindet weiter", in: *China.Table*, 22 October 2023, <https://table.media/china/analyse/china-kompetenz-schwindet/>; Bildung.Table (2023): "Etat-Kürzung: Pädagogischer Austauschdienst sagt Programme ab", 11.10.2023, <https://table.media/bildung/news/etat-kuerzung-paedagogischer-austauschdienst-sagt-programme-ab/>; Kultusministerkonferenz – Pädagogischer Austauschdienst (o. D.): Schulpartnerschaftsfonds Deutschland – China wird zum Jahreswechsel 2023/2024 eingestellt, <https://www.kmk-pad.org/programme/schulpartnerschaftsfonds-deutschland-china.html>.

- The consequences of political decision-making must be thought through right down to the municipal level. The municipalities cannot solve the China dilemma on their own; they need strategic decision-making in the various departments of the federal government. The same applies to the *Land* level and awareness-raising within *Land* authorities and *Land*-owned companies in order to provide municipalities with constant support in their dealings with Chinese actors.
- An annual “open-space conference” on China involving the federal government, the *Länder* and interested municipalities, to be held at different locations in Germany.

APPENDIX

Figure 4
Confucius Institutes in Germany

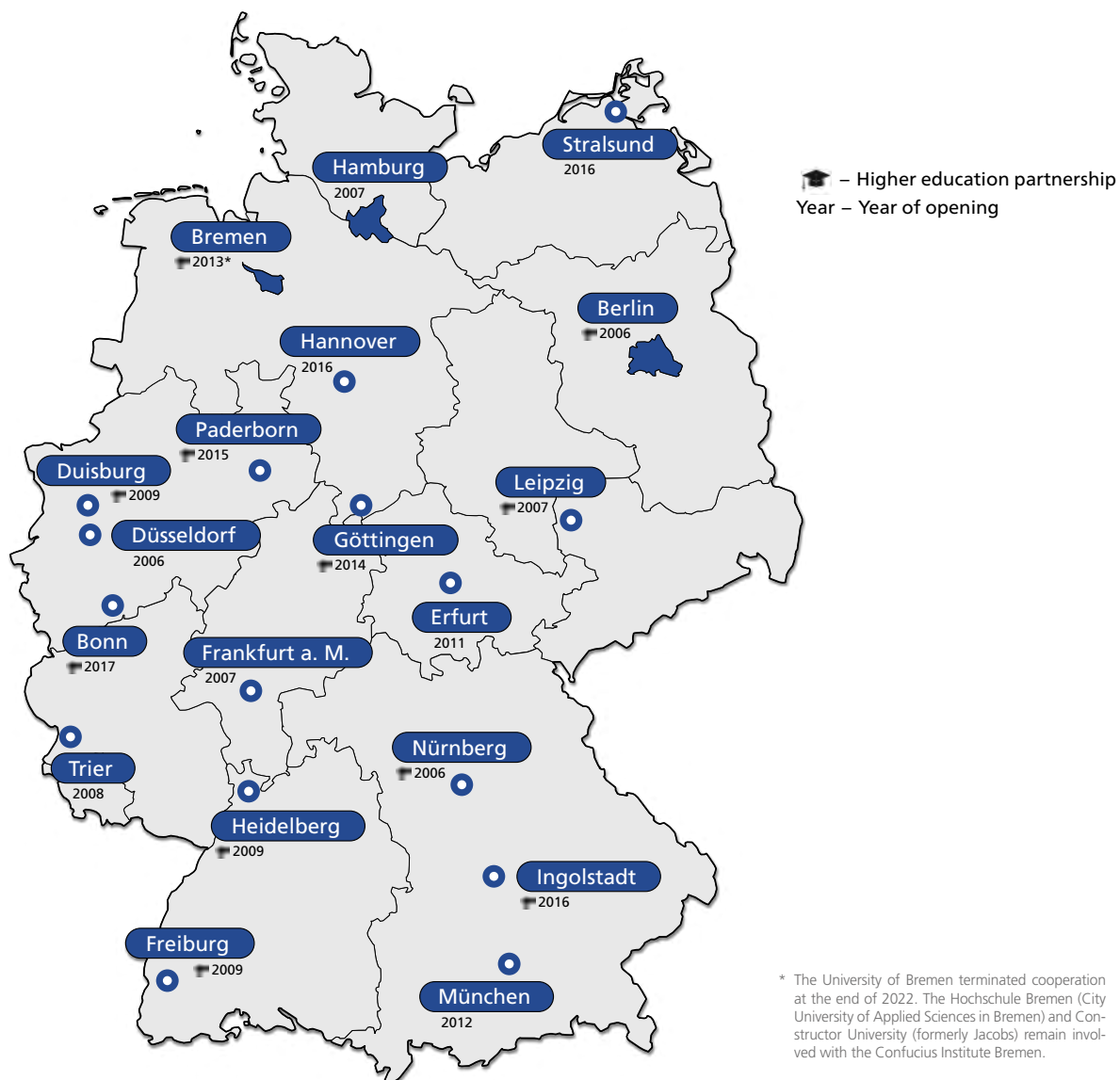


Table 2
Interviews – overview

	Central Germany	Metropolitan region of Hannover	Metropolitan area Düsseldorf-Duisburg	Other	Total
Politics	3	3	3	5	14
Administration/ municipalities	2	2	7	4	15
Economy	2	2	11	2	17
Academia/AI	4	8	5	7	24
Education, culture, sport, civil society	4	2	4	4	14
Total	15	17	30	22	84

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MUNICIPALITIES: A KEY ELEMENT OF GERMANY'S CHINA POLICY

Developments and Perspectives



In practice, Germany's China policy takes place first and foremost in the municipalities. Decisions, whether they concern cultural institutions, city partnerships, expertise on China, supply chains, or investments in infrastructure, are largely made at the local level, and negotiations are conducted by municipal representatives. Massive political and economic changes in China under Xi Jinping and the associated debate on the necessity of reorienting Germany's China policy are unsettling to those involved in Chinese investment projects, educational exchanges, or civil society activities. Meanwhile, municipal actors are becoming more aware of how to deal with their Chinese counterparts.



Municipalities and other local actors continue to see opportunities presented by German-Sino (economic) cooperation. In contrast, the federal level tends to focus on the potential risks. The differences in assessments of Chinese investments and their consequences are thus increasingly coming to the fore. At the federal level, there is often a lack of awareness of municipal processes, problems, and conflicts of interest with other political levels. Structural restrictions are much more prominent and decisive in dealings with China than the municipalities' alleged 'naivety' in relation to the challenges that China poses.



A successful reorientation of Germany's China policy will depend on the extent to which municipal authorities and their actors are involved in organising sustainable processes such as de-risking and building national and European resilience vis-à-vis China. A realistic assessment of the interests and risks involved in German-Chinese municipal relations is no mere side issue but a core element of a future-oriented China policy. Municipal administrations are increasingly keen to achieve a common basic understanding, promote exchanges of knowledge and experience, and define parameters for cooperation to enable them to cope better with the so-called "China dilemma", namely, distancing oneself from China while at the same time cooperating with it.

