

Weekly Commentary 44 – Nov 2022

Germany's Gambit

German Chancellor, Olaf Scholz, was in Beijing for 12 hours on Thursday. There were 12 German business leaders with him, carefully selected from 100 companies who all wanted to go. All of them were hoping that when they fly home, they would have left Sino-German economic relationships on an even keel, and would provide the space for trade and investment to return to the collaborative levels reached during the Merkel era.

Has that hope been fulfilled?

Given that this is a complex situation, there are multiple perspectives on this visit and what it has achieved. Let's start by examining what comes out of the horses' mouths.

South China Morning Post – Hong Kong based English Media

Scholz's China trip: Xi Jinping urges Germany to resist grip of ideology on Berlin-Beijing ties

- *'It is easy to destroy political mutual trust, but it is difficult to rebuild it,' Xi tells German chancellor on state visit*
- *The two leaders also exchange views on the situation in Ukraine, and express opposition to the use of nuclear weapons*

Published: 4:26pm, 4 Nov, 2022 by Kawala Xie

China has once again urged Europe to retain strategic autonomy and steer clear of the influence of "third parties", issuing the call during German Chancellor Olaf Scholz's first state visit to Beijing.

In their first face-to-face talks since the start of the Covid-19 pandemic, Chinese President Xi Jinping told Scholz that Germany should not be influenced by "bloc confrontations" and "attempts to see everything through the prism of ideology".

Xi said he hoped Germany would have a "positive policy" towards China, and called on the European Union to retain "strategic autonomy" to achieve mutual benefits.

"China always regards Europe as a comprehensive strategic partner, supports the European Union's strategic autonomy, hopes to see a stable and prosperous Europe, and insists that China-Europe relations are not targeted at, subjugated to, or controlled by any third party," Xi said, in an apparent reference to the United States.

"It is easy to destroy political mutual trust, but it is difficult to rebuild it, and both sides need to take care of it."

Scholz said he hoped to "further develop" economic cooperation – while alluding to areas of disagreement.

“It is good that we are able to have an exchange here about all questions, including those questions where we have different perspectives – that’s what an exchange is for,” Scholz said.

“We also want to talk about how we can further develop our economic cooperation on other topics: climate change, food security, indebted countries.”

Xi briefed Scholz on the main messages from the Chinese Communist Party’s national congress last month, in which Xi secured a third term in office.

He said China would continue to push forward its “opening-up” policy, an apparent response to concerns that the country is moving towards protectionism.

The two leaders also exchanged views on the situation in Ukraine, and expressed opposition to the use of nuclear weapons, with Xi supporting efforts by Germany and Europe to resolve the crisis.

“As influential powers, China and Germany should work together in times of change and chaos to make more contributions to world peace and development,” Xi said.

In a press conference with outgoing Chinese Premier Li Keqiang on Friday afternoon, Scholz urged China to use its influence on Russia to end the Ukraine crisis, and asked for reciprocal access for German investment in the Chinese market.

*The two also touched on Xinjiang and Taiwan, where **Scholz reaffirmed its support for the “one-China” policy**, but added that any change to the status quo must be peaceful and consensual, according to German reports.*

Scholz also announced that Covid-19 vaccines by German firm BioNTech had been approved for use among foreigners in China. Representatives from the pharmaceutical giant are among those from 12 German leading businesses accompanying Scholz on the visit. In addition, China Aviation Supplies signed US\$17 billion agreement with Airbus to buy 140 aircraft.

Scholz is the first G7 and western European leader to visit China since the Covid-19 pandemic began and the first since the changing of the guard in China’s leadership after last month’s congress.

The trip also comes as politicians at home and Western partners push for a tougher approach to economic relations with China amid growing signs of decoupling.

The EU has classified China as “partner, economic competitor and systemic rival” and there are growing concerns about its economic dependence on China, which continues to expand its investments in European infrastructure.

More recently, there has been harsh criticism of Germany from its Western partners for ignoring national security warnings to approve state-owned China Ocean Shipping Company’s (Cosco) shareholding in a terminal in Hamburg, the country’s busiest port.

Much of that criticism comes from the United States, which has restricted Chinese access to advanced chip technology and barred American firms from setting up advanced chip factories in China for the next 10 years.

Some observers said Scholz’s visit was an opportunity to show “a new image” of China’s diplomacy and to improve ties with the West.

Cui Hongjian, an expert on Europe at the China Institute of International Studies, said the Scholz trip could help stabilise China-German relations.

“The significance of [Scholz’s] visit to China is not only to send a signal of development of China-Europe relations going forward, but also to provide a clearer and more rational understanding of Germany’s so-called China policy discussion,” Cui said.

Noah Barkin, an expert in EU-China relations at the Rhodium Group, said the Scholz trip came amid concerns about Germany’s dependence on China.

“It will raise questions among Germany’s allies in Europe, the US and Asia about whether Berlin has learned the lessons from its misguided reliance on Russian energy. The message Scholz is sending is that China is not part of his Zeitenwende, or foreign policy rethink,” Barkin said.

Additional reporting by Agence France-Presse, Phoebe Zhang and Stella Chen

The global reaction on Xi’s messaging to Scholz has been interesting. It is a sort of “pre-condition” to be met before China and Germany can get close on economic relationships again. Reading between the lines, the Chinese perceive the Germans, in backing an unreasonable and strident American policy to contain China, have taken what used to be a good relationship during Merkel’s time, to an almost confrontational level. The Chinese regard the poor state of bilateral relationship to be Berlin’s fault and if they want the relationship to revert to its former state, then Germany needs to meet China’s pre-conditions. These are explained in the SCMP’s report, which in my humble opinion are perfectly reasonable.

There are other points of view, of course. One is from the Deutsche Welle, which we can assume to circumscribe Berlin’s perspective.

Deutsche Welle:

Scholz's China trip raised more doubts than congratulations

William Yang in Taipei 5 Nov

Despite diplomatic words about what Germany and China have in common, experts say that Chancellor Olaf Scholz's trip both contravened German government strategy and endangered EU unity.

*On Friday, German Chancellor Olaf Scholz went to China, despite domestic and international skepticism about his trip. As the first leader from the G7 group of countries to visit **China** since the pandemic, Scholz said he had "candid exchanges" with Chinese President Xi Jinping on a wide range of issues, including the Ukraine war, human rights and the use of nuclear weapons.*

*This included the two leaders **agreeing that threatening to use nuclear weapons** was "irresponsible and dangerous," Scholz said at a press conference after his meeting with Chinese Premier Li Keqiang. The Chinese leadership agreed, but did not mention Russia by name. Russia's government has alluded to using nuclear weapons in **its invasion of Ukraine**.*

Scholz also said the two leaders had come together "at a time of great tension" which echoed Xi's call for China and Germany to increase cooperation amid "times of change and turmoil."

Despite the diplomatic words, Scholz's 11-hour trip to China remains controversial — and not least because Germany's current coalition government previously promised to change its approach to China, including reducing its dependency on the Asian giant. Experts say Scholz's trip shows that Germany hasn't really changed its policies towards China.

Prioritizing German economic interests

As he arrived in Beijing with a delegation of top executives from several influential German businesses, Scholz highlighted the need to maintain **economic cooperation with China**.

Despite warnings about **Germany's over-reliance on China** from German Foreign Minister Annalena Baerbock prior to the trip, Scholz said he wanted "to talk about how we can further develop our economic cooperation on other topics: climate change, food security, indebted countries."

"The trip sends a message that even though Berlin should be seriously rethinking the relationship with China, they are going back to business as usual," said Zsuzsa Anna Ferenczy, an assistant professor at National Dong Hwa University in Taiwan and a former political advisor to the European Parliament.

"While I think Europe needs to find a way to constructively talk to China from a position of strength, what Berlin is doing undermines that position by pursuing its own interests at the expense of the emerging, yet fragile, European unity that we've seen since the Ukraine war," she added.

Reinhard Bütikofer, a German politician and member of the Greens party in the European Parliament, told DW that Scholz's trip has contradicted the German coalition government's agreement and will also have a negative impact on the European Union. "He sent a message that continuing trade and investment will be a political priority [for him,]" Bütikofer said.

"Germany's China policy can't be developed on the basis of the Chancellor alone, who has ignored competent advice on China at least three times. When we founded the new German government, we agreed Germany's future China policy should be strongly integrated at the European level, and it should be coordinated in the trans-Atlantic relationship. Both haven't happened," Bütikofer added.

Prior to the trip, Scholz defended a controversial deal that allowed China's state-owned shipping company Costco to buy a minority 24.9% stake in one of Hamburg's port terminals, ignoring objections from several cabinet members including Baerbock. Originally Costco was supposed to take a 35% share but this was reduced.

China's human rights record

Apart from discussing business ties, Scholz told reporters he also expressed concerns about China's human rights record to Chinese leaders. This included Beijing's crackdown on the Uyghur ethnic minority and other Turkic minorities in Xinjiang. He emphasized that human rights are universally recognized and urged Beijing to uphold them. "This is not interference in internal affairs," Scholz said.

Scholz also said China had now agreed to let foreigners in China receive the BioNTech vaccination against COVID-19. Previously Beijing had not approved use of the vaccine inside China. Scholz said

the two countries would strengthen their cooperation in areas like climate change and disease prevention.

Despite Scholz's efforts to highlight sensitive issues, former European Parliament political advisor Ferenczy thinks Scholz is merely "ticking the boxes" by telling media that he brought up China's human rights records with the Chinese leadership.

"When he announced the trip to China, this could have been handled in a different way by giving a more prominent role to difficult political issues," she told DW. "The question of human rights was never really part of the agenda."

Scholz's statement about raising the matter is not "an effective way" to tackle China's dire human rights record, which is very sensitive inside the country.

"Germans often prefer quiet diplomacy for human rights issues," she continued. "For a European member state that has the potential to have leverage over China, it's a significant failure to not use the opportunity to genuinely reengage China."

Disunity in the EU

*German MEP Bütikofer thinks the trip will have **a negative impact on the European Union** and others agree it will trigger more difficult conversations in Brussels and perhaps even protests from Central and Eastern European countries. The Baltic states emphasized last month that it is important for the EU to speak to China with one voice.*

"This visit is a manifestation of the fragmentation, not only within the EU, but also within the German political scene," said Marcin Jerzewski, head of the Taiwan office of the European Values Center, a Czech think tank. "There is clearly a divergence on how to approach China, between the liberals and the Greens on the one hand, and the Social Democrats on the other hand."

Sari Arho Havren, China researcher and adjunct professor at the George C. Marshall European Center for Security Studies, told DW that Scholz's trip gives Beijing a strong signal that Germany "would bring the EU to see Beijing again in a more pragmatic and favorable light."

"Beijing sees his trip as the Chancellor setting an example to encourage the rest of the EU leaders to follow his lead in establishing again a more pragmatic approach to the relationship with China," Havren said. "This would mean normalizing Beijing's behavior, [something] which is largely seen as the problem in the EU."

There's also a significant divergence in how the two leaders view the world, Havren noted.

*"Scholz emphasized the severe consequences of the Ukrainian war, but for Xi, there is much more to it than that ... Beijing sees the world through **the lens of the US trying to contain China**," she told DW.*

Through this lens, which also includes possible reunification of China and Taiwan, an ongoing partnership with Russia is important to China, as is a Europe that is not united on these issues.

"With increasingly deepened ties to China through its powerful companies, Germany would potentially make a common European response against China less likely, in case of needing to choose sides between Beijing and Washington," Havren concluded.

There are obviously differences between the viewpoint from out of Hong Kong than from Berlin. How about from Beijing?

Here is an opinion from the Global Times, which is said to reflect the thinking from the CCP:

Scholz's China visit has more than symbolic significance: Global Times editorial

By Global Times *Published: Nov 05, 2022 01:09 AM*

□

German Chancellor Olaf Scholz arrived in Beijing on Friday for an official visit to China. In the morning, Chinese President Xi Jinping met him at the Great Hall of the People and held a banquet for him at the Golden Hall. In the afternoon, Premier Li Keqiang held talks with Scholz. The German chancellor's entire visit to China was compact and efficient, and the two sides had friendly, frank and pragmatic exchanges. Although the visit was not long, it was very significant.

This is Scholz's first visit to China since he took office, and he is also the first European leader to visit China after the 20th National Congress of the Communist Party of China and the outbreak of the COVID-19 pandemic. The trip means that the exchange of high-level visits between China on one side and Germany and Europe on the other has restarted. It will not only promote China-Germany relations to increase trust, clear doubts and deepen cooperation, but also help China-Germany and China-Europe relations continue playing their roles as the "ballast stone" in a turbulent world.

It is clear from this meeting that China and Germany expressed many common views. For example, they both emphasized increasing mutual understanding and trust, adhering to economic globalization, promoting practical cooperation, adhering to dialogue and consultation, opposing bloc confrontation, and stepping up coordination and cooperation in international affairs. Scholz again made clear his opposition to "decoupling." China and Germany are influential forces in Asia and Europe, respectively. Their consensus not only meets the fundamental interests of both sides, but is also essential to the stability of the global economy and security.

It is worth mentioning that Xi and Scholz also exchanged views on the Ukraine crisis and issued an initiative stating that the international community should support all efforts conducive to the peaceful settlement of the Ukraine crisis, oppose the use or the threat or use of nuclear weapons, work together to keep global industrial and supply chains stable, make joint efforts to tide civilians in areas affected by the crisis through the winter, and improve the humanitarian situation. These four proposals not only conform to what China has consistently advocated, but also reflect the general wishes of China, Germany, and the international community. They also show sincerity and commitment to promoting the de-escalation and even resolution of the Ukraine crisis as soon as possible.

These indicate that China and Germany are not only highly complementary in their economies and have broad space for cooperation, but that they also share a lot of common language in their views on the trend of the times and the international situation. Consensus far outweighs differences, and cooperation largely outweighs competition. The two sides are partners rather than rivals, and both have benefited from each other's development and pragmatic cooperation. This is a tangible summary of China-Germany ties, China-EU relations, and even China's relationship with most countries in the world. It is on this solid and broad foundation that China's diplomacy stands with open arms.

We have also noticed that Scholz's visit to China this time has become a key target for some forces.

Who, in the end, does not welcome, does not want, or even opposes Scholz's visit to China? Most ordinary people in China, Germany, and Europe welcome it, because the practical cooperation between the two countries benefits them. And the business community is certainly even more welcoming. Those who create a buzz and pile pressure on Scholz are those who play with ideology as a profession, outdated European elites obsessed with their presumed superiority, and geopolitical manipulators in Washington.

Actually, the exchange of high-level visits between China and Germany and between China and Europe is returning to normal. Former German chancellor Angela Merkel visited China 12 times during her tenure. The current unique background of the times and the complex international environment make Scholz's visit to China "special." This also reflects the unsound tendency of Europe's political ecology and mentality toward China, which morally coerces European diplomacy. This is what Germany and Europe need to strive to discard. As Scholz said in an article he wrote before visiting China, "Germany of all countries, which had such a painful experience of division during the Cold War, has no interest in seeing new blocs emerge in the world."

China always regards Europe as a comprehensive strategic partner, supports the EU's strategic autonomy, and hopes that Europe will be stable and prosperous. This position is highly stable and consistent. "Both sides should keep to the overall direction of bilateral ties from a strategic height, pursue the largest common ground in a constructive manner, and advance practical cooperation with an open mind to create conditions for long-term and steady growth of bilateral ties. There should be no self-imposed restrictions or unrealistic expectations." This is what President Xi expects from China-Germany relations and is also worthy of reference for other European countries. To cope with the current changes and chaos and promote world peace and development, China on one side and Germany and Europe on the other need to better seek common ground while reserving their differences and working together.

That opinion of policy is followed by Global Times reporting on the actual achievements of the Xi-Scholz meeting:

China, Germany pledge to endorse economic globalization, eye closer trade ties during Scholz's optimism-fueling visit

By GT staff reporters Published: Nov 04, 2022 11:48 PM

Chinese and German leaders on Friday pledged to endorse economic globalization and forge closer partnerships in a wide range of areas, as German Chancellor Olaf Scholz's official visit to China came across as a pivotal confluence of the resurgence of pragmatism in Europe and the unfolding Chinese path to modernization.

Scholz's Friday visit, the first by a European leader following the 20th National Congress of the Communist Party of China (CPC), shone the spotlight on tangible business opportunities in new energy and digitalization, among other spheres, between the two major global powers.

Scholz's optimism-fueling visit demonstrates a massive vote of confidence among pragmatism-oriented European leaders and business executives who look to China for future growth, experts said, reckoning that more European leaders will follow Scholz's suit in fostering an expansion in trade with China rather than trumpeting decoupling with one of their most important trading partners.

On Friday morning, President Xi Jinping met with Scholz on his first visit to China as the Federal

Chancellor. Xi briefed Scholz on the 20th CPC National Congress, with a particular focus on the essence of Chinese modernization.

China will stay committed to advancing high-standard opening-up, keep to the right direction in economic globalization, promote an open world economy, and expand converging interests with other countries, Xi said.

While exploring more cooperation potential in traditional areas, efforts should be made to energize cooperation in emerging fields such as new energy, artificial intelligence (AI) and digitalization, he continued.

In Scholz's words, Germany firmly supports trade liberalization and economic globalization, and opposes decoupling. Germany stands ready for closer trade and economic cooperation with China, and supports more mutual investment between Chinese and German businesses, he stated.

Later on Friday, Premier Li Keqiang met with Scholz and described economic and trade cooperation as a ballast for the development of bilateral relations.

China is willing to strengthen cooperation with Germany in trade and investment, manufacturing, vaccines and other major fields, push for the creation of a collaborative mechanism for handling climate change and increase direct flights between the two countries to facilitate people-to-people exchanges, Li said, according to Chinese state broadcaster CCTV.

The eagerly observed visit offers clues to what could be a turning point in economic globalization as Germany, a longtime leader in manufacturing, and China, a major manufacturing powerhouse in output terms, join hands to anchor one of the most consequential economic and trade relationships globally toward more pragmatic partnerships, observers said.

Germany is known for spearheading the fourth industrial revolution that envisions integrating emerging technologies into industrial production and operations. Its prowess dovetails with China's vision of building itself into a manufacturing power in sophistication terms, and therefore the two countries have a lot in common when it comes to deepening bilateral economic ties, Bai Ming, deputy director of the international market research institute at the Chinese Academy of International Trade and Economic Cooperation, told the Global Times on Friday.

China's road map toward modernization with a focus on fostering the real economy is seen as shedding a light on the tremendous opportunities out there in the manufacturing sector, notably remodeling traditional manufacturing with emerging technologies such as the internet of things, AI and big data. This suggests a multitude of opportunities for German businesses, Bai said.

Germany's eagerness to capitalize on China's promising market was typified by a delegation of industrial and commercial business leaders who also visited China.

Christian Sewing, CEO of Deutsche Bank, was among the delegation led by the German Chancellor on the Friday visit, the German bank said in a statement sent to the Global Times on Friday.

Deutsche Bank plans to issue Panda bonds in the Chinese interbank market and has filed for the issuance with the People's Bank of China (PBC), the country's central bank. The PBC welcomed the move and will officially accept the application soon, per the statement. Panda bonds refer to yuan-denominated debt sold by foreign issuers on the Chinese mainland.

The plan fully indicates Deutsche Bank's confidence in the prospects of China's capital market and the yuan, as well as its vow of staying committed to China, Zhu Tong, general manager of Deutsche Bank China, was quoted as saying in the statement.

Chief executives of BASF SE, Bayer AG, BMW AG, pharmaceuticals group Merck KGaA and Wacker Chemie AG were also among members of the delegation, according to German media reports.

Scholz's China visit could also prompt some of his European peers to shift toward a more pragmatic approach in engaging with China, Bai remarked.

Interestingly, China Aviation Supplies Holding, the state aircraft buying agency, reportedly revealed Friday the signing of orders for 140 Airbus planes that amount to about \$17 billion, during Scholz's visit to China.

The latest deal came after three major Chinese airlines pledged in July to purchase 292 Airbus jets.

My Analysis

Well, all in all, my reading of the above reports from the two capitals, Beijing and Berlin, and from the international community from out of Hong Kong is that the Scholz visit, short though it was, seems a reasonable success. I think it has achieved the following:

- 1) President Xi has opened up a gap between America and its most important European ally, Germany. This gap will widen over the winter, due to the impending collapse of the EU economy and the Germans look to China to rescue them out of a cold dark hole created by the sanctions.

This step taken by Scholz to lead the country out of unnecessary friction with China is the direct result of patience in Germany running out from being the European victim of the US neo-con leadership. First, while there is genuine concern over the Russian action in Ukraine, the Germans know very well, because they were with France, the two European powers who sponsored the Minsk Accords I and II, that Russia was provoked. They are fully cognizant that it was the Ukrainians who were directed by the Americans and British to ditch the Accords to stage what was intended to be a proxy war of attrition to weaken Russia, a peer competitor of the US. If not for the fact that they needed to show European unity, the Germans could have used diplomatic means to resolve the current Ukrainian crisis – in short, the Germans' preferred path would have been the peaceful enforcement of the Minsk Accords. Since Feb 2022, the Germans have invariably been reluctant to supply arms to Ukraine, and have never been forthcoming in responding to Zelensky's outrageous demands.

Secondly, in the sanctions war against Russia, they took the biggest hit economically. They could see that the American ideologues were totally focused on killing off the Russian economy, regardless of the collateral damage caused to allies. While it was easy for the Americans (with its own abundant energy supply) to pile on the economic pressure of Russia, the country which bore the brunt of the blowback damage is Germany. Germany has been bled dry. The Brussel administration, a puppet of the US State Department, and Schulz's coalition partners in the Greens are compliant

with American policy and only acted in line with whatever Washington wants. Scholz could see that the German economy was being sacrificed in the process. He could even have bought into the story that the Americans wanted to deliberately hollow out Germany as a manufacturing powerhouse to the benefit of American industry. Beleaguered German industry without energy to run their businesses moving to America to survive is often said to be a surreptitious American objective. In short, the Germans were beginning to see that they were becoming cannon fodder in the economic war against Russia just as the Ukrainians were used as fodder in the parallel military conflict.

The sabotage of the Nordstream pipelines was the last straw. All the European countries know that the Americans and the Brits were behind it, as any intelligent person with just half a brain would suspect. It blocked off any opportunity for the EU to resume the usage of Russian gas, even if the war in Ukraine comes to an end, and the Europeans dropped their participation in the sanctions. That sabotage was just too much.

I think German industry must have been totally pissed with all the above developments. Germany has been made to abandon a peaceful approach to solving what was essentially a civil war in Ukraine to become front line casualties in a brutal economic war forced upon them. Enough is enough. Germans are never vocal in complaining but they obviously told Scholz he'd better do something about the whole situation to salvage what's left of German industry instead of plunging it back to the stone age.

Given the motivation to break free of American foreign policy, what do you think Scholz would do?

He cannot unilaterally make peace with Russia and lift all the western sanctions on his own to save Germany. He needs to go in a direction which is not confrontational to his European partners and the Americans, and keep up the appearance of limiting Russian aggression.

Clearly, it's better to resume commercial ties with China, which were extremely healthy prior to the Ukrainian war, disrupted only by Washington's insistence on solidarity among the collective west to face off China. I mean, since Germany is not a global hegemon, why should it support the Americans in this effort, which the Germans know will not work in the first place? Or that China being Number One is already water under the bridge. So, not participating in a face-off with China is completely reasonable.

Scholz finally gathered up the courage to stand on his own, rescue his country from being unnecessary collateral damage in somebody else's war. He chose to go to China, three days before the US midterms, to tell the Biden White House, hey, it's not our problem you are falling behind.

So here we are...

- 2) France, the other pillar of the EU, will soon follow Germany's lead. Macron had wanted to go to Beijing with Scholz, obviously hoping to share the glory of this diplomatic breakthrough but the German leader wisely said, Nein. Scholz would have lost some of the shine to the charming Frenchman, who is good at talking to the press but has actually achieved nothing to keep Europe safe from economic disaster.

Given Macron's demonstrated track record to hog the limelight, does anyone think that given the global attention on the German visit last week, and China's friendly response, he would not get on a plane to do a trip of his own soon enough? The whole world knows he wanted to go with Scholz, but since he was snubbed by the German, he needs to show his own brand of leadership in Europe.

- 3) I have no doubt that all the EU countries will eventually do their own deals with China. The policy in China towards EU, as reported in the statements made by Xi above, are clear for all to see. If China wants to be friendly to Europe, it is unthinkable for European countries to choose the American path, which will lead to their being self-ostracised from the world's largest economy/market and going into poverty because of it.
- 4) The Brits are in a dilemma of their own choosing. The Americans have just cornered them into reaffirming their special relationship, now also cast as a partnership to take on China. Why they want to do this escapes me, since they are not the global hegemon trying to remain so. But since the Tories have demonstrated nothing but stupidity since 2016 and bad policies have come to mark the Tory government over their economy, I guess we will just have to wait for the country to sink further into morass, suffer a peasant revolt and then get thrown out so that somebody more sensible takes their place.
- 5) The clown show in Brussels, led by the likes of Ursula von der Leyen, will be increasingly isolated as German, France and Italy - the big three western EU members - move to defend their economies from irrational policies these administrators who don't have to face elections try to enforce across the EU. The silly threats ("we have

tools”) made by von der Leyen against countries who wish to pursue a different path from the Brussels dictatorship will be remembered by the Italians and the Hungarians who opted out of a united front against Russia. Brussels will increasingly be seen to be just talking meaningless shit – no action, talk only.

- 6) If the Germans can display the balls to stand up to America, all of Europe outside of Brussels will soon be pressing for a diplomatic solution to the Ukrainian war. After eight months of brutal war, uninformed people who have had wool pulled over their eyes by propaganda in English language mainstream media, still believe that Russia is losing the war. Every Russian missile or drone that falls on Ukraine anywhere and everywhere, destroying the country’s critical infrastructure, is a refutation of the notion that Russia has run out of missiles, widely circulated since March. Every day that there is no Kherson counteroffensive or action in any other key part of the occupied territories that have been pushed back the Russians is another sign that the war is being waged on Russia’s terms. There are even western military analysts who keep saying that the Ukrainians will make some important breakthrough before the US midterms to bolster the electioneering fate of their biggest supporter. Alright, two days to go... Frankly, the time frame for military success is essentially over, as winter is the Russians’ playground.
- 7) The Scholz visit to Beijing is a major development for Biden and his neo-cons to understand that the containment of China is not working. Their self-centred policies to call together all the friendly nations to do their bidding and create a united front to take on both Russia and China have ended up benefitting ONLY America at the expense of everybody else. They have an alliance in which everybody else is taking on collateral damage. As a result, critical allies like India, Saudi Arabia, South Africa and Brazil have very publicly ignored calls from the US to stand together. Now Germany has also chosen their own path, in spite of pleas from Anthony Blinken for Scholz not to visit China.
- 8) It is further demonstration that US hegemony is practically over.

The good sense displayed by the German business community to end the nonsensical containment of China, as desired by the Americans, even attracted supportive comments from a usually virulent American press. This is a CNN report on Scholz’s visit:

Germany’s leader and top CEOs have arrived in Beijing. They need China more than ever

Analysis by Michelle Toh and Anna Cooban, CNN Business

Fri November 4, 2022

Hong Kong/LondonCNN Business —

German Chancellor Olaf Scholz arrived in China on Friday with a team of top executives, sending a clear message: business with the world's second-largest economy must continue.

Scholz met with Chinese leader Xi Jinping at Beijing's Great Hall of the People after landing in the capital Friday morning and was received by Premier Li Keqiang in the afternoon.

Joining Scholz for the whirlwind one-day visit is a delegation of 12 German industry titans, including the CEOs of Volkswagen, Deutsche Bank, Siemens and chemicals giant BASF, according to a person familiar with the matter. They were expected to meet with Chinese companies behind closed doors.

The group entered China without undergoing a mandatory seven-day hotel quarantine standard for most arrivals. Images showed hazmat-clad medical workers greeting Scholz's jet at Beijing's Capital International Airport to test the official delegation for Covid-19 upon their arrival.

During the Friday morning meeting between the two leaders, Xi called for Germany and China to work together amid a "complex and volatile" international situation, and said the visit would "enhance mutual understanding and trust, deepen pragmatic cooperation in various fields and plan for the next phase of Sino-German relations," according to a readout from state broadcaster CCTV.

Speaking at a press conference with Premier Li, Scholz said that Germany's economic relationship with China had recently become "more difficult" because Beijing was making access to some of its markets more difficult.

"We are seeing discussions in China tending more towards autonomy and less economic ties. And these views are ones that need discussing," Scholz said.

Scholz's visit — the first by a G7 leader to China in roughly three years — comes as Germany slides towards recession. But it has fired up concerns that the interests of Europe's biggest economy are still too closely tied to those of Beijing.

Since Moscow's invasion of Ukraine this year, Germany has been forced to ditch its long dependence on Russian energy. Beijing has declared its friendship with Moscow has "no limits," while China's relations with the United States are deteriorating.

Now, some in Scholz's coalition government are growing nervous about Germany's ties with China.

The tension was highlighted recently by a fierce debate over a bid by Chinese state shipping giant Cosco to buy a 35% stake in the operator of one of the four terminals at the port of Hamburg. Under pressure from some members of the government, the size of the investment was limited to 24.9%.

The potential deal has raised concerns in Germany that closer ties with China will leave critical infrastructure exposed to political pressure from Beijing, and disproportionately benefit Chinese companies.

But Germany is hardly in a position to rock the boat with Beijing as it grapples with the challenge of reviving its struggling economy. Its consumers and companies have borne the brunt of Europe's energy crisis, and a deep recession is looming.

If the European Union and Germany were to decouple from China, it would lead to “large GDP losses” for the German economy, Lisandra Flach, director of the ifo Center for International Economics, told CNN Business.

The Kiel Institute for the World Economy estimates that a major reduction in trade between the European Union and China would shave 1% off of Germany’s GDP.

Germany needs to shore up its export markets as ties with Russia, once its main supplier of natural gas, continue to unravel.

When it comes to China, Germany won’t want to “lose also this market, this economic partner,” said Rafal Ulatowski, an assistant professor of political science and international studies at the University of Warsaw.

“They [will] try to keep these relations as long as it’s possible.”

Pressure on Berlin

As Western countries have imposed swingeing economic sanctions on Russia, China has publicly maintained its “neutrality” in the war while ramping up its trade with Moscow.

That has triggered a backlash in Europe, where some companies are already becoming wary of doing business in China because of its stringent “zero Covid” restrictions.

Pressure on Berlin is also mounting over China’s human rights record. In an open letter Wednesday, a coalition of 70 civil rights groups urged Scholz to “rethink” his trip to Beijing.

“The invitation of a German trade delegation to join your visit will be viewed as an indication that Germany is ready to deepen trade and economic links, at the cost of human rights and international law,” they wrote in the memo, published by the World Uyghur Congress. Based in Germany, the organization is run by Uyghurs raising awareness of allegations of genocide in China’s Xinjiang region.

It suggested Berlin was “loosening economic dependence on one authoritarian power, only to deepen economic dependence on another.”

In an op-ed published in a German newspaper on Wednesday, Scholz said he would use his visit to “address difficult issues,” including “respect for civil and political liberties and the rights of ethnic minorities in Xinjiang province.”

A spokesperson for the German government addressed wider criticism last week, saying at a press conference that it had no intention of “decoupling” from its most important trading partner.

“[The chancellor] has basically said again and again that he is not a friend of decoupling, or turning away, from China. But he also says: diversify and minimize risk,” the spokesperson said.

Last year, China was Germany’s biggest trading partner for the sixth year in a row, with the value of trade up over 15% from 2020, according to official statistics Chinese trade with Germany was worth a combined €245 billion (\$242 billion) in 2021.

A new flashpoint

Still, the furor surrounding the Hamburg port deal is a reminder of the tradeoffs Germany has to confront if it wants to maintain close ties with such a vital export market and supplier.

A spokesperson for Hamburger Hafen und Logistik (HHLA), the company operating the port terminal, told CNN Business on Thursday that it was still negotiating the deal with Cosco.

Flach, of the ifo Center for International Economics, said the deal warranted scrutiny because “there is no reciprocity: Germany cannot invest in Chinese ports, for instance.”

However, it is easy to overstate the impact of the potential agreement, said Alexander-Nikolai Sandkamp, assistant professor of economics at the Kiel Institute for the World Economy.

“We’re not talking about a 25% stake in the Hamburg harbor, or even the operator of the harbor, but a 25% stake in the operator of a terminal,” he told CNN Business.

Jürgen Matthes, head of global and regional markets at the German Economic Institute, told CNN Business that critics were no longer simply weighing the business benefits of Chinese investment in the country.

“Politics and economics have to be looked at together and cannot be taken separately any longer,” he said. “When geopolitics comes into play, the view of China has very much declined and become much more negative.”

China’s recent treatment of Lithuania has also deepened concerns that Beijing “does not hesitate to simply break trade rules,” Matthes added. The small, Eastern European nation claimed last year that Beijing had erected trade barriers in retaliation for its support for Taiwan.

China has defended its downgrading of relations with Lithuania, saying it is acting in response to the European nation undermining its “sovereignty and territorial integrity.” This year, after a Lithuanian official visited Taiwan, Beijing also announced sanctions against her and vowed to “suspend all forms of exchange” with her ministry.

What’s on the table

As the German delegation touched down on Friday, they were faced with another issue, which has become the single biggest headache for companies across China.

“The biggest challenge for German businesses remains China’s zero-Covid policy,” said Maximilian Butek of the German Chamber of Commerce in China.

“The restrictions are suffocating economic growth and heavily impact China’s attractiveness as a destination for foreign direct investment,” he told CNN Business.

He said the broader restrictions were so stifling that some companies had moved their regional headquarters to other locations, such as Singapore. “Managing the whole region without being able to travel freely is almost impossible,” he added.

In a brief statement, Volkswagen told CNN Business that its CEO was attending the trip since “there have been no direct meetings for almost three years” due to the coronavirus pandemic.

“In view of the completely changed geopolitical and global economic situation, the trip to Beijing offers the opportunity for a personal exchange of views,” the automaker said.

End of a golden era?

Despite Beijing’s Covid curbs and geopolitical tensions, Germany has every economic incentive to stay close to China.

Its dependency on China can be seen across industries. While about 12% of total imports came from China last year, the country was responsible for 80% of imported laptops and 70% of mobile phones, Sandkamp said.

The automobile, chemical and electrical industries are also reliant on Chinese trade.

“If we were to stop trading with China, we would run into trouble,” Sandkamp added.

China made up 40% of Volkswagen’s worldwide deliveries in the first three quarters of this year, and it’s also the top market for other automakers such as Mercedes.

Wariness among some German officials over the country’s closeness with China could filter into a more restrictive trade policy, though economic cooperation is still in both parties’ interests.

In September, Germany’s economy minister Robert Habeck told Reuters that the government was working on a new trade policy with China to reduce dependence on Chinese raw materials, batteries and semiconductors.

Unidentified sources also told the news agency that the ministry was weighing new rules that would make business with China less attractive. The ministry did not respond to a request for comment from CNN Business.

But “despite all odds and challenges, China remains unrivaled in terms of market size and market growth opportunities for many German companies,” said Butek, of the German Chamber.

He predicted that “the large majority will stay committed to the Chinese market and is expecting to expand their business.”

*Companies appear to be toeing that line. Last week, **BASF CEO Martin Brudermüller was quoted in Chinese state media as saying that Germans should “step away from China-bashing and look at ourselves a bit self-critically.”***

“We benefit from China’s policies of widening market access,” he said at a company event, according to state-run news agency Xinhua, pointing to the construction of a BASF chemical engineering site in southern China.

— CNN’s Simone McCarthy, Chris Stern, Lauren Kent, Nadine Schmidt, Claudia Otto and Arnaud Siad contributed to this report.

To repeat the Clinton era refrain on the essence of politics, “it’s the economy, stupid”. This is true in domestic arenas, as well as in international politics. The Germans are clear-eyed about it in sending their Chancellor to China. The French and the Italians, seeing the success of the mission will invariably resume commercial ties with China. And with Hungary, Austria, Bulgaria and many states in central Europe having the good sense not be entangled with thousands of sanctions against Russia which have not worked, everybody in Europe who have to react to domestic elections will begin to tone down the rhetoric and begin international trade again.

Only the morons in Brussels, London and Washington DC will continue to think that US hegemonism can be sustained or that inflation can be dampened by shutting off China.

Well, they will learn...after being thrown out of power. As the Democrats will learn on Tuesday.

By:

Yeong, Wai-Cheong, CFA

Fintech Entrepreneur, Money Manager and Blogger

Un-Influencer in a World full of Hubris