

# Federal Government Strategy on China

# **Federal Government Strategy on China – Outline**

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# 1. Introduction

## 1.1. German-Chinese relations

With its **policy of reform and opening-up** and increased international cooperation, China has followed a path that has led to strong economic growth, impressive poverty reduction and considerable prosperity for the country. This was accompanied by a limited opening-up of the country's political sphere and society.

Both China and Europe have benefited considerably from political, economic, scientific and societal **exchange** and from this **opening-up**.

Growing prosperity and achievements in fighting poverty in China contrast with setbacks concerning **civil and political rights**. Unwelcome opinions are censored, critics are persecuted, access to free internet and many international media outlets is blocked, and there is no freedom of reporting. This has also had an impact on the exchange between Germany and China. China impedes contact with its civil society, media, research institutes and governmental agencies.

China's economic strategy aims to make it less **dependent** on other countries, while making international production chains more dependent on China. While some liberalisation steps have been taken, the conditions for access to the Chinese market in other important sectors have been tightened. This is reflected in our bilateral trade.

In terms of **foreign policy**, China is pursuing its own interests far more assertively and is attempting in various ways to reshape the existing rules-based international order. This is having an impact on European and global security.

At the same time, China is an essential partner as regards **global challenges**.

Against this backdrop, China is simultaneously a **partner, competitor and systemic rival** for the Federal Government. Our Strategy on China is firmly rooted in the common policy on China of the EU.

## 1.2. Aims of the Strategy on China

China has changed. As a result of this and China's political decisions, we need to **change our approach to China**. The Federal Government will, together in Europe and with international partners, define new parameters under which Germany's interests will be upheld in its cooperation with China, while living up to our global responsibility.

This strategy for our approach to China and the challenges arising from China comprises **three dimensions**: bilateral relations with China, strengthening Germany and the EU, and international cooperation.

Its **aims** are as follows:

- to present the Federal Government's views on the status of and prospects for relations with China;
- to enable the Federal Government to assert our values and interests more effectively in the complex relationship with China;
- 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;

- to provide the framework within which our Federal Ministries can give coherence to their policies on China;
- to form the basis for enhanced coordination on China with stakeholders in Germany, Europe and beyond.

The Federal Government will include the projects described in this Strategy on China in the relevant ministerial **budgets** within the federal budget by means of prioritisation, should funds not already have been allocated to them. Given the considerable demands on our public finances at present, we will strive to implement this Strategy at no additional cost to the overall federal budget.

### 1.3. Partner, competitor, systemic rival

China exerts a crucial influence on all key issues relating to our world order. The Federal Government is seeking to **cooperate** with China, particularly as an essential actor in solving key global challenges. China is the biggest emitter of CO<sub>2</sub> worldwide. It will not be possible to overcome the climate crisis without China. Its actions are decisive for the preservation of biological diversity and the environment. At the same time, China is the biggest producer of renewable energies. The Federal Government is encouraging China to live up to its global responsibility as China's climate and environmental policy decisions have an impact on the entire world.

China can be a crucial actor in sustainable development, global health and the prevention of pandemics, as well as for the provision of further global public goods. The Federal Government will seize the opportunities afforded by cooperation.

**Economic and trade relations** remain an important element of bilateral cooperation with China. The Federal Government is committed to ensuring that this cooperation becomes fairer, more sustainable and more reciprocal. China is Germany's largest single trading partner, but whereas China's dependencies on Europe are constantly declining, Germany's dependencies on China have taken on greater significance in recent years.

Germany accepts **competition** with China. Germany and Europe also compete with many other partners. Everyone benefits from competition when it is based on fair rules. It is not our intention to impede China's economic progress and development. At the same time, de-risking is urgently needed. However, we are not pursuing a decoupling of our economies.

This **systemic rivalry** is reflected in the fact that Germany and China have different concepts of the principles governing the international order in important areas. The Federal Government is observing with concern how China is endeavouring to influence the international order in line with the interests of its single-party system and thus to relativise the foundations of the rules-based international order, such as the status of human rights.

At its 20<sup>th</sup> national congress, the Communist Party of China underscored its aspiration to play a greater role in global governance.

China's decision to further its relations with **Russia** has direct security implications for Germany. In the **Indo-Pacific**, China is being increasingly assertive in striving for regional hegemony and in this process calling principles of international law into question.

It is deliberately bringing its economic power to bear to achieve its **political goals**. China's relations with many countries in its neighbourhood and beyond have deteriorated significantly as a result of this robust approach.

China combines great **economic, technological, military and political power**. It spends the most on defence after the United States and already has the largest maritime force in the world by number of ships and submarines.

China's conduct and decisions have caused the **elements of rivalry and competition** in our relations to **increase** in recent years. This has prompted the Federal Government to recalibrate its cooperation with China and its approach to the challenges bound up with this, both bilaterally and in the European context. The Federal Government places its trust in the strength of Germany's and Europe's democratic basic order and social market economy.

Systemic rivalry with China does not mean that we cannot **cooperate**. On the contrary, the Federal Government is seeking to cooperate with China on the basis of fair conditions. Cooperation with China is thus a fundamental element of the Federal Government's Strategy on China.

However, the Federal Government never loses sight of the fact that differences with China relate to the Chinese Government's

political actions. With its huge diversity, China has made great achievements, which are admired also in Germany. **Exchange with Chinese society** is enriching for both Germany and China. Our two countries are linked by Chinese people in Germany and Germans in China – be it for short visits, stays of several years, or as migrants who have become integrated over the course of generations. As broad an exchange as possible between our civil societies should form the foundation of our bilateral relations.

#### 1.4. Our values and interests

We can place our trust in the **strength of our liberal democratic order and the social market economy**. Our Basic Law promotes political stability while also offering the necessary flexibility for mastering the new challenges that a changing world poses for us. It is thanks to the social market economy that the Federal Republic became one of the world's strongest economies following its foundation in 1949. Germany's integration into the European Union and the North Atlantic Alliance has given us foreign policy stability. The EU and its single market are guarantees for Europe continuing to be successful politically and economically as well as in holding its own in the competition with other world regions.

**European unity and sovereignty:** EU cohesion, strengthening European unity, and the integrity of the EU internal market are fundamental political principles to which the Federal Government attaches great importance and which it applies in the development of its relations with partners around the world. Germany will therefore align its policy on China with that

of the EU and coordinate it more closely with EU partners. Our aim is to strengthen the resilience of our society, economy and scientific community while preserving the openness of our system. Deepening and strengthening the EU's internal market ensure our ability to compete and innovate – and ultimately our prosperity and sovereignty.

**Protecting the rules-based international order** on the basis of the Charter of the United Nations, universal human rights and international law, as well as protecting the UN system: The rules-based international order is the foundation for balancing interests fairly between large, medium-sized and small countries and the prerequisite for peaceful coexistence. It is inclusive, not targeted against anyone, and facilitates cooperation with every country that respects its fundamental principles. The United Nations (UN) and its specialised agencies are at the heart of this order.

**Compliance with international law:** Compliance with international law standards and agreed commitments forms the basis for peace and makes international relations predictable. All UN members are obliged to resolve conflicts peacefully. Respect for all states' sovereignty and territorial integrity and the prohibition of the threat or use of force are fundamental principles of the international order. In view of dynamic arms races, arms control is more important than ever before.

**Respect for human rights and the rule of law:** Human rights are at the heart of the Federal Government's policies. We respect every country's individual history and culture. At the same time, universal human rights cannot be watered down. They are inalienable and apply worldwide. Germany

is committed to promoting and upholding universal human rights. Economic development and human rights are not a contradiction in terms. The rule of law creates the trust needed for cooperation in politics, business and civil society.

We see **women's rights and the rights of marginalised groups** as a yardstick for the state of a society. Women are entitled to equal representation and participation in politics, business and society. The rights of minorities and marginalised groups must be upheld and promoted.

**Civil-society exchange** is the foundation that makes our relations with China broad and sustainable. Important elements of this are freedom of movement and open scientific and educational systems in order to preserve interest in one another and in an independent dialogue beyond the intergovernmental level.

**Protecting our natural resources** is a priority of all our policies, including foreign policy. We see this as a key area of our cooperation with China, as environmental protection and the swift and sustainable decarbonisation of our societies are in our mutual interest and that of the entire world.

**Fair competition, open markets and sustainability:** Fair competition is a key prerequisite for prosperity, growth and employment. We must preserve, strengthen and, where necessary, reform the multilateral trade system with the World Trade Organization (WTO) at its heart. The Federal Government supports the EU's ambitious trade agenda, which will enable us to tap into new markets and to set economically, ecologically and socially sustainable international standards together with our partners.

Unilateral **dependence** on critical preliminary products, cutting-edge technologies and individual markets can limit trade options and make countries vulnerable to political pressure. The Federal Government will promote the diversification of our economic relations so that we will continue to participate in China's economic development while reducing our dependence in critical sectors.

**Reciprocity:** Our relations with China are characterised by numerous asymmetries. The Federal Government's goal is to achieve concrete improvements in our cooperation and greater openness on the Chinese side. Reciprocal measures at

bilateral and European level are an important tool for reducing asymmetries.

**One-China policy:** The One-China policy remains the basis for our actions. We only have diplomatic relations with the People's Republic of China. Germany has close and good relations with Taiwan in many areas and wants to expand them. As part of the EU's One-China policy, we support issue-specific involvement on the part of democratic Taiwan in international organisations. The status quo of the Taiwan Strait may only be changed by peaceful means and mutual consent. Military escalation would also affect German and European interests.



## 2. Germany's strategy on China as part of the joint EU policy on China

A successful approach to China requires Europe as a whole to bring its influence to bear. The Federal Government is thus aligning its policy on China with that of Europe's. This policy is embedded in the aims and principles of the EU's common **policy on China** and based on constant close coordination with EU partners. We regard this German strategy document as a means of enhancing a coherent European policy on China.

Most aspects of Germany's relations with China have both a bilateral and a European dimension. We are pursuing our interests in accordance with the **EU's objectives**. Closer coordination with EU partners fosters a pan-European approach; it also, for example, facilitates joint action by EU member states in multilateral forums.

Germany's **bilateral talks** with China are also intended to complement and reinforce our EU partners' talks. The Federal Government will continue to make it clear that it cannot be a negotiating partner for China on matters for which the EU is responsible.

German-Chinese meetings and **intergovernmental consultations** are also an opportunity to further the European agenda on the approach to China. The Federal Government will consult EU partners during preparations for intergovernmental consultations. We will inform our EU partners about the outcomes of these consultations.

We will explore where it could be useful to include individual EU partners or EU institutions in bilateral talks with China on a case-by-case basis.

Only an **EU acting in concert**, in which all member states represent European interests can achieve results in the cooperation with China and hold its own in the competition and systemic rivalry with China. It is thus crucial that EU partners coordinate their efforts closely and transparently. The EU's decision-making in the Common Foreign and Security Policy must become more efficient, also by expanding the number of decisions reached by qualified majority voting.

We will actively support the European External Action Service in reaching **consensus among member states** on ambitious declarations on critical issues. Europe must not remain silent on grave violations of human rights or breaches of the rules-based international order. The Federal Government is continuing to speak out on sensitive issues, including with partners outside the EU.

The Federal Government has a special responsibility for asserting **European economic interests** precisely because Germany is closely interconnected with China. We will make greater use of our national dialogue formats to raise EU-wide economic interests.

Unity is also forged by **solidarity** and the balancing of interests. Germany will show solidarity with member states that are being subjected to economic or other forms of pressure. We are displaying this solidarity not only in the EU context, but also in the UN and the WTO.

We have an interest in more intensive **coordination** on the approach to China within the EU and on EU-China cooperation. We are advocating more frequent

discussions in the European Council and the Council formations, with the aim of fostering a common understanding of European interests and improving coherence in our stance on China. This applies in particular to defending the rules-based international order, protecting human rights and upholding European economic interests, as well as to policy fields in which the EU as a whole is to be strengthened as a geopolitical actor.

The Federal Government acknowledges the important role of **parliamentary positions** on China at the European and national level.

For various reasons, ratification by the Council of the European Union of the

**Comprehensive Agreement on Investment between the EU and China** that was negotiated in 2020 is not possible at the present time.

In accordance with the conclusions adopted by the European Council in October 2020, the Federal Government supports the establishment of a new **additional summit format with China** at the level of Heads of State and Government and leaders of EU institutions.

It is important that **EU candidate countries** also shape their approach to China in a way that does not run contrary to pan-European interests and EU law; we will support them in this regard.

### 3. Bilateral relations with China

The Federal Republic of Germany and the People's Republic of China established diplomatic relations in 1972. With China's policy of **reform and opening-up** from 1979, our relations rapidly became more important for both sides.

Over the past decades, Germany and China have built up a broad and **close network of ties** in the fields of politics, business, science and society. Over 5000 German companies are doing business in China. Hundreds of thousands of school pupils, students, researchers and culture professionals have helped to foster mutual understanding. Numerous Länder, towns, cities and municipalities have built up partnerships in China.

Exchange with China has declined in many areas in recent years, however. The Chinese Government is impeding access to civil society, the media, research institutions and governmental agencies to an ever greater extent. This has led to growing **asymmetry** in our relations.

The **expansion of the role played by the Communist Party of China** and the focus on security and stability have been accompanied by backsliding on civil and political rights, including freedom of the press and opinion. Ethnic and religious minorities' cultural expression and identity are also under pressure; examples of this include **human rights violations** in the Autonomous Regions of Xinjiang and Tibet reported by the United Nations, among other bodies. Contrary to its pledges and commitments under international law, China has eroded Hong Kong's autonomy, curtailed civil liberties in the region and reduced its people's scope for action in the political sphere.

We cannot close our eyes to the **changes in China's policies**; they affect the quality of our

relations. If the Federal Government nevertheless aims to engage in close and wide-ranging cooperation with China, we do so in recognition of the fact that none of the major global problems can be solved without China. At the same time, our cooperation with China is based on the understanding that the Federal Government can discuss differences openly, seek common ground, and work towards overcoming imbalances in our relations.

This is in our **mutual interest**. Open scientific and academic exchange, vibrant contacts between civil societies and thriving cultural connections are beneficial to both Germany and China. Both sides profit from economic relations that are based on fair competition and a liberal stance on market access and investment conditions.

The Federal Government firmly believes that our cooperation with China can have a **positive impact** that goes beyond our two countries. As two major economies, Germany and China have a responsibility to play a significant role worldwide in protecting the climate, environment and biodiversity, fostering global food security and implementing the 2030 Agenda for Sustainable Development.

#### 3.1. Intergovernmental cooperation

We have held regular **intergovernmental consultations** with China since 2011. These consultations are a mechanism and an important steering instrument for cooperation that are also used to address differences constructively. Bilateral dialogues on specific topics lay the groundwork for the intergovernmental consultations and should be held regularly before the next consultations are scheduled.

A further aim of the intergovernmental consultations is to boost **reciprocity** in all areas of our bilateral relations and to reduce asymmetries. Our goal is to achieve concrete improvements in our cooperation and greater openness on the Chinese side.

We want to continue **dialogue formats** on important issues – the Foreign Ministers’ Strategic Dialogue, the High-level Finance Dialogue, the High-level Security Dialogue, the Human Rights Dialogue, the Rule of Law Dialogue and the Dialogue on the Future of Work. The Climate and Transformation Dialogue was added to this list in 2023.

The **Human Rights Dialogue** has only been held at very irregular intervals in recent years and has fallen short of expectations. Moreover, China’s understanding of the rule of law, which diverges from our standards, is leading to challenges in our bilateral legal relations. The Federal Government is striving to reposition the Human Rights Dialogue together with the **Rule of Law Dialogue**. Human rights issues and the rule of law are a cross-cutting issue that we raise in all of the dialogue formats. We want to strengthen the rights, resources and representation of women and marginalised groups around the world. We are seeking to make the protection, promotion and participation of women an integral cross-cutting issue in our relations with China. The rights, resources and representation of children and marginalised groups are also part of this policy for us.

As a Permanent Member of the United Nations Security Council, China has a particular responsibility for peace and security around the world. We are seeking a constructive dialogue with China in our endeavours to overcome foreign and security-policy challenges. We aim to focus the Foreign Ministers’ **Strategic Dialogue** on issues of particular bilateral and international importance. This includes mutual compliance with the *Vienna Convention on Diplomatic*

*Relations* and the *Vienna Convention on Consular Relations* (VCDR and VCCR). We will coordinate our efforts closely with our European and international partners in this regard.

**Specialised dialogues** on regional issues (Asia-Pacific, Afghanistan, Iran, Near and Middle East, Africa) and cross-cutting issues (international law, United Nations, arms control, cyber) are intended to complement our coordination with China and explore ways to work together. German and Chinese diplomatic missions should liaise more intensively in the respective foreign countries in the future.

The Federal Government is using bilateral dialogues to call on China to comply with its **commitments under international law** under the *Convention on the Law of the Sea* (UNCLOS) and the binding UNCLOS award of 2016 on the South China Sea. Germany and the EU also have interests in the South China Sea, as challenges in the fields of upholding international law, preserving security, and meeting the needs of foreign trade, climate change mitigation and biodiversity conservation overlap there. The Federal Government will advocate for the rights and freedoms of all states under UNCLOS on a regular basis and reinforce them through maritime patrol missions.

Furthermore, the Federal Government is using bilateral dialogues to persuade China to **readmit Chinese nationals who are legally obliged to leave Germany**. Under customary international law, it is compulsory for all states to readmit their nationals.

We will continue the bilateral **exchange between our Ministries of Defence** and the armed forces in order to promote mutual understanding and transparency and to prevent misunderstandings and miscalculations.

The Federal Government is open to continuing current consultation formats and to creating new ones if they help to achieve agreed targets.

In addition to bilateral cooperation, the Federal Government attaches particular importance to **multilateral cooperation** with China. To this end, we need to seek dialogue, to lobby for understanding for our positions and, where possible, to jointly support initiatives. China's great engagement as a contributor of troops for UN missions and its worldwide networks can be a useful basis for our cooperation. In this context, we support the greater inclusion of feminist approaches on the basis of *UN Security Council Resolution 1325 "Women, Peace and Security"*.

### 3.2. Parliamentary and civil-society contacts

Parliamentary and **civil-society contacts**, as well as cultural and educational exchange, are core components of our bilateral relations with all countries and important for the breadth, depth and stability of these relations. Exchange and dialogue between parliaments is an important supplement to governmental relations with China.

The Federal Government supports **parliamentary contacts** with China and is keen to promote their expansion. We are striving to ensure that all interested Members of the German Bundestag and Members of the European Parliament can travel to China and that visa bans on individual members of parliament are lifted.

The Federal Government is committed to improving the working conditions of **political foundations**. Their cooperation with Taiwan is in accordance with our One-China policy.

**Town and regional twinning** is an important pillar of our relations and makes a concrete

contribution to our bilateral cooperation. Furthermore, it improves mutual understanding and promotes exchange between civil societies in Germany and China. The Federal Government welcomes these partnerships and will coordinate their efforts closely with the Länder on this topic.

The **German-Chinese Dialogue Forum** is a platform for civil-society exchange. This forum addresses topics that reflect the priorities of our cooperation and we wish to continue it.

We are working to promote intensive **cultural cooperation** that respects cultural freedoms. The working conditions in German institutions engaged in cultural exchange in China, particularly the Goethe-Institut and its language schools, are significantly worse than those at the China Cultural Center in Germany, whose work is not subject to any control whatsoever by the German state. The work of German research, funding and intermediary organisations in China is increasingly being impeded by censorship and administrative measures. The agreement of 2005 between the Federal Republic of Germany and the People's Republic of China regarding cultural cooperation is our point of reference for addressing this increasing imbalance.

There is also a considerable imbalance between the working conditions of the Chinese **media** in Germany and those of the German media in China. The Federal Government will continue to support the secondment of German correspondents. We are striving to ensure that Deutsche Welle can report once again in China, as Chinese media can in Germany. We want to continue the Media Dialogue with the aim of improving the working conditions for German media in China.

People-to-people exchange in both directions is in the Federal Government's interest. This applies in particular to visits and stays in the other country. To this end, we are creating modern **visa procedures**, with the aim of

speeding up and simplifying the process for applicants. We are also using the dialogue with China to achieve corresponding visa simplifications on the Chinese side.

In order to strengthen bilateral relations and expand expertise on China, the Federal Government supports collaboration between universities and research institutes, as well as **mobility** for students, academics, vocational training, youth and expert exchange, and exchange on youth welfare. Our aim is to also set up exchange opportunities for apprentices.

The Federal Government welcomes the work of the German **expatriate congregations** of the two major Christian confessions in China and pays tribute to their contribution to promoting the dialogue with Chinese Christians.

### 3.3. Respect for human rights

The *Universal Declaration of Human Rights* states clearly that rights and freedoms apply equally to all people. In our relations with China, we will continue to call for **human rights to be upheld**, including in concrete individual cases. This applies in particular to serious human rights violations, including against the Uighurs in Xinjiang, which have been reported also by the United Nations, the situation in Tibet and Hong Kong and the situation of ethnic and religious communities, as well as the significantly worsened situation facing human rights defenders. We will support freedom of opinion and the press online and offline, scope for civil-society work, and respect for the rights of social minorities.

In 2020, the EU introduced the option of imposing global **sanctions for human rights violations**. We support the use of such sanctions in cases of serious human rights violations, including in China.

Respect for human rights is not only a fundamental obligation under international law but also has an economic aspect. No competitive advantages may be allowed to arise from human rights violations. China has ratified both of the International Labour Organization's fundamental standards prohibiting **forced labour**; the comprehensive practical application of these standards is of particular importance to the Federal Government, which is committed to preventing products made by forced labour from being sold on the European internal market. In order to ensure a level playing field throughout Europe, we are supporting the *EU Directive on Corporate Sustainability Due Diligence* as well as the work on an EU Regulation banning products made by forced labour.

Under Germany's **Supply Chain Due Diligence Act**, we oblige companies to assess their corporate relations worldwide in terms of human rights risks, to undertake prevention and remedial measures, and – but only in the most extreme cases – to terminate business relationships. The Federal Government is seeking dialogue with the Chinese Government and with companies with the aim of fostering a better understanding of the purpose of this Act.

The Federal Government is applying its **export control** procedures to ensure that German products are not misused for human rights violations and internal repression in China.

It is estimated that more than one million jobs in China depend on the over 5000 German companies doing business in the country, while Chinese firms are becoming increasingly important employers in Germany. That is why we are discussing **social and employment policy** with China. In these talks, we advocate fairness in the future of work and the promotion of workers' rights. The trade unions and employers' associations are important stakeholders as regards creating

decent work. That is why we are in regular contact with employers' and workers' representatives on our approach to China in the field of social and employment policy.

The Federal Government is seeking a dialogue with the Chinese **diaspora** in Germany, with people affected by repression and their advocacy groups, and with other human rights organisations. Where possible, we are offering human rights defenders safe spaces and striving to ensure that their voices are heard.

### 3.4. Bilateral economic relations

**Economic relations** are an important dimension of our bilateral exchange. China will remain a major market for German business. Germany is also an important market for Chinese companies.

The Chinese economic policy of the 1990's and early 2000's was defined by the market-friendly **policy of "reform and opening-up"**. The assertion of political interests has since gained in importance. Strengthening of the control exerted by the CCP is in the foreground in this regard. This became clear especially during the COVID-19 pandemic.

The Federal Government is not seeking to engage in any decoupling with China. We want to preserve our close economic **ties** with the country. However, we want to become less **dependent** in critical sectors in order to reduce the **risks** they entail. The pandemic revealed our dependencies, e.g. in the field of medical technology and medicinal products. There are also critical dependencies in other important sectors, such as rare earths and preliminary products that we need for the energy transition, and China has exploited other countries' dependencies in the past. The situation in the Taiwan Strait shows how vulnerable supply chains are, particularly as regards semiconductors. **De-risking** and

diversification measures are explained in Chapters 4 and 5.

German companies continue to face disadvantages in China, including as a result of restricted market access and investment opportunities, exclusion from public procurement, and unequal competition e.g. through public subsidies, regulatory discrimination, forced knowledge and technology transfer and insufficient protection for intellectual property rights, including product piracy. Some of these practices do not comply with WTO legislation. This is a particular challenge for small and medium-sized enterprises from Germany. The Federal Government will continue to call on the Chinese side to make comprehensive structural improvements to the market environment. The Federal Government is providing **political support** to German companies to help them deal with these forms of discrimination.

We will continue the **Chinese-German Economic Advisory Committee**.

European companies have very limited access to **public procurement** in China, while Europe's procurement market is open to Chinese firms. We are thus calling on China to accede to the *WTO Agreement on Government Procurement* on the basis of an ambitious offer from the Chinese side. The *EU's Instrument for International Procurement*, which entered into force in summer 2022, aims to improve EU firms' access to public contracts in third countries such as China.

**China's data legislation** provides the country's security authorities with disproportionate means of control and is leading to imbalances in competition opportunities. Free and trustworthy transnational flows of data and the fair regulation of cyberspace are needed for the further development of our economic

relations. We are also working at the bilateral level to achieve this.

The European internal market offers Chinese firms in the **transport sector** far greater opportunities than those granted to European suppliers in China. The Federal Government is seeking to deepen exchange on transport issues in order to ensure that air and maritime routes are open and fair. Germany and China have a common interest in creating the parameters for economically, ecologically and socially sustainable, resilient and robust global logistics chains. In doing so, the Federal Government will focus to a greater extent on the principle of reciprocity.

Compared with other business sectors, exchange in the **financial and services sector** could be expanded. The Federal Government supports reciprocity and improved market-access and competition conditions for European banks, insurance companies and other market participants.

German **law firms'** market access is highly curtailed in China, even for their work with German companies. The Federal Government is committed to greater reciprocity.

We support the German **creative industries'** engagement in China with full respect for freedom of the arts.

In our **agricultural trade relations**, the Federal Government continues to actively support the removal of unjustified trade barriers and to advocate for rules-based international trade in accordance with international standards. In the case of trade restrictions resulting from animal epidemics, we will continue our endeavours to ensure that the *regionalisation principle* is recognised. We are calling on China to take a more active approach to combat illegal, unregulated and unregistered fishing.

### 3.5. Climate, environmental and biodiversity protection

Global warming must be limited to below 1.5°C in order to avoid the worst impacts of the climate crisis. In Paris, the international community set itself the goal of undertaking the utmost efforts to achieve this goal. China is the **biggest emitter of CO<sub>2</sub>** and is continuing to expand its coal-fired power generation capacities. At the same time, it is investing more in renewable energies than any other country and is technologically far advanced. China has a particular responsibility for preserving the global climate.

Climate action will therefore be a focus of our bilateral cooperation. The Federal Government wants to use the new high-level ***Climate and Transformation Dialogue*** to cooperate in a tangible and results-oriented manner to accelerate the green transformation. We want in this regard to concentrate on improving the conditions and policy instruments required to this end. Our common objective is to make industrial processes more environmentally friendly, to accelerate the energy transition, to facilitate the transition to environmentally friendly mobility and to strengthen the circular economy. Overall, the aim is to considerably reduce CO<sub>2</sub> emissions.

Numerous permits for new coal-fired power plants are continuing to be issued in China. Despite announcing that it does not intend to finance any new coal-fired power plants overseas, China remains the world's biggest financier of coal also abroad. The Federal Government therefore intends to conduct an intensive dialogue with China on **phasing out coal**. Moreover, we are seeking an exchange with China on how climate protection measures can be designed in a socially just way.

Climate and environmental protection require cooperation in science and research as well as



the deployment of green technologies around the world. According to the *International Renewable Energy Agency (IRENA)*, China had installed almost half of the world's generation capacity in the area of **renewable energies** in 2022. China is playing a leading role in many green technologies. At the same time, the country requires green technologies, including those made by German companies, to achieve its own climate targets; we are committed to further market liberalisation and to a level playing field in China, also with a view to improving the conditions for supplying advanced climate technologies produced by German companies to China.

**Green technologies** (products, processes and services) are generating considerable economic prosperity already today. Taking the lead on these technologies is not only important from an economic point of view, but also has an impact on our scope for political decision-making. China is a strong competitor for Europe in green technologies and is seeking to achieve **market and technological dominance**. This has already created unilateral dependencies in critical areas, e.g. in photovoltaics. We are strengthening Europe's innovativeness and production capacities also in environmental technologies. At the same time, we are seeking to reduce dependencies by diversifying sources of supply.

The Federal Government believes that vital international cooperation on climate action must not be used as leverage for asserting interests in other areas.

Climate and environmental protection are sustainable and achieve greater acceptance when **stakeholders** on both sides from the business and research communities as well as from civil society are closely involved. This is why the Federal Government is involving these stakeholders in the *Climate and Transformation Dialogue* as well as in other bilateral cooperation formats. It is also

supporting the *Sino-German Track II Dialogue on Climate Change and Sustainable Development* and continuing the *Sino-German Environmental Forum*.

Our dialogues are a component of **EU-China cooperation** on climate action. We are calling for the *High-Level Environment and Climate Dialogue* between the EU and China to be strengthened and for it to lead to concrete and ambitious results.

The Federal Government supports the **EU's Carbon Border Adjustment Mechanism for carbon dioxide**.

China is considered a developing country in the **United Nations Framework Convention on Climate Change (UNFCCC)**. We expect the world's second-largest economy to contribute to climate action in accordance with its means and responsibility, as agreed in the Paris Agreement and elsewhere. The Federal Government is calling for credible multilateral commitment on China's part and is offering to cooperate in multilateral processes.

The main priority is the need to persuade China to pursue **more ambitious targets** in reducing its greenhouse gas emissions. China has committed to ensuring that its CO<sub>2</sub> emissions peak before 2030 and that it will achieve carbon neutrality before 2060. This is not sufficient for keeping to the 1.5°C limit; a further scaling up of China's climate change targets is what is actually needed.

Together with China, we are working to bring the negotiations on the new climate finance target post-2025 to a successful conclusion within the framework of the *UNFCCC*. In addition, we are committed to ensuring that China contributes to global **loss and damage financing**. Developing countries are also expecting to see greater involvement on the part of China in this regard. We are lobbying China to bring its financial flows into line with the Paris Agreement. China is free to become a member of the Climate Club in the future

should it display the necessary ambition in climate policy and should it wish to join.

China plays an important role with respect to **biodiversity conservation around the world** as one of the 17 megadiverse countries and as a globally connected economy. This wealth of biodiversity is at risk also in China.

The 15<sup>th</sup> meeting of the Conference of the Parties to the **Convention on Biological Diversity (CBD)** under China's Presidency in 2022 adopted a new global framework for biological diversity (the *Kunming-Montreal Global Biodiversity Framework, KMGBF*). We are calling on China to follow up this success with concrete measures at the national level. We are committed to ensuring that China makes an appropriate financial contribution to implementing the pledges within the CBD framework in accordance with its global responsibility and that it gears its financial flows towards global biodiversity targets to an increasing extent.

The Federal Government is committed to ensuring that China plays a bigger role in supporting **multilateral funds** for overcoming global challenges in the future. We are calling on China, in its capacity as a creditor, to offer debt-for-climate swaps and debt-for-nature swaps.

At Germany's initiative, the EU tabled a motion in 2016 in the *Commission for the Conservation of Antarctic Marine Living Resources* for establishing a marine protected area in the **Weddell Sea**. The Federal Government is actively lobbying for China to lend its support to this motion.

The **International Treaty on Plant Genetic Resources for Food and Agriculture** entered into force in 2004 and is thus the first legally binding agreement for implementing the CBD. We are calling for China's rapid accession to this treaty.

China is the world's biggest producer of plastics and is responsible for a substantial

proportion of **plastic litter pollution** of the environment worldwide. We are seeking a dialogue with China on the negative impacts of a non-sustainable use of plastic and its impacts on litter pollution around the world. Cooperation and intensive exchange with China are also essential with regard to the development of an ambitious international and legally binding instrument for fighting plastic pollution that we are striving to put in place.

Successful climate and biodiversity strategies also require the implementation of **natural climate action** and the integration of nature-based solutions (NbS) in national strategies. Close cooperation with China can continue to promote the establishment of NbS with stringent social and environmental standards. The basis for this is Resolution 5.2 of the UN Environment Assembly on nature-based solutions, which is also supported by China. We are offering to make this an important element of our bilateral exchange with China.

The exploration and processing of resources is currently causing 50 percent of greenhouse gas emissions and 90 percent of biodiversity loss worldwide. We are therefore also working with China on the issue of the **circular economy** as part of a new dialogue.

### 3.6. Education, science and research

China is of great importance for German universities and science organisations in the context of international **scientific cooperation**. Chinese research is world-class in a number of areas, such as artificial intelligence, quantum technologies and autonomous driving.

It is therefore right to continue to develop relations in science and research in a manner **guided by values and interests**, including in the humanities and social sciences field. It is to our mutual benefit in the context of state funding to place a focus on resolving global challenges, e.g. regarding the climate and

environmental protection. The Federal Government is using the steering capabilities of the *Joint Commission for Scientific and Technological Cooperation* to this end.

We are shaping our cooperation with China with respect for the constitutionally enshrined principle of the **freedom of science** and the responsibility that this entails. Risks for the freedom of research and teaching, illegitimate interference and unilateral knowledge and technology transfers must be minimised in this regard. We are taking our lead from the Federal Government's fundamental research policy priorities also in our cooperation with China. We will strengthen the dialogue with universities and research institutions to this end.

China's **Military-Civil Fusion** policy is placing limits on our cooperation. We are taking into account the fact that civilian research projects, including basic research, are also being considered by China in strategic terms with respect to their military use.

Restrictions to the freedom of science, including in transnational data flows, also impact German researchers in China. We will work to ensure greater **reciprocity** and improved conditions for scientific cooperation, including at the EU level, e.g. within the framework of *Horizon Europe*. It is also important to remove existing imbalances concerning access to major Chinese research institutions. Beyond this, the Federal Government is seeking an improved mutual understanding of the respective funding structures and processes.

In talks with the Chinese Government, we are committed to improving the **working conditions** of German scientific organisations in China. We are supporting the cooperation of German universities and non-university research institutions with China. The Federal Government is advising the German scientific community with regard to taking precautions

for risks in dealing with China and preventing the emergence of unilateral dependencies in this cooperation. We are working around the world to promote Germany as a centre of study, teaching and research and are committed to retaining Chinese talents in Germany and Europe in the long term.

A significant part of bilateral research cooperation takes place at the **corporate level**. When rules-based, discrimination-free and transparent conditions are in place, this cooperation can promote harmonised standards, foster innovation and thereby strengthen the competitiveness of German companies around the world.

### 3.7. The 2030 Agenda

China is a global player in the development policy field whose engagement we are monitoring closely. We are cooperating with China to provide and protect global public goods and to **implement the 2030 Agenda for Sustainable Development**. We are also conducting a dialogue on standards and practices in development cooperation in this regard. This dialogue is being underpinned by individual joint projects benefitting third countries (known as "*triangular cooperation*"). These projects must meet *Official Development Assistance* (ODA) standards and be geared towards demand. The advantages and risks of cooperation are always carefully weighed up in this regard. The *Sino-German Center for Sustainable Development* in Beijing is a platform for cooperation in the development policy context.

China is continuing to gain in importance in **international financial institutions** and in regional development banks. We intend, also within the framework of the reform process of multilateral development banks, to use our cooperation with China in these institutions in order to work on joint solutions for financing global public goods in the context of global

challenges such as climate action, biodiversity conservation, the energy transition and food security. The Federal Government believes that the question of appropriate representation in international financial institutions is inseparably bound up with the willingness to assume international responsibility, for example in the areas of climate and biodiversity financing, international debt restructuring for highly indebted countries and the liberalisation of foreign exchange and capital markets.

China bears a special responsibility in the context of **debt restructuring** for highly indebted countries as it is the biggest bilateral state creditor in many cases. Greater transparency with regard to the scope of, and form taken by, loan agreements is necessary. We are seeking closer coordination within the framework of the G20 and constructive cooperation for the further development of the international debt architecture. Further cooperation in the G20, including China, is necessary here in order to improve the implementation of the *G20 Common Framework for Debt Treatments*.

Health is a global public good. The COVID-19 pandemic has underscored the key role for **global health** played by the World Health Organization (WHO). In order to strengthen the role of the WHO in combating pandemics, all member states must fulfil their obligations, including with regard to transparency in the case of newly emerging pandemics and research into their origins. We are advocating for greater support and financial involvement on the part of China in the WHO, and also for

constructive engagement concerning the negotiations on an international pandemic treaty in the WHO framework.

The Federal Government has an interest in expanding the dialogue with China concerning the assumption of joint responsibility for expanding global production and fair distribution of medical countermeasures and also in the context of diseases associated with demographic factors. We are working to promote research cooperation in the **healthcare sector**, in particular in multilateral initiatives and in accordance with international standards.

The **illegal wildlife trade** poses a threat to biodiversity and runs the risk of leading to pandemics. We are offering to extend our cooperation with China to tackle the illegal wildlife trade worldwide. Moreover, we are endeavouring to ensure China's involvement in the *International Alliance against Health Risks in Wildlife Trade* and for it to accede to the *Convention on the Conservation of Migratory Species of Wild Animals*.

Our objective is for China to assume greater responsibility for global **food security**, sustainable forestry, soil protection and deforestation-free supply chains. We are intensifying our dialogue with China to this end, including in the *Food and Agriculture Organization of the United Nations*. We are working to ensure that China implements the results of the *United Nations Food Systems Summit 2021*. The dialogue on these issues is being continued via the *Sino-German Agricultural Center*.

## 4. Strengthening Germany and the EU

Increasing competition and systemic rivalry with China require **new efforts in Germany and the EU** to strengthen our economy, competitiveness and technological sovereignty, as well as to protect our open societies and assert our interests vis-à-vis China.

China is a serious competitor for German and European business. China has already achieved a **market-leading role** in a number of areas; a range of state measures and a strongly protected market are playing an important role in this regard. Business, science and politics are closely connected in China's actions.

Strategies (*Made in China 2025, Dual Circulation*) and statements by the Chinese leadership (e.g. President Xi to party committees in 2020) indicate that China is seeking to create economic and technological **dependencies** with a view to using these to assert political objectives and interests. At the same time, China, citing security interests, is working to make itself more independent from foreign contributions and supplies.

In view of this, **unfair practices** on the part of China can have a negative impact on our security, sovereignty and prosperity. We must address this threat in Germany and at European level with suitable means.

In addition to improving the regulatory framework in Germany and Europe, **de-risking** is necessary. This refers to reducing dependencies in critical areas, keeping geopolitical aspects in mind when taking economic decisions, and increasing our resilience. De-risking involves a range of different measures, which are explained below. We consider de-risking to be an expedient supplement to our actual strength,

namely the openness of our political, economic and social system.

### 4.1. Location policy and the EU internal market

While China is Germany's biggest single trading partner for goods, around half of German external trade is conducted within the European internal market. This share is considerably higher still for many European partners. The **European internal market** makes a very important contribution to our economic clout. We are therefore driving forward the integration and resilience of the EU internal market, which we must further deepen and strengthen with new initiatives.

In order to safeguard our competitiveness and our technological and digital sovereignty, we are supporting a **location policy** in the EU and in Germany that promotes growth, research and innovation. We will strengthen the **industrial sector's** capacity for innovation and investment as well as its competitiveness in order to continue to play a leading role in the technological field. A strengthened internal market able to withstand crises, an excellent education and research system, a functioning system for securing skilled workers, an innovation-friendly environment with investments in research and development, an effective infrastructure and efficient administration will prepare us for the future – and not only in the economic competition with China. The capital markets and banking union are key for facilitating the necessary investments across Europe.

The **digital and green transformation** of our economy plays a key role. We want to support the necessary expansion of European production and processing capacities required to this end.

In addition to having environmental advantages, the increasing expansion of a European **circular economy** is intended to enhance the resilience of the European economy. The European internal market is to become the leading market for climate-friendly and resource-efficient products. We can set standards around the world for energy-efficient, durable, easy-to-repair and circular products.

Innovation calls for an ambitious research policy. Together with the Länder and the business community, the Federal Government intends to invest 3.5 percent of German GDP in **research and development** by 2025. We are using *Horizon Europe* to make Europe's research landscape more attractive in the competition for the world's leading scientists. We are supporting the international mobility of students and researchers. Thanks to alumni networking activities, we are strengthening their permanent links to Germany. In addition, we are safeguarding sufficient capacities for Academic Evaluation Centres and visa offices.

#### 4.2. Diversifying supply chains

Germany's economy relies on access to raw materials, technologies and markets, as well as financial and human capital. Our prosperity depends to a great extent on functioning global **supply and value chains**. We want to safeguard these for the long term, in particular by spreading risks more widely.

China, there are dependencies in numerous areas, e.g. various metals and rare earths, lithium batteries and photovoltaics, as well as (veterinary) pharmaceutical substances (incl. antibiotics). The Federal Government will analyse critical dependencies on an ongoing basis and supports a regular EU-wide monitoring system.

The Federal Government will assist the German economy in the exploitation of

diversified, sustainable sources of supply, among other things within the framework of its **raw materials policy**. This applies to both unprocessed raw materials and preliminary products; we are particularly dependent on China for the latter. A role can be played here by instruments of foreign trade and investment promotion and development cooperation, raw materials partnerships and strategic stockpiling, as well as research and development relating to substitution and the improved circulation of raw materials. We expressly support corresponding EU policies.

The Federal Government will ensure that its **raw materials partnerships** benefit all countries involved. The objective is to support our partners in keeping more value creation in their own countries. In so doing, we are not only promoting prosperity in the countries of origin, but also the long-term competitiveness of the companies there by acquiring expertise and innovations, independent from the mere extraction of raw materials. Our raw materials partnerships are thus helping to diversify our supply chains, promote relations with third countries in a spirit of partnership and strengthen environmental, social and governance standards.

#### 4.3. Technological sovereignty

In key areas, the EU must not become dependent on technologies from third countries that do not share our **fundamental values**. This is, on the one hand, a question of securing and expanding technological expertise and capacities and, on the other, diversifying supply chains and sources of supply. Moreover, it is important to avoid dependencies in critical areas of information technology and to strengthen our digital sovereignty. The Federal Government sets great store by innovativeness and the resilience of technological and digital ecosystems overall.

In order to safeguard Europe’s technological and digital sovereignty in the long term, we are investing more in **research, development and innovation** and using methods of strategic foresight in order to identify emerging key technologies in good time. China is also placing an emphasis in this area. In the context of research and innovation promotion, the Federal Government will issue provisions so that projects with China in which knowledge drain is likely are not supported or only supported when suitable conditions are imposed. We will further develop existing funding regulations for handling knowledge and patents once the projects have been completed.

In order to strengthen the European economy in the **digital sphere**, the Federal Government is promoting conditions that foster innovation (fleshing out the European Chips Act and the EU’s Artificial Intelligence Act). We are strengthening sustainable design and production capacities for highly innovative technologies. We are building a European open source ecosystem and are working to achieve the rapid creation of a Europe-wide mobility data sphere in accordance with data protection regulations. We are implementing the national Digital Strategy in a swift and ambitious manner.

In its *Made in China 2025 strategy*, the Chinese Government has made it clear that it seeks **global market and technological dominance** in sectors that are very important for Germany and the EU or in which Germany and the EU long enjoyed technological dominance. China is promoting technological development with state funds. In order to succeed in this competition, the EU, for its part, has revised its rules on the use of state funds for the development of new technologies. We will actively exploit the scope offered by the European Commission’s Communication *“Criteria for the analysis of the compatibility with the internal market of*

*State aid to promote the execution of important projects of common European interest”* in line with our concerns in the area of public security.

The competition for technological dominance is also playing out in the field of **standardisation**. China is taking a very strategic approach in this regard. We will strengthen the involvement of German and European stakeholders in international bodies. By cooperating with China, involving it in international standardisation activities and harmonising technological concepts in good time, Germany is counteracting nationalisation and localisation tendencies in the area of standardisation. Moreover, the Federal Government is working to ensure equal participation on the part of companies in standardisation activities in China.

#### 4.4. Risks on the Chinese market

Many German companies have been successfully doing business in China for decades. With China’s economic growth, the share of business with China in the international business operations of German companies has increased steadily. The **Chinese market** continues to be of great importance for many companies owing to its share of the global market, its dynamism and innovativeness and the good cooperation with people working for German companies in China.

The **Dual Circulation** industrial policy strategy sets out objectives that are leading to greater economic independence for China while at the same time increasing asymmetrical dependencies abroad. A unilateral reduction of China’s dependence on German exports is not in Germany’s interests. We are therefore committed to removing market-distorting and discriminatory practices in China.

The further China moves away from the norms and rules of the rules-based international order, the more **critical dependencies on the Chinese market, also on the part of individual sectors** or companies, can prove to be a problem. The Federal Government, in dialogue with companies and associations, is working to raise awareness of this issue. It is both in our economic and business interests to avoid excessive risks and to create incentives for their rapid removal. The Federal Government is working to de-risk economic relations with China.

Companies must take **geopolitical risks** sufficiently into account in their decision-making. The costs of concentration risks must be more strongly internalised on the part of companies so that state funds do not have to be tapped into in the event of a geopolitical crisis. We are therefore working to use market economy instruments to change the incentive structure for German companies in order to make removing unilateral dependencies more attractive.

The general **ceiling for investment guarantees** of three billion euro per company and country also applies to China. Exceptions are possible in the case of special strategic interests.

An essential prerequisite for the granting of investment guarantees by the Federal Government is compliance with internationally agreed sustainability, environmental, labour and social standards as well as the avoidance of forced and child labour in supply chains. Investment guarantees are therefore subject to **rigorous scrutiny**.

State **export credit guarantees** are a key instrument of foreign trade and investment promotion as they protect German exporters against bad debts brought about by political or economic circumstances. We are also assessing this from the point of view of

avoiding an unwanted technology transfer. This applies in particular to sensitive dual-use technologies and to technologies that can be used for surveillance and repression. We will, as a matter of principle, also take into account the extent to which state export support reinforces excessive economic dependencies on the part of companies.

The Federal Government will continue to work to raise awareness of risks relating to China and intensify its exchange with companies. The Federal Government expects companies, in the context of existing **risk management processes**, to keep a close eye on relevant China-related developments, data and risks. We will hold confidential discussions with companies that are particularly exposed to China regarding their China-related risk analyses with a view to identifying concentration risks in good time. The Federal Government will consult on whether existing instruments should be further developed.

#### 4.5. Trade instruments

The cornerstone of our prosperity is an open, globally just and rules-based sustainable world economy. In order to preserve the fundamental openness also in our economic relations with China, the Federal Government supports the targeted adjustment and **further development** of the EU's **trade policy instruments**. In so doing, we want to address existing imbalances more effectively and promote a level playing field around the world.

The Federal Government supports an effective **EU Anti-Coercion Instrument** that is compatible with WTO regulations and international law. With this instrument, the EU will be able to respond appropriately to economic pressure being exerted by third countries on individual member states.



We need a modern **competition law** that allows European companies to hold their own in the competition with subsidised Chinese companies not only within the EU but also globally.

The **Regulation on Foreign Subsidies distorting the Internal Market** also expands the European Commission's toolkit for ensuring a level playing field in the EU internal market. Moreover, Germany and the EU are committed to improving the regulations for dealing with subsidies at the multilateral level. This is especially urgent owing to ongoing excess capacities, including in the steel sector, as well as China's unilateral withdrawal from the *Global Forum on Steel Excess Capacities*.

Effective **patent protection** is an important tool for preventing technology transfers in the high-tech sector. Chinese courts have issued litigation bans against European companies suing for patent infringement by Chinese companies in foreign courts since 2020. We support the WTO dispute settlement process that the EU has initiated in this regard.

#### 4.6. Dealing with investments

With the *Regulation establishing a framework for the screening of foreign direct investments*, a legal framework for **screening foreign direct investments** was created in the EU in 2019. This Regulation envisages a cooperation mechanism between the member states and the European Commission. Its objective is to uphold the principle of the freedom of foreign trade as well as the EU's openness for foreign direct investments while preserving security interests in the process.

Germany's investment screening operates within this framework. The Federal Government may impose conditions on or prohibit the acquisition of or holdings in domestic companies. The decisive consideration here is whether there is a

**foreseeable impairment of the public order or security** of the Federal Republic of Germany or the EU or of essential German security interests. The more important the sector affected by an investment project is for the public order or security, the lower the threshold for acquisitions to be screened. These screenings apply in a non-discriminatory manner to all third-country investors.

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. Direct investments by Chinese companies abroad open up access to markets and technologies. This must not lead to any risks for Germany's public order and security, e.g. owing to the drain of technologies that are sensitive in terms of security. This is playing a role especially in the context of advanced and fundamental technologies.

Thanks to investment screening, we are protecting independence in areas critical to security and to supplying the population, safeguarding the defence capability of Germany and its alliance partners and strengthening the technological sovereignty of Germany and the EU. Fields of sector-specific investment screening with a low uptake threshold are particularly important. The **protection of critical infrastructures**, which include telecommunications, data, energy and transport infrastructure in particular, also plays an important role.

In the assessment of an expected impairment of the public order or security, it can also be taken into account whether this involves a **media company** that contributes to public opinion and which is characterised by a high

level of topicality and impact. Investment screening in this area helps to preserve media pluralism and thus offers protection against illegitimate interference in political and democratic processes in Germany and the EU.

The investment strategies of Chinese companies can change, also in response to our investment screening measures. Therefore, and owing to the cross-border dimension of some projects, the Federal Government will intensify the **exchange** with the EU, the US and within the framework of the G7 in particular. In so doing, we are able to identify new investment strategies in strategically important sectors in good time and can coordinate our approach accordingly.

In order to do justice to the importance of foreign investments for our security interests, the Federal Government is assessing the effectiveness of applicable **investment screening legislation** on an ongoing basis and plans to update this legislation and consolidate it into a separate law.

The Federal Government is aware of the possible economic and social repercussions that regulatory interventions may have in this area. Outside the investment screening procedure we are using the full range of economically viable and sustainable options that are available for safeguarding **locations and jobs**.

The Federal Government affirms its responsibility and determination to coordinate with partners on preventing the **cutting-edge technologies** we develop from being used to further military capabilities that threaten international peace and security. We have a common interest in preventing the narrow set of technological advances that are assessed to be core to enhancing the military and intelligence capabilities of actors who may use these capabilities to undermine international peace and security, from being fueled by our companies' capital, expertise, and knowledge. We acknowledge in this

context that appropriate measures that are designed to counter risks connected with **outbound investment** could be important as a supplement to existing instruments for targeted controls of exports and domestic investments. The European Commission has announced it will examine whether measures can be taken to tackle security risks in connection with investments in third countries; the Federal Government will constructively engage in this EU process. The Federal Government is conducting its own analyses of the matter, also with a view to safeguarding national security, and is liaising with industry and international and European partners to this end.

While we continue to work on equipping our toolkit in the area of economic security for the challenges of our age, we will create clarity for the private sector with regard to our common objectives. We will, moreover, continue to coordinate our efforts with our partners, **share lessons learned** and endeavour, wherever this is feasible, to harmonise our approaches in order to achieve the greatest possible effectiveness.

#### 4.7. Export controls

The Federal Government's **export controls** promote national and international security as well as the protection of human rights around the world. The Federal Government will continue to narrowly interpret the EU arms embargo against China, which has been in place since 1989. The object of export controls with regard to China are primarily exports of dual-use goods.

Export controls are intended to ensure that goods and technologies from Germany that are subject to authorisation do not encourage systematic **human rights violations** in China, exacerbate repression in the country, promote the proliferation of weapons of mass destruction or support further military rearmament. We are also taking China's

*Military-Civil Fusion policy* into account in this regard.

In order to avoid longer-term security risks for Germany, the EU and their allies, created by the export of new key technologies, the Federal Government is committed to the **adjustment of export control lists** in international export control regimes as well as to reviewing national export control lists against the backdrop of new technological developments, e.g. in the cybersecurity and surveillance technology fields.

The uniform application of existing regulations at the international level and a coordinated approach to new technologies are decisive factors for the effectiveness of export controls for dual-use goods. We are promoting close coordination in the EU as well as strengthened **cooperation in the field of export controls** between the G7 and further partners.

Export controls also concern **immaterial knowledge and technology transfers**. The Federal Government considers free international scientific exchange to be a precious asset, also in relations with China. At the same time, we will work to raise awareness in the German science and research landscape of human rights and security aspects in the cooperation with China.

#### 4.8. Protection of critical infrastructure

Critical infrastructures are vital to our security and prosperity. We will define which sectors and which companies and institutions are part of critical infrastructures by means of an **umbrella law on critical infrastructure**. We want to make them more resilient with minimum requirements applying to multiple sectors and threats.

The secure and sovereign operation of critical infrastructures depends to a large extent on

specific critical components that are intended to fulfil especially critical functions. The timely **reduction of risks** that originate from their producers therefore plays an important role in the protection and functioning of Germany's critical infrastructures. The risks of existing dependencies are rising against the backdrop of increasing geopolitical confrontations.

China's security legislation obliges Chinese individuals, companies and organisations at home and abroad to cooperate with Chinese authorities and intelligence services. The use of critical components in accordance with the **Act on the Federal Office for Information Security** is being assessed in order to counteract an impairment of Germany's public order or security. Section 9b of the *Act on the Federal Office for Information Security* stipulates that operators of critical infrastructures have an obligation to disclose the planned first use of a critical component (IT products pursuant to the Act) and that its use may be prohibited in the interests of the public order. We aim to have at our disposal the capacities to build, maintain and develop these networks in the EU.

The critical components and IT functions that these components are intended to fulfil must be defined for each critical infrastructure sector on the basis of specific laws. This has already been implemented for **public 5G mobile telephone networks** in the telecommunications field. The Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway will publish a list of critical functions for the energy sector in 2023. We will swiftly conduct an assessment of the effectiveness of the regulations to date and, if necessary, amend the respective legislation.

There is still no corresponding regulation for **non-IT products**. In order to close this loophole, we are looking to enter into a dialogue on how we can protect critical infrastructures as a whole as quickly and

effectively as possible against the influence and dependencies of questionable producers from abroad. The business sector should only be burdened to the extent necessary in this regard.

**Public procurements** must also be subjected to intensive scrutiny for potential security risks.

#### 4.9. Resilience to interference

The Federal Government considers strengthening our resilience against **hybrid threats** in the spheres of politics, business, science and research and society to be a task for our entire government, as well as for society as a whole. **Espionage activities** targeting Germany continue to increase, particularly in cyberspace. We take decisive action to counter all analogue and digital espionage and sabotage activities by Chinese intelligence services and state-controlled groups, whether these activities be in or directed against Germany.

The Federal Government ensures that Germany's sovereignty is not violated by acts of transnational repression targeting Chinese citizens who live in our country. This applies in particular to what are referred to as **overseas police stations** and other institutions that pursue similar goals. We take appropriate countermeasures, both at national and EU level.

The Federal Government will continue to carefully monitor surveillance efforts and the exercise of political control directed against parts of the Chinese community in Germany through the use of, among other things, **structures and cells of the Communist Party of China**.

We maintain an open-minded, tolerant and trusting attitude in our daily interactions with

German citizens of Chinese origin and Chinese citizens in Germany.

Successful resilience requires a networked approach that involves the **Länder, towns and municipalities**. The Federal Government provides forums for exchange and promotes further training and awareness-raising modules, the aim being to strengthen expertise and raise awareness of the respective problems.

The Federal Government is remaining vigilant regarding all forms of **illegitimate interference** on the part of official Chinese authorities, acting openly and under cover, by means of intimidation or through coercion, and pursuing aims that run counter to Germany's interests, including the preservation of our free, democratic constitutional system. To enhance public awareness of the problems, the *Report on the protection of the constitution* lists instances of Chinese interference that have come to our attention. We are dovetailing our measures at European level (particularly within the framework of the *EU Hybrid Toolbox*) and promoting exchange both within NATO and the EU as well as internationally with partners who have experience with Chinese espionage, sabotage, interference and disinformation.

The number of Chinese **disinformation campaigns** is increasing all around the world, e.g. in connection with China's policy on Hong Kong and Taiwan. Moreover, Chinese propaganda is amplifying Russia's narratives regarding its illegal war of aggression against Ukraine. This requires systematic, evidence-based monitoring and countermeasures on all levels, including at European level.

Our democracy can also be harmed by the covert promotion of interests at the behest of Chinese authorities. The Act Introducing a *Lobby Register for the Representation of Interests to the German Bundestag and the Federal Government* is intended to create

more transparency regarding **lobbying efforts** commissioned by foreign entities.

The freedom of science, research and teaching is most valuable and worthy of protection. German universities and scientific organisations should ensure that cooperation with **Confucius Institutes** and similar Chinese partners meets the requirements of our system of education and research, and in particular that it upholds the principle of the freedom of science, research and academic teaching. German institutions must be aware of the freedoms they enjoy and the responsibility that comes with this. We expect a maximum of transparency and that activities be open to public inspection, particularly when government funding is employed for cooperation with China. Researchers and teachers, too, share in this responsibility.

**Internet-based services, apps and social media** from China that are based on cross-border data transfer may pose a risk to public order and security, among other things due to data leaks and possible access by Chinese state authorities. The Federal Government therefore takes a restrictive approach to the use of such services and apps on official devices. In cooperation with the Länder and at EU level, we strive to more stringently monitor and implement compliance with European standards, especially the *EU's General Data Protection Regulation*.

#### 4.10. Security in cyberspace

**Threats originating in the digital sphere** are on the rise all around the world, including those from China. These threats are increasingly also targeting the networks of European governments. We use the Federal Government's existing *Early Warning and Strategic Foresight instruments* to identify these threats early on, as well as to develop possible courses of action.

The digital and analogue spheres are inseparably linked. Protecting them must be viewed as two sides of the same coin. Resilience in cyberspace also requires resilient **physical infrastructure**. The *umbrella law on critical infrastructure* therefore establishes independent, cross-sector regulations to strengthen the resilience of critical infrastructure, thereby supplementing the cyber protection regulations contained in the Act on the *Federal Office for Information Security*. We set out clear requirements for the Federal Government's procurement of IT systems, especially with regard to information security.

Chinese cyber actors are engaged in **economic and academic espionage** in an attempt to gain access to German corporations' trade and research secrets. These activities are particularly focused on high-tech companies and global leaders in industrial technology. As part of its economic security initiative, the Federal Government advises German companies and research institutions on cyber, hybrid and physical security risks.

A common European toolbox is highly significant in this regard. We will contribute to the revision of the *EU Cyber Diplomacy Toolbox*. The Federal Government is taking decisive action to counter malicious cyber activity; this includes joint **attribution**, together with partners, and the imposition of sanctions through the *EU sanctions regime for cyberattacks*. We also employ our instruments in solidarity with other NATO and international partners.

**Certification** is a suitable and confidence-building instrument that serves as proof of security functionality. We are building on internationally recognised certification regimes, e.g. the *common criteria for assessing the security of information technology*. The Federal Government rejects the use of Chinese specially designed certification regimes, as they include

inappropriate requirements and their certification methods lack transparency.

We view the multilateral strengthening of international **cyber security** on the basis of international law as being a priority, because a rules-based, peaceful cyberspace and a

freely and globally accessible and secure internet for all is in our vested interest. In the United Nations and in international **standardisation bodies and normative organisations**, we will campaign for strengthening the rules-based international order in the data space and in cyberspace.

## 5. International cooperation

Actively cultivating Germany's **foreign and foreign economic relations** is a key aspect of this Strategy. Remaining open to the world and maintaining an international mind-set characterise Germany's social and economic model. Germany wants to maintain good relations with all countries in the world, as well as intensify these relations wherever possible. This applies in particular to countries that, like Germany, seek to protect the rules-based international order. Strengthening it is at the core of our foreign policy.

**High-level meetings** are indispensable for this. We will see to it that Germany pays closer attention to its partners throughout the world. The Federal Government is promoting this in the EU and in our contacts with its member states. More active travel diplomacy should go hand in hand with specific offers of cooperation in areas that we or our partners highly value. How we interact and also compete with China is only one of many issues on which we want to have an exchange as we cooperate with partners around the world.

China is leveraging the political, military and economic weight it has gained to pursue its interests **on all continents** and in international organisations, and it is working to reshape the existing rules-based international order according to its preferences. China has entered into a geopolitical rivalry with the United States, with the focus being the Indo-Pacific region. China's massive rearmament – both conventional and nuclear – is causing concern among many of its neighbours.

China's **political initiatives** – including *the Belt and Road Initiative*, the *Global Development Initiative* and the *Global Security Initiative* – provide the framework for China's political and geoeconomic relations on all continents;

they serve the purpose of building a truly global network, with China at its centre.

The ***Belt and Road Initiative*** is a very good example of this. In some countries, infrastructure loans have contributed to unsustainable levels of debt and have created strong political dependencies.

Numerous countries are pivoting ever more towards China – and thereby impacting the effectiveness of our policies, including in the United Nations. Often, this is due to a **lack of alternatives**. China has a particular advantage when we offer our partners too little, are not sufficiently present, or do not advertise enough what we have to offer. We want to change this – also because we ourselves have an interest in diversification.

At the same time, the Federal Government does not want what it has on offer to promote a **new confrontation between blocs** or to force countries into making us-or-them decisions. We want partners to opt for us who truly want to work with Germany and the EU more closely.

### 5.1. Global partnerships

Coordination with Germany's closest partners is fundamental to our foreign policy; this also applies to our policy-making with and vis-à-vis China. Both the **transatlantic alliance** and the close partnership built on trust with the United States, including in the G7, is of tremendous importance for the EU and for Germany.

Global partnerships begin in Germany's immediate neighbourhood: We maintain especially close and manifold ties with the countries of the **Western Balkans** and Eastern Europe. Matters that are important for the countries of the Western Balkans and Eastern Europe deserve attention, also because they present an opportunity for China to expand its

capability to exert influence. The Federal Government expects these countries, as they draw closer to EU membership, to increasingly bring their foreign and security policies in line with EU policy.

It is a key aim of the European Union for **Africa** to be prosperous, peaceful and resilient. The EU is Africa's largest trading partner, and the EU's total foreign investment in Africa is more than sixfold that of China. At the same time, China is very active in Africa and its influence on the continent is growing steadily. Europe's neighbouring continent is a key target region for European infrastructure investment in the context of the Global Gateway initiative and the Partnership for Global Infrastructure and Investment (PGII) of the G7.

In the **Gulf region, the countries of the Middle East and the Horn of Africa**, we are carefully watching as China increases, among other things, both its economic activity and military presence and intensifies its relations with Iran. We cooperate with China in areas where we share interests – e.g. when it comes to dealing with Iran's nuclear programme.

**Central Asia** is a bridge between Europe and China, Russia and the Middle East. It must be ensured that the Central Asian states maintain their sovereignty, security and leeway in foreign policy. For this, the Federal Government actively supports stronger economic exchange between the region and Europe.

In recent years, China has significantly increased its presence and influence in **Latin America and the Caribbean**. Latin America and the Caribbean are natural partners for Germany and Europe in the spheres of business, science and politics, as we jointly work to promote democracy and strengthen the rules-based international order.

Political and economic clout is increasingly shifting to the **Indo-Pacific**. More than 60% of the global population lives in this region, and

it is home to 20 of the world's 33 megacities. More than half of global CO<sub>2</sub> emissions originate in the Indo-Pacific. Europe is becoming increasingly dependent on developments there, and Germany and the EU have a strong interest in close economic, foreign-policy and security-policy partnerships with countries in the region, as well as in open shipping routes and free access to the Indo-Pacific.

The shape the international order will take is being determined to a greater extent in this region than elsewhere. In **2020**, the Federal Government adopted its **Policy guidelines for the Indo-Pacific**, and it supports the EU's strategy for cooperating with the region. It is in Germany's interest to protect global public goods in the Indo-Pacific in the long term.

We will expand our security policy and military cooperation with close partners in the Indo-Pacific. Germany is also underscoring its commitment to preserving the rules-based international order through temporary military presence in the region, which includes **German naval patrols** and German participation in multinational joint military exercises.

Germany needs its partners to be **resilient**. We can help our partners join in the defence of the rules-based international order, e.g. through discussions on international law, by building capacities needed for coastal defence, cybersecurity and countering disinformation, as well as through armaments cooperation. Moreover, Germany is engaged in the **fight against piracy** as a signatory of the *Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia* (ReCAAP).

Germany is engaging with partners throughout the world in the spheres of **climate diplomacy, as well as environmental and development cooperation policy**. We are working to help prevent future socioeconomic



crises. Faced with a lack of financial resources and high levels of sovereign debt, some countries require this support so that they can react to additional shocks, such as steep rises in the prices of food and energy.

## 5.2. Trade policy and diversification

China is increasingly pursuing its political objectives through economic means – by creating and leveraging economic dependencies and by granting or withdrawing economic advantages. To enable us to preserve our freedom and sovereignty despite these policies, we must **diversify** our economic ties. Diversification allows for the reduction of overly strong dependence on a single market or a single supplier of critical goods, while it also enables better use of the strong potential of other countries and regions.

Through a more active and ambitious **trade strategy**, the EU is making attractive offers to its partners and forging stronger business relations around the world. We are thereby enhancing the position of European companies in third markets, as well as enabling our partners to diversify their economic ties. The Federal Government wants to even more effectively use the potential of existing agreements. Supplementary agreements in the digital sphere would, for example, generate additional advantages.

On trade policy, with the aim of swiftly implementing trade agreements, we are guided by the Federal Government's trade policy parameters, the European Commission's trade policy and the new approach to more effectively implement environmental, social and human rights protection, including through dialogue, mediation and reaction mechanisms. The EU should, together with the Member States, offer support and incentives to partner

countries with a view to effectively implementing sustainability standards.

**EU-US trade relations** are of utmost importance for the German and European economies. We are campaigning for a transatlantic trade agreement that would eliminate industrial tariffs and mutually recognise transformative technologies. We support the EU's efforts to swiftly resolve bilateral trade disputes in accordance with WTO rules. The *EU-US Trade and Technology Council* plays an important role in this regard. We seek to enhance cooperation on regulation and standard-setting, so as to intensify transatlantic trade and set better rules for global trade. Like the European Commission, we want to intensify cooperation on cross-border data flow with trust.

Negotiated agreements must more rapidly enter into force. The Federal Government is campaigning for the **swift conclusion** of negotiations and for early ratification of negotiated agreements. This applies in particular to agreements with Australia, MERCOSUR, Mexico, Chile, Kenya, New Zealand, India, Indonesia and Thailand. In parallel, we will campaign for the resumption of negotiations with Malaysia and the Philippines.

The Federal Government supports strategic discussions in the EU regarding a regional trade policy approach for the Indo-Pacific, and it is campaigning for a **region-to-region trade agreement** between the **EU and ASEAN**, the *Association of Southeast Asian Nations*.

We also have economic and technological interests regarding **Taiwan**. Taiwan is important for Germany both as a location for German companies and as a trade partner.

We will promote access by our companies to new markets in the Indo-Pacific by increasing the number of high-level political visits. The **Asia-Pacific Conference of German Business**

plays a key role in promoting dialogue between the business community, the Federal Government and partners in the Indo-Pacific; we will continue to support this conference.

We support the EU's goal of intensifying economic relations with **African partners**. We want to see progress in negotiations on an economic partnership agreement with the member states of the **Organisation of African, Caribbean and Pacific States**. The EU supports the implementation of the African Continental Free Trade Area – with which it is seeking to conclude a region-to-region free trade agreement.

Along with the countries of the **Eastern Partnership** in Eastern Europe and in the Caucasus, as well as with the countries of **Central Asia**, we have a common interest in expanding trade relations, in particular concerning trade in raw materials and energy. This is all the more true in view of Russia's war of aggression against Ukraine and its disruptive economic consequences. To this end, we will build on existing agreements with the EU.

In parallel to this higher level of ambition in the sphere of trade policy, the European Commission must be given sufficient personnel to conduct negotiations with several countries at the same time, to a larger extent than previously. We may also make available German **staff** to support the European Commission's Directorate-General Trade in this regard.

### 5.3. Technology

Key technologies such as semiconductors, artificial intelligence and green technologies are becoming ever more crucial for prosperity and security. We are intensifying international cooperation in the sphere of technological innovation. In particularly sensitive areas, we aim to strengthen cooperation with **partners who share our values** in order to prevent, e.g.,

facial recognition technology being abused for the purpose of repression and surveillance. We are thereby helping to mutually strengthen resilience in strategically important areas of high technology.

The Federal Government is dovetailing these efforts with the diversification of our international **research and scientific cooperation**. To this end, we also want to enhance coordination between the EU's industrial and research policies and those of strategic partners.

The **EU-US Trade and Technology Council** promotes cooperation between the two largest and technologically advanced single markets in the world. We want to keep making ambitious and dynamic use of this council, with a view to strengthening the foundation for a transatlantic green economic and technological partnership.

We support EU efforts to expand its regulatory **cooperation** with partners in the Indo-Pacific. The *EU-India Trade and Technology Council* and the *EU-Japan Green Alliance* are building blocks for this.

In the technology sector, as well, we are **not pursuing decoupling** from China. The creation of separate technospheres is not in our interest.

### 5.4. Infrastructure and the Global Gateway initiative

All around the world, there is a tremendous need for **transport, digital and energy infrastructure** investment. With its *Belt and Road Initiative*, China is responding to this need. However, we take a critical view of the disregard for social and environmental standards, as well as of the dependencies that are created in this connection. The Federal Government is not participating in this initiative.

With **Global Gateway**, the EU is offering to support the building of sustainable, high-quality infrastructure around the world in the spheres of digital, climate, energy, transport and health technology. At the same time, Global Gateway is the main contribution of the EU and its member states to the *G7 Partnership for Global Infrastructure and Investment (PGII)*. The G7 established PGII at the Elmau Summit in 2022 to improve its offerings with regard to sustainable and high-quality infrastructure and it announced that it wanted to generate up to 600 billion US dollars in public and private-sector investment by the year 2027.

We encourage the European Commission to implement *Global Gateway* in the pursuit of European interests and values. Ambitious flagship projects will be key in this regard. For the purpose of implementation, we want to use the structures of the **European Investment Bank** and national development banks, as well as private funds, to build as many high quality projects around the world as possible.

Furthermore, the Federal Government is helping to enhance the **resilience** of Germany's partners, for example when it comes to drafting transparent raw material and credit contracts, creating a regulatory environment for sustainable investment that respect human rights, as well as fighting corruption.

### 5.5. Reform of the World Trade Organization

By joining the **World Trade Organization (WTO)**, China made a commitment to a reliable, fair and rules-based system of trade, as well as to a minimum legal framework and the progressive liberalisation of trade. All WTO members expect one another to fully comply with their legal obligations and to be willing to uphold the rules-based trade system in the long term. Should doubts arise as to the WTO conformity of Chinese actions, we will

support the European Commission as it brings matters before the WTO dispute settlement system.

Achieving the most substantial possible **reform of the WTO** is in the interest of all of its members. It is our aim to create an environment for free trade on the basis of fair, climate-friendly and sustainable conditions of competition. To this end, we are working to achieve close coordination in the framework of the G7 and the G20 and with other partners, in particular with developing and emerging economies. Reforms can only be accomplished through the consensus of all members. We remain willing to cooperate with China on the drafting of reform proposals, e.g. on the subject of industry subsidies. However, we are also prepared to react should there be continued lack of progress.

China entered the WTO in 2001 with the **status of a developing country**; it thereby has certain advantages and is given special treatment. Since then, China has made tremendous economic and social progress. For example, according to Chinese government statistics, since 2021 no one in the country lives in absolute poverty any more. Together with partners, we are calling on China, as the world's second-largest economy, to give up the privileges under WTO rules it was granted as a developing-country.

### 5.6. United Nations

The **United Nations system** is at the very core of the rules-based international order. Dealing with China in the UN, as well as seeking to cooperate with China, are key aspects of the Federal Government's Strategy on China. This is particularly true in view of China's clout and influence, but also considering its responsibility as a Permanent Member of the Security Council.

The UN runs on the engagement of its member countries. China is becoming

increasingly active in the UN and its specialised agencies, by nominating candidates, seconding expert personnel, and providing troops for UN-led peace missions, as well as by launching global initiatives. Germany wants to respond to this engagement by specifically seeking **multilateral cooperation** with China, as well as by engaging in dialogue, promoting understanding for our positions and, where possible, supporting joint initiatives. The Federal Government will thereby be advancing the aims of the United Nations and the UN Charter, as well as those of existing reform processes, e.g. with regard to peacekeeping operations.

China's **voluntary contributions to the UN system** are not proportionate to its economic position in the world. The Federal Government notes that, in the United Nations, China places its own interests above multilateral principles and that, when it introduces new initiatives, it attempts to redesign UN policies and programmes to its own liking.

In this sense, we and other European and international partners are keeping a close eye on the **Chinese Global Development Initiative** and how it relates to the *2030 Agenda for Sustainable Development*. Germany is not a member of China's *Global Development Initiative*, whereas the Federal Government is open to issue-specific cooperation with China for the purpose of implementing the *2030 Agenda for Sustainable Development*.

The **Global Security Initiative** for which China is conducting a worldwide campaign would reshape the global security discourse and bring it in line with Chinese concepts of global order. The Federal Government remains convinced that global security is maintained by respect for the UN Charter.

We pursue an **active human resources policy** that aims to help qualified candidates succeed,

independently of their origin, and we conduct coordination within the EU and with other partners to this end. This includes actively supporting our candidates from the EU and the G7. We pay attention to maintaining proportionate representation within the regional groups. We expect all candidates for positions in the UN system to respect the principles of the UN, to place the interests of the UN system above those of their country of origin, and to observe the principle of neutrality.

Respect for human rights is one of the three pillars of the UN system. We will continue to issue statements on the human rights situation in China, together with partners, in the **UN Human Rights Council**, in the United Nations General Assembly Third Committee and, if appropriate, also in the Security Council and the specialised agencies. The Federal Government aims to make sure that existing norms in the sphere of human rights are not weakened and that existing human rights conventions are ratified and implemented – including by ourselves.

As part of the One-China policy of the EU, Germany supports issue-specific engagement by **Taiwan** in international organisations. We also urge the UN Secretariat to include Taiwanese civil society in the activities of the UN and its specialised agencies.

In the case of resolutions drafted at our own initiative, we will act earlier and make more substantial efforts to take the **interests of global partners** in Africa, Asia and Latin America into account, as well as seek to get them more involved with a view to generating majority support for wording that is in line with the UN Charter. The Federal Government will also identify topics that it can introduce trilaterally with China, so as to specify and increase the number of issues on which China, the EU and third countries are in agreement.

## 5.7. Security policy

We increasingly view China as a geopolitically significant **security policy actor** that is building capabilities and acting in a way that also affects the security interests of Europe. Developments in the Indo-Pacific can have a direct impact on Euro-Atlantic security.

China's **rearmament efforts** comprise its nuclear arsenal, as well as its entire armed forces, including its navy. This rearmament and China's behaviour in this regard is causing unease in countries in the Indo-Pacific. To strengthen the regional and global security architecture, China should comprehensively engage in **multilateral arms control** initiatives.

Germany welcomes China's assertion that a nuclear war cannot be won and should never be fought.

**Germany's security** is founded on our ability to act, the inner cohesion of the EU, the further strengthening of the transatlantic alliance, the profound friendship we share with France and our close partnership, based on mutual trust, with the United States. China's antagonistic relationship with the United States runs counter to these interests.

**China's relationship with Russia**, in particular since Russia's war of aggression against Ukraine, is an immediate security concern for Germany. In their joint declaration of 4 February 2022, China and Russia committed to significantly intensifying their cooperation in all spheres. In it, they reject further enlargement of NATO and lay claim to regional spheres of influence in their neighbourhood.

Russia's war of aggression against **Ukraine** is a fundamental violation of the UN Charter. China is not credibly defending the sovereignty and territorial integrity of Ukraine, while at the same time it does support Russian narratives that are directed against NATO. We remain engaged in a dialogue with China and

urge China to clearly declare its opposition to Russia's war of aggression.

The Permanent Members of the UN Security Council have a special responsibility to uphold and protect the UN Charter. We find that the close **cooperation between Russia and China** does not honour this principle. Germany expects China to back up its verbal commitments to sovereignty, territorial integrity and the principles of the UN Charter with specific action.

Closer **armaments cooperation** on the part of China with Russia, in particular Chinese arms deliveries in connection with Russia's war of aggression, would have an immediate impact on relations between the EU and China and on our bilateral ties.

2022 saw the drafting of the EU's Strategic Compass and NATO's Strategic Concept. Close political coordination between the **EU and NATO** on China is indispensable. At the same time, both organisations have important roles to play when it comes to engaging in a dialogue with China on security policy issues.

Security in the **Taiwan Strait** is of crucial importance for peace and stability in the region and far beyond. Germany is working for de-escalation. The status quo in the Taiwan Strait may only be changed by peaceful means and mutual consent. Military escalation would also affect German and European interests.

The situation in the **South China Sea** remains tense, due to unresolved territorial disputes and increasing militarisation. We support efforts to create a substantive and legally binding code of conduct between China and the ASEAN Member States that is in compliance with the UN Convention on the Law of the Sea. The stability, security and navigability of this important transit route for the international transport of goods and raw materials must not be jeopardised by the projection of military power and unilateral action that would violate international law.

The Federal Government is closely watching the situation in the **East China Sea**.

In the **Arctic and Antarctica**, China is increasing its strategic presence and investing economic and scientific resources – yet it is also developing military capabilities. Germany wants to keep the Arctic and Antarctic conflict-free. *All activities* in these regions must be based on international law, in particular on the United Nations Convention on the Law of the Sea and the Antarctic Treaty.

China is increasingly developing capabilities and pursuing activities **in outer space as well as in cyberspace**. Together with its partners, Germany is analysing these capabilities and China's behaviour in these domains, and it will coordinate with its partners regarding the respective impacts on its own security interests. We are campaigning for the upholding of international law in these domains, as well.

The Federal Government will closely watch the expansion of undersea fibre optic cables, of the Chinese global satellite navigation system *Beidou*, and of digital infrastructure, e.g. data centres. Frequently, **digital infrastructure** that originates from China is accompanied by Chinese technical standards, Chinese state media content and Chinese IT service providers. We also take a critical view of software that can be employed for the purpose of repression, surveillance and censorship. In addition to taking national measures, we liaise with partners in order to offer alternatives to these technologies and to help European standards become established throughout the world.

## 5.8. Arms control and confidence-building measures

Germany seeks to conduct a comprehensive exchange with China on all issues of arms control and non-proliferation, as well as on topics related to cooperative security. To strengthen the regional and global **security architecture**, China should comprehensively engage in cooperative-security approaches, as well as in non-proliferation, multilateral arms control, confidence-building and transparency measures.

Germany advocates for China to reduce the risk of misunderstandings and to create more transparency through prior notification of, and by inviting international observers to, **military exercises**. The high standards of the Organization for Security and Co-operation in Europe (OSCE) provide good guidance in this regard.

In the conventional sphere, Germany supports ASEAN-led initiatives to **build trust** and enhance military **transparency** in the Indo-Pacific region. We want to strengthen the EU's engagement regarding an ASEAN-centred dialogue architecture for the region. At the same time, we are prepared to cooperate with the entire region in the spheres of disarmament and arms control, as well as on transparency and confidence-building measures. This offer of cooperation is specifically also valid for China. We welcome China's ratification of the *Arms Trade Treaty*.

Of its own account, China is seeking to be a world leader in the development and use of **emerging and disruptive** military **technologies**. We appeal to China to be an active part of multilateral efforts to develop high and binding standards for the responsible military use of these technologies, also in the sphere of artificial intelligence.

## 6. Coordinating policy and building expertise on China

### 6.1. Coordination

Germany's political system is characterised by diversity, as well as a variety of levels and remits of authority. The Chinese **political system**, by contrast, is built on centralised control of all levels and spheres; relations with Germany, too, are steered in a centralised way. To obtain its objectives, China pursues efforts in Germany on all levels – Federal, Land and municipal – by lobbying state and non-state actors.

So that Germany's diversity and decentralised structure does not place us at a disadvantage in our dealings with China, the Federal Government aims to **increase**, within current structures, **coordination** regarding its policy on China.

For the purpose of managing and implementing the Strategy on China, **regular meetings on China** are being established **at the level of State Secretaries**. This format will also ensure that we maintain appropriate strategic situational awareness. Below the level of State Secretaries, coordination efforts will be conducted on a regular basis between the Ministries.

The Federal Government will regularly report on the **implementation** of the Strategy on China. Its evaluations of the Strategy will involve the German Bundestag and other key stakeholders.

These key stakeholders particularly include the Länder. During regular **meetings between the Federation and the Länder**, we will place topics relating to China that also concern the Länder on the agenda. The Federal Government supports these meetings through exchanges and additional measures at the level of experts.

The Federal Government will establish a continuous exchange with **business associations, companies and trade unions** on the implementation of the Strategy on China, so as to consistently develop German-Chinese business relations.

We support **universities**, the German Rectors' Conference, non-university research institutions and the **Alliance of Science Organisations in Germany** in their efforts to deal with Chinese institutions in a coordinated way. We support the networking at European level of German science organisations. We are continuing our interministerial exchange with the *Alliance of Science Organisations* in Germany.

### 6.2. Expertise on China

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. Solid, current and **independent expertise on China** is essential for mutual understanding and for the long-term, successful pursuit and assertion of Germany's interests.

**Building and expanding** independent expertise on China is a cross-cutting task. The Federal Government is stepping up its engagement and is encouraging Länder, towns and cities and municipalities, as well as the spheres of business, science and research, universities and civil society, to also expand their expertise on China.

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. This should be accomplished through networking among higher education institutions and harnessing synergies with the business sector.

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. Training and advisory services that we offer by drawing on expertise in the academic sphere and at universities, in businesses and think tanks are an important asset in this regard.

**Cooperation with Chinese institutions** is indispensable for spreading expertise on China. This also applies to partners from Taiwan.

The expertise of the **Federal Government** on China, too, must be strengthened. We aim to increase the share of personnel at all Federal Ministries and supreme Federal authorities with expertise on China. In areas that are relevant to relations with China, the Federal Government will promote staff exchanges in the spheres of politics, administration, business and academia.

Think tanks and research institutes make a vital contribution to the debate in Germany on policy vis-à-vis China, as well as play an important role in spreading expertise on China in the political, social, economic and academic spheres. ***The Mercator Institute for China Studies (MERICS)*** in Berlin is a European leader in its field and plays a prominent role in this regard. The Federal

Government has a major interest in this institute's existence, as well as in preserving its independence.