

China is just one of Germany's major trading partners

China ist nur einer von Deutschlands großen Handelspartnern

Franz Peter Lang

FOM Hochschule

Essen, Germany, e-mail: peter.lang@fom.de

Abstract — The aggression of the Great Russian chauvinism and disruptions to the usual world trade routes cause fears in Germany that the German economy could be dependent on trade with an overpowering partner China. An analysis of the German-Chinese foreign trade data and its effects on the economy shows that China is one of several equally important trading partners, but by no means occupies a dominant position. The bilateral dependencies resulting from trade relations are proving to be normal and manageable. Trade could even be expanded if China pursued a rational, trustworthy policy. In addition the impact of China's ambitious large-scale projects are examined against the background of its actual economic potential, its current weaknesses and inner political situation. Finally, some recommendations for the design of future trade relations are made.

Zusammenfassung — Die Aggression des großrussischen Chauvinismus und Störungen der üblichen Welthandelsrouten lassen Befürchtungen aufkommen, dass die deutsche Wirtschaft vom Handel mit einem übermächtigen Partner China abhängig sein könnte. Eine Analyse der deutsch-chinesischen Außenhandelsdaten und deren Auswirkungen auf die deutsche Wirtschaft zeigt, dass China zwar einer von mehreren gleichbedeutenden Handelspartnern ist, aber keinesfalls eine beherrschende Stellung einnimmt. Die aus den Handelsbeziehungen resultierenden bilateralen Abhängigkeiten erweisen sich als normal und über-schaubar. Der Handel könnte sogar ausgeweitet werden, wenn China eine vernünftige, vertrauenswürdige Politik sicherstellt. Darüber hinaus werden die Auswirkungen der ehrgeizigen Großprojekte Chinas vor dem Hintergrund seines wirtschaftlichen Potenzials, seiner derzeitigen Schwächen und seiner innenpolitischen Situation untersucht. Abschließend werden einige Empfehlungen für die Gestaltung zukünftiger Handelsbeziehungen gegeben.

I. ASSESSMENT OF GERMAN-CHINESE FOREIGN TRADE

"Germany's economy totally depends on China " German media are currently reporting in an inappropriately dramatic tenor.[1] In journalistic commentaries and talk shows, an existentially threatening dependency is even derived from this and China is even stylized as the dominant trading partner by a "large margin". Such reports, which are increasing in number and in a dramatizing manner, promote the famous "German Angst" [2] in the public. In order to assess this, we will take a look at German foreign trade, based on a few figures [3].

A. Is German-Chinese Trade dominating German Economy?

In total, a trade volume of around EUR 245 billion was achieved between Germany and China in 2021. This included EUR 104 billion for German exports and EUR 141 billion for German imports. This actually puts China in first place among Germany's foreign trade partners.

In the German foreign trade statistics, the Netherlands follows in second place with a trade volume of EUR 206 billion. Of this, EUR 100 billion are exports and EUR 105 billion are imports. The USA followed with a trade volume of EUR 194 billion, of which EUR 122 billion for exports and EUR 72 billion for imports, and France with a trade volume of EUR 165 billion, of which EUR 103 billion for exports and EUR 62 billion for imports.

As a trading partner, the Netherlands is obviously almost as important as China and the USA. The USA is even more important for German exports than China, which only ranks fifth among German exports.

If you only add up the values of two of the non-Chinese trading partners mentioned, the combined trade volume of these countries with Germany is greater in every combination than the German trade volume with China, the largest economy in the world in terms of population.

If we look at the difference between the German-Chinese trade volume and the German-Dutch trade volume, at around EUR 40 billion this corresponds to the German-Turkish trade volume (EUR 39.8 billion) or four times the trade volume with Bulgaria (9.9 billion EUR). It should be noted that Turkey ranks 17th and Bulgaria 40th among German foreign trade partners. Obviously China is not more important for the German economy in trade than the Netherlands plus four times Bulgaria. These numbers put into perspective the statement that China is "by a large margin" ahead of all other trading partners.

It is correct that in German foreign trade with China in 2021 there will be a German trade balance deficit of around 37 billion EUR. German exports (Chinese imports) even fell by 6.7 percent in 2022. On the one hand, the cause is the transport problem caused by the Chinese lockdown policy. On the other hand, it is the increasing Chinese economic crisis and the restrictive Chinese domestic policy that has reduced the import of superior consumer goods (Daimler, Porsche, Tourism in Europe etc.). At the same time, Chinese exports to Germany rose by 17.6 percent due to the good German economy and the replacement of imports from other countries.

But even this development is no cause for concern, because this trade balance deficit is relatively insignificant in view of Germany's overall world trade. In 2021, Germany exported goods worth a total of 1,375 billion EUR and imported goods worth a total of 1,203 billion EUR. This resulted in a global trade surplus of around 172 billion EUR. Germany had the highest bilateral surpluses in 2021 with the USA (50.0 billion EUR) and France (40.0 billion EUR).

Germany's share of total world trade in the same year was around 7.1% and leads Germany, after China with 12% and the USA with 11%, in third place among the world trading nations. This is remarkable, because in terms of population, Germany, with 1.05% of the world's population, ranks nineteenth among all countries. China, on the other hand, ranks first with 18.4% of the world's population, closely followed by India with

18.1%. The US is third with 4.23% of the world population. "Little Germany" is by no means small in global world trade.

For the average German citizen, who is at the mercy of the dominant talk show-oriented leading media, this would certainly be a reassuring fact, but this fact is largely ignored in political debates.

B. Germanies export and import

Germany's exports in 2021 were primarily vehicles and motor vehicle parts (22% of total exports), ahead of products from the electrical industry and data processing (16%), chemical and pharmaceutical products (15%), machines and plants (15%), metals (4%), other goods (28%). These product classes represent precisely the technologically strong sectors of the German economy.

In the same year, in Germany imports of data processing equipment and electrotechnical products (including smartphones from China, notebooks that are built there with American licenses, etc.) and optical products (including glasses, binoculars, etc. from China) had been in first place. In second place among the most important imported goods were, motor vehicle parts, etc. Third place goes to chemical products (often those that cannot be produced in Germany for reasons of environmental protection). The much-discussed "rare earths" are undoubtedly an important part of imports from China at the moment. But they are also found in Australia, Greenland and Kannada, where they have hardly been mined to day.

However, most of the goods 57% of all imports are from the European Union (EU) and those European countries that are not part of the EU (11%). Europe is therefore the origin of more than two thirds of German imports.

Asia, including China, accounts for 21% of the imports. Around 6% of imports come from North America, primarily from the USA. Africa's share is just under 2%, the Central and South American countries share just over 2%. Oceania comes to 0.4%. Incidentally, this makes it clear that, especially with regard to Africa, there is still considerable potential for expansion. Less than 10% of imports come from China. They are followed by the Netherlands, France, the USA and Italy.

Because of the topicality, we are looking specifically at natural gas imports. In 2021, Germany mainly received 53% from Russia (42% in 2015 and 36% in 2011), Norway 30.6% and the Netherlands 12.7%. Russian natural gas deliveries accounted for slightly more than half of German natural gas imports via pipelines, apparently due to the increase in the Merkel era. However, the share of natural gas and oil imports in total imports is only 6.4%. A permanent increase in gas or oil prices would of course make this proportion higher.

However, this is not to be expected, because in the past 50 years there have already been three phases in which oil prices have risen sharply. The first "shock" came in 1973, when Arab OPEC countries imposed an oil embargo. The second oil price shock followed the Iranian Revolution in 1979, which was then amplified by the Iran-Iraq war.

Both are "classic" supply shocks caused by the sudden loss of important suppliers. Shortages and increases in the price of oil, however, subsequently triggered processes of technological substitution, e.g. engines with significantly lower fuel consumption, more effective insulation of houses, etc. were developed. Higher prices also made it possible to open up previously uneconomic funding agencies, e.g. in the North Sea.

However, "petro-dollar recycling" also followed through the return flow of the price-related higher income of the oil-exporting countries via their sharply increasing imports from the industrialized countries, which led to a sustained export boom there.

The third strong price increase took place at the beginning of the 2000s. This was mainly due to the strong increase in demand from up-coming emerging countries such as China and India. However, the financial crisis ended this boom. From 2014 oil prices began to fall again.

A permanent extreme price increase for substitutable raw materials is therefore unlikely in the long term, even today.

In any case, Germany primarily imports and exports industrial goods from the same sectors (German cars against Japanese and Italian cars, etc.) in so-called intra-industrial or substitutive trade relations. Intra-industrial trade relations are indicators of the foreign trade of countries that are experienced in highly competitive markets.

On the other hand, inter-industrial or complementary trade relations exist between countries that e.g. like the Russian Federation, Iran or the Arab Emirates, which sell energy sources such as coal, natural gas and oil as well as other raw materials and buy industrial goods and superior consumer goods that they usually do not produce.

C. Chinas export and import

China's most important import suppliers are, in this order, Taiwan with 9.3%, South Korea with 7.9%, Japan with 7.6%, the USA with 6.7%, Australia with 6.1% and Germany with a 4.5% share of the Chinese total imports.

They are made up of technical-industrial products such as electronics (23.2%), electrical engineering (4.2%), machines (6.1%), automotive (3.2%), measurement and control technology (3.2 %) and chemical products (9.8%). In addition, China mainly imports raw materials 15.9% of all imports, petroleum 11.0%, food 4.6% and non-ferrous metals 3.2%.

This means that 35 percentage points of China's imports are non-technical goods.

China's most important export customers are the USA with 17%, Hong Kong (!) with 10%, Japan with 4.9%, South Korea with 4.4%, Vietnam with 4.1% and Germany with 3.4%. share of total exports. Exports include 24.6% electronic products, 9.6% electrical engineering, 9.5% textiles, 8.8% machines, 7.9% chemical products, 4.3% metal goods, 4.2% automotive and 2.6% furniture. This export is currently still the essential basis of China's current prosperity and global investment capability.

This trade structure has components that speak for intra-industrial trade relations. With many technical products, however, China is still the extended workbench of foreign companies that used to produce there for export to third countries today primarily because of an environment that can still be used largely free of charge (e.g. Apple, etc.). Hong Kong's foreign trade, which is still statistically reported separately from China, is an example. Hong Kong's industrial export products have always been mainly produced in China, from where they are exported to Hong Kong and finally delivered to third countries [4].

D. Bilateral dependencies in foreign trade

At least since the classics of economics, we have known that free and fair world trade promotes prosperity, growth and progress for all trading partners. The increase in prosperity in China compared to Mao's time can be attributed to this effect.

It is just as clear, however, that trade-driven specialization in the respective advantageous sectors results in mutual dependencies, which inevitably increase through the national specializations triggered as a result. Trade advantages cannot be achieved without bilateral dependencies and cannot be expanded without deepening these dependencies. In order to secure such trade relationships in the long term, however,

contractual compliance and loyalty on the part of the partners are a necessary prerequisite.

After many years of foreign trade relations since 1978, China has become more dependent on the EU than vice versa in terms of value-added import and export shares in trade with all EU countries. However, if the added value of imports and exports is set relative to the development of the national product, then these shares will decrease continuously. This effect results from the fact that China was able to successively reduce its previously much higher dependency through the growth of its domestic market and the resulting substitution of previously imported goods with domestic products (see below). The rise in Chinese passenger car production is just one example.

The fact that their quality is not or not yet competitive in an international comparison is a consequence of the still existing emerging country character and the resulting technological differences to the developed industrial countries. This still results in a need for imports of technologically advanced goods.

On the EU import side, around 2% of the total added value of the total EU demand came from China in 2018/19. However, via EU exports, an approximately equal share of EU value added via Chinese import demand is included in Chinese total demand. The corresponding shares for China are 2.2% on the import and export side. China's dependency on this important measure is still 10% greater than the EU's dependency on China. From a global perspective, these values are obviously relatively low and therefore also do not justify overestimating the importance of China for Europe or Germany.

On the export side, there is also a dependency on jobs. Measured in terms of total employment, however, the shares on both sides are just as low as in the case of the macroeconomic value-added shares. But in absolute numbers they differ significantly. In 2018/19, 15.7 million jobs in China depended directly or indirectly on demand from the EU, and 4.1 million jobs depended on demand in Germany. In the EU, on the other hand, there are around 3.5 million jobs, including around 1.1 million jobs in Germany, that depend on China's demand for imports. However, Germany is more dependent on China on the export side than vice versa. 2.7% of German added value and 2.4% of total employment depend on the export of primarily superior consumer and industrial goods to China. In China, which is not surprising given the size of the economy, only 0.5% of value added and 0.6% of total employment depend on German demand [4].

It can therefore be stated that there are of course also bilateral dependencies, but that these are relatively small. It is important to know which sectors (automotive industry, chemicals, etc.) and which types of goods (raw materials, consumer goods, capital goods or high-tech) are involved. However, it is also clear that given the low level of this dependency, the German and European economy could certainly cope with a breakdown in relations. The European social systems could also cope with this.

China itself has no alternative to accelerate its growth. China's economy still needs to grow much faster so that it can not only overcome its development deficits but also socially cushion its demographic problems caused by the aging of its society. Deng Xiaoping summarized the Chinese growth and population problem in his time in the sentence: "China must get rich faster than it gets old" [5].

In view of the costly global political ambitions of his new leadership, however, it is questionable whether this will succeed.

China is therefore currently trying to open up new markets (see below). However, the world regions envisaged for this are

currently neither developed in terms of infrastructure nor developed enough to be sales markets for capital and consumer goods in addition to raw material suppliers.

In view of the costly global political ambitions of his new leadership, however, it is questionable whether this will succeed. However, it currently seems more likely that it could be the other way around.

E. China is not the only important Trade-Partner

So let's summarize. Although China is one of Germany's "large" trading partners, it is by no means the most important. As an international trading partner, China is no more or less important than the Netherlands, France or the USA.

However, most of Germany's major trading partners offer considerable advantages compared to China because they are members of the European single market. More than two thirds of German goods exports go to the countries of the European Union. This shows the very high importance of this European "home market", which is also extremely safe and low-risk. Euro-critical polemics, which are often spread unchallenged by European politicians, are therefore nonsensical and harmful. Britain is just beginning to feel the cost of exiting this market.

There is undoubtedly a high degree of dependence on China among a few, but vocal "China specialists" who source their products more or less entirely from China or deliver more or less entirely to China. But there are also companies in this situation in China, because Germany is the fifth largest trading partner there.

However, it can currently be seen that the increasing problems in China's economy itself, combined with the Xi government's intensified campaigns against the "rich", has greatly reduced the import of superior and therefore expensive luxury goods. These Chinese weaknesses are the main reason for Germany's currently declining exports to China.

F. Overestimation of China has a long tradition in Germany

Overestimating China and its potential is by no means new in Germany. For example, in eighteenth-century Europe there was a phase of excessive overestimation of Asia, which was equated with China. This was probably stimulated by increasing imports of luxury goods such as porcelain and silk, as well as by often exaggerated reports from early East Asia travellers from the mysterious "Closed Country".

The German physicist and natural scientist Lichtenberg (1742 to 1799) commented on the widespread overestimation of China as an ultra-rich and progressive wonderland in his satirical-critical essay "Of the Chinese War and Fasting Schools" [6]. His reading is especially recommended for German readers to promote a realistic and critical view of China. Lichtenberg shows that there were enlightened people at that time who were able to reduce legends to their real core through common sense alone.

In the 1950s, Germany viewed China as a formidable enemy of world peace. During the rule of Mao Tse-tung, the People's Republic was seen in the German media as a dangerous, economically depressed country and isolated in terms of foreign policy. In the 1960s, the "Great Proletarian Cultural Revolution" was also raging, which was conveyed to the world public, above all in the media, by means of grotesque and senseless mass marches and aggressive rhetoric. The then German Federal Chancellor expressed the fears of the Germans in 1969 with his words "I only say China, China, China!" [7].

After Mao's departure, this assessment has changed steadily since 1978 as China returned to the world economy. While in 1980 China was Germany's 35th trading partner, by 1990 it had moved up to 14th place. Given the size of the Chinese economy, this development is not really surprising, because

China was well endowed with human capital and at the same time a low-wage country. In addition, as an extension of the world's workbench, it quickly received significant investment support from many overseas Chinese, which other investors followed [8].

The revival of the legend of the "brilliant Chinese" who only lacked freedom characterizes the new view of China of this period.

In the early phase of opening up to Europe, the Deng government, to which many older politicians with personal experience abroad belonged, again sent Chinese students to non-socialist countries. These were often very reserved, extraordinarily eager to learn young people who considered it a privilege to have been sent to Germany. They created the impression that the Chinese are above-average industrious and able to learn.

The fact that not all Chinese students belong to a brilliant world elite, but are quite comparable to their European fellow students in terms of the distribution of their skills and their eagerness to learn, became apparent with the growing number of inflowing students from China.

Foreign partners are having similar experiences today with the new executives and heirs in their Chinese joint ventures. There is a certain degree of everyday corruption and a tendency towards rent-seeking. Nevertheless, the aura of the early years still spreads the splendor of the early years in large parts of German society.

The impressions conveyed to tourists or business travelers in the centers of China's glittering metropolises have a similar effect. A visit to the prefab suburbs of these metropolises, a trip to one of the provincial cities or even to rural regions without infrastructure would put the impression of modernity and luxury in China into perspective. Despite space travel and the atomic bomb, China is still an emerging country with a considerable need for further development.

G. Chinese propaganda and the image of China

The overestimating of China's potential continues to this day and is now also being cultivated in propaganda by the numerous pro-Chinese activists and lobbyists active in Germany. So e.g. Chinese academics and students working in Germany are instrumentalized in disseminating perspectives on China and its politics that are desirable from a Chinese perspective. There is already a relatively large number of Chinese with German citizenship in Germany who are already living comfortably after they have retired and who at most travel to China occasionally like tourists.

Some of them are patriots who praise China on the golf courses and are in no way concerned with the political changes that are currently taking place there, but who even vehemently deny human rights violations. However, they personally refrain from returning to the promised land. The existing overestimation of China is stabilized by their apparently authentic reports and undesirable developments, e.g. in minority and foreign policy are normally overlooked.

Chinese foreign propaganda "ghostwriters" also provide European journalists and politicians with specially prepared manuscript templates for publications that serve to disseminate desired perspectives on China and its politics. The journalists can publish them directly as their own work. In this way, the image of China as a "superpower" is promoted and Germans are happy to believe it if they ignore the facts.

Corresponding articles in Western media also have effects on China, where they are politically instrumentalized by references to the obvious admiration of China in foreign countries. In view of the patriotism traditionally widespread in China, such assessments are readily seen by many people as

confirmation of the national path taken and support chauvinistic-neo-colonialist ambitions. International reporting on spectacles such as the Winter Olympics or the "Record World Expo in Shanghai" have also driven national pride and economic overconfidence in the Chinese population to new heights. This helps the Chinese political leadership to overlook undesirable developments and economic problems.

H. Economic data show the actual conditions

However, a look at some comparative figures provides a realistic picture of the current Chinese economic power, the real power and global importance of China. In 2021, the absolute gross domestic product, i.e. the value of all values produced in China that year, was EUR 12.35 trillion. That is EUR 10,385 per capita. In Germany it is EUR 3.75 trillion and thus EUR 42,918 per capita. In the USA, the gross domestic product is EUR 20.64 trillion and thus EUR 62,598 per capita. In Japan, the gross domestic product is EUR 4.98 trillion and thus EUR 39,608 per capita.

When using such numbers, there is a risk, especially in autocratically governed states, that statistical numbers are not recorded objectively and internationally comparable, are only estimated or even falsified for propaganda reasons. Nevertheless, we assume that the data used in our sources can be trusted.

A comparison of the per capita income is particularly interesting because it is apparently more than four times higher in Germany than in China. In the USA it is even six times higher. This too reflects the true international position of the Chinese economy. At the same time, it is becoming clear that catching up with the world leaders in prosperity is far from being achieved.

For comparison and to put the potential of the Russian Federation, which is also overestimated in Germany, into perspective, its gross domestic product should also be considered. In 2021 it was EUR 1.46 trillion, which means that the gross domestic product per capita was EUR 9,994. The Russian gross domestic product, including all exports of natural gas, crude oil and raw materials, corresponds approximately to the gross domestic product of the Netherlands or twice the gross domestic product of the German state of North Rhine-Westphalia. However, the gross domestic product per capita in the Netherlands, at EUR 51,827, is more than five times higher than the per capita income of the Russian Federation.

The per capita income shows that the standard of living of the population in both countries cannot differ significantly. But you have to keep in mind that the per capita income is only the average of all incomes. In view of the countless superyachts of Russian oligarchs on the seven seas and the news that there are two new Chinese billionaires every week, it is clear that, in both Russia and China, a realistic assessment of the prosperity of the people would require an examination of personal income distribution.

At present, China, with its approximately 1.4 billion people, produces around 12.5% of the world's national product. In contrast, the European Union, which has a much smaller population of around 0.45 billion people, produces 23.5% of the world's national product. This comparison also straightens out the positions. China should therefore neither be overestimated nor underestimated in terms of its economic potential, because with a rational, globally oriented economic policy it would still have considerable development prospects.

II. TO THE FUTURE OR BACK TO THE FIFTIES?

A. *The Dual Circulation Strategy*

The EU and Germany have actively expanded their trade shares with China in recent years. In contrast, China has been reducing its dependency for around 15 years by promoting its domestic sector in an import-substituting manner. In 2007, 4.4% of the total Chinese added value was still dependent on developments in the EU, but in 2018 it was only 2.2%.

This new trend is likely to continue on the import side of China, since the Chinese government wants to massively reduce its dependency on foreign countries through its so-called "Dual Circulation Strategy" [9]. However, this is nothing other than the policy of "import substitution and export intensification", which was practiced in South America in the 1960s, albeit without the desired successes.

Failure was mainly due to the fact that the domestic goods produced instead of the imported goods to the exclusion of international competition were technically and qualitatively inferior to the previously imported goods. In this way, machines of inferior quality produced in the country found their way into domestic production and in turn caused quality defects in products produced and used in the country. This in turn affected the quality of goods produced for export. Although imports were reduced in favor of domestic producers, domestic service provision was weakened as a result of quality defects. The hoped-for intensification of exports did not take place and some exports even decreased. Countries like India have also had this experience.

If China nevertheless continues this policy, which is to be expected, the EU could become more dependent on China in the medium term than vice versa. Nevertheless, this dependency would remain absolutely low in macroeconomic terms and at the same time Chinese exports to the EU could decrease due to the possible "downgrading" of the quality of the export goods.

The Paris Motor Show 2022 is a testing ground for such Chinese import substitutes. After a certain development phase in the country itself, the aim is to establish automobiles originally produced in China on the international automobile market. Since such technical products also require a sales and maintenance infrastructure in the exporting country, the importing countries also benefit. So far, however, these have primarily been propaganda activities.

However, the situation in international trade with China could also be in a fundamental phase of upheaval for domestic political reasons, because China, as so often before, is once again pursuing high-flying plans.

B. *World technological leadership by 2049?*

By 2049, i.e. by the 100th anniversary of the founding of the Chinese People's Republic, China is to take over global technological leadership from the western world and in particular from the USA [11]

The People's Republic has repeatedly striven for similar hybrid goals during Maoism. Examples are the "Hundred Flowers Campaign" or the "Great Leap" campaign. Both should advance industrialization through new ideas and through collective enthusiasm (blue ants). However, not a single one of the goals set at the time was achieved. Rather, the results, especially in the so-called "Great Leap", were downright disastrous. It was the main cause of the "Great Chinese Famine" from 1959 to 1961 and claimed between 15 and 50 million victims, depending on the political source [10].

The memory of it is therefore often suppressed in China or the blame is placed on western countries. Curiously, German "China admirers" also repeatedly express this view. This shows

the impact of the activities of the aforementioned Chinese propagandists and their European followers. We don't even want to talk about the "Great Cultural Revolution" and its resonance among the numerous intellectuals who admired China in the West at the time.

Except for declarations of intent, there are currently no precise indications in China as to how the technological leadership of the world is to be achieved by 2049. As is traditionally the case, the German media and self-proclaimed German experts react to such pronouncements from China as if this extremely ambitious goal could now be achieved for China as a matter of course.

It is often overlooked that technological development outside of China is also progressing at an increasing pace and is not stagnating in consideration of China's ambitions. It is also overlooked that personal freedom, freedom of science, plays a major role in successful innovations. Technological advances also result essentially from international cooperation and the cooperation of a free, international "scientific community", which cannot be compensated for by industrial espionage alone with the increasing vigilance of the western naïve. Historically, autocratic systems have never been scientifically successful because of their serious lack of freedom. However, China is still a centralized, bureaucratic and increasingly autocratic-dogmatically controlled economy [12].

In this context, the expensive prestige projects of a Chinese space station or a trip to the moon should not be overestimated. Given the performance standards of modern satellites, the benefit of a manned outpost in orbit is highly questionable. In addition, these can already be ordered inexpensively on private technology markets.

China's as yet uncompleted rise has essentially been driven by the forces of a largely uninhibited, open economy. At the moment, however, it looks more like China itself is politically driving the development in the opposite direction. In order to achieve the goal of technological leadership, isolating China is the most unsuitable means imaginable. China would deprive itself of those markets on which around 61 million Chinese jobs depend. China therefore needs global economic integration and its further development if it wants to even come close to achieving its ambitious goal. The expectation that the Chinese plans might fail is by no means unrealistic

However, this is not the only ambitious and costly vision that the Chinese government has set out to realize.

C. *The Belt and Road Initiative*

A similarly ambitious large-scale project, the "Belt and Road Initiative" [13], has been in progress since 2013, which in any case only makes sense if the aim is to further internationalize existing economic relations.

The vision of the New Silk Road aims to create trade links from China to Europe by road and rail, and by including the sea route to Africa and America. The Chinese government wants to invest more than USD 1 trillion in railways, roads, ports and bridges in over 70 countries. In the end, there should be a widespread transport and trade network that connects China much more closely than before with the rest of the world. Several main routes are planned.

The already existing rail-bound northern land route runs via Russia to the EU. The southern leads via Iran to the EU. Freight trains are already commuting continuously between the port of Lianyungang in eastern China and Europe's largest inland port, "Duisport" in Duisburg, Germany, via this approx. 10,000 kilometer long northern route.

In addition, there is the so-called maritime Silk Road, which runs along the Asian coast to the Pakistani port of

Gwadar, from where it is to split in the direction of Africa and the EU. In Gwadar, a deep-sea port is already being expanded with Chinese help. A new airport has already been built in Sri Lanka with the help of Chinese loans and companies. Chinese railway companies have laid new railway lines in Kenya, Hungary and Serbia. Chinese builders and engineers are currently driving tunnels through the Karakoram Mountains and spanning the gorges of these mountains with bridges to open up new land routes.

Although the northern and southern routes follow the historical routes of the ancient Silk Road, China is dealing with its own Chinese-controlled globalization. The project is intended to open up new markets that have not yet been used without foreign help. Incidentally, the EU is pursuing similar goals with its "Global Gate Way Initiative".

Thanks to its expansion in Central Asia, China is already selling consumer and capital goods to the relatively small Central Asian countries Kazakhstan (18 million inhabitants), Uzbekistan (35 million inhabitants), etc. in terms of population. That is why China wants to do even more in the future make greater investments in the infrastructures of Pakistan, Myanmar, Iran, the Arab and African countries.

However, many of these countries are neither really aware that they have to help finance these projects, nor that they become politically dependent and open to blackmail through debt to China and its banks. However, most of them are anyway so-called "failed states" with disloyal political elites and an unclear future.

However, it is already evident today that these projects can neither be financed nor implemented without the existing trade relations and their further growth by China. Power-political experiments, such as those presented by the Russian Federation in 2022, would in any case mean their early end [14].

D. The Shanghai Five

The "Shanghai Cooperation Organization (SCO)" should also be seen in connection with this Chinese long-term strategy. It is an international organization based in Beijing. It is to deal with the security policy cooperation of its member states, with economic and trade issues and stability in the huge region, which encompasses almost all of Asia and parts of Europe and Africa.

The SCO was founded in 2001. However, it emerged from the "Shanghai Five" founded in 1996. These were the five countries China, Kazakhstan (18.8 million inhabitants), Kyrgyzstan (6.5 million inhabitants), Russia (including its former Central and East Asian colonies 144.5 million inhabitants) and Tajikistan (9.5 million inhabitants).

Today the SCO also includes India (population 1,417 million), Pakistan (population 221 million) and Uzbekistan (population 35.4 million). Turkey, Belarus and Iran are also about to join. There is also a large group of so-called "observing" members. Since 2004, the SCO has also had observer status at the United Nations.

About 40% of the world's population currently lives in the countries of the SCO. China and its rival India are by far the largest partners in this. Politically, the majority are autocracies and "failed states". India is therefore often singled out for its unusual role as the "largest democracy in the world".

However, some of these countries are involved in armed conflicts with one another or, like India and Pakistan, are entangled in traditional hostility. Russia, too, continues to regard the former colonies of the Tsarist Empire in East Asia as its national territory, which, interestingly, also includes former parts of China, whose return is in turn demanded by Chinese patriots. Together with China, everyone is dreaming, with what

appears to be Western naivety, of one day belonging to a new, powerful economic area.

At present, however, most of these SCO countries are at a very low level of technological development and are economically weak. They are also located in a huge area without any infrastructure worth mentioning, in which resources and populations are also extremely unequally distributed geographically, ethnically and socio-economically. Apart from the prospect of becoming political and economic vassals or even colonies of a "Greater China", this cooperation will lack economic sense for the foreseeable future.

In view of China's economic potential and its own demographic problems, the members cannot count on significant support from Chinese transfer payments or cheap loans in the foreseeable future. From the Chinese point of view, however, they have been chosen as future procurement and sales markets, although for the foreseeable future it can only be about manageable inter-industrial trade relations with and to the advantage of China as the technologically leading trading partner.[15]

E. Chinese trade routes are unsafe

Going global" requires stable political and legal-contractual conditions as well as secure trade routes. In the early days of the People's Republic of China, the Republic of China (Taiwan) imposed a naval blockade against what was then "Red China" in 1954 and interrupted all goods traffic by sea. This is still a traumatic chapter in Chinese history today.

So far, Chinese foreign trade has been carried out almost exclusively via direct sea transport. Although this is inexpensive, it is also prone to risks. These range from piracy and accidents to blocking political-military conflicts.

However, because of the geographical situation, the sea routes from China to the world are still easy to block. A ship leaving a Chinese port has to pass through the East China Sea to reach America or Latin America. To get to Africa or Europe it has to go through the South China Sea.

Both sea routes have bottlenecks. So between South Korea and Japan, in the Philippines, near Malaysia and Singapore, in the Arabian Sea and in the Suez Canal. The last blockade of the Suez Canal by a damaged container ship is still well remembered.

From this perspective, the existing sections of the New Silk Road are a land route through which such naval blockades could be bypassed. To expand this option, China is expanding the aforementioned rail routes to Pakistan and investing in a deep sea port in Myanmar. Goods transported overland are to be loaded onto ships in the ports of Pakistan and Myanmar. A port of destination in Europe, the state-owned Chinese shipping company Cosco (China Ocean Shipping Group Company) took over a 67% stake in Greece's largest port of Piraeus for 36 years in 2016. Similar ambitions exist for parts of the container port of Hamburg and the port of Duisburg.

In this way, China hopes to be able to maintain trade in goods to Europe and Africa, even in the event of a possible conflict in the East or South China Sea. The Chinese government seems to ignore the fact that this overland route makes trade enormously more expensive, as well as the risk of the overland transport being interrupted in a crisis.

In order to additionally secure these trade routes, China is expanding its naval fleet at enormous expense and has already set up its first military naval base outside the country in Djibouti (Africa). However, observers with an education in military history consider such an isolated base in a global military crisis to be just as militarily useless as the naval base of the East Asia Fleet of the German Empire Qingdao in China before the First World War.

Despite its persistently low per capita income, China is increasing its defence spending year after year with the aim of being able to defend its economic interests militarily if necessary. However, it is doubtful whether this would be possible at all globally without trade collapsing on the other trade routes. As early as autumn 2022, the railway line through the Russian Federation will only be available to a limited extent on the northern route of the New Silk Road, since the railway lines are also being used by Russian military transports and are also being affected by anti-Russian sanctions.

It is obvious that the enormous armaments expenditure and the expenditure for such prestige projects are a considerable burden on the Chinese economy. In addition, however, there are also long-term distorting effects of this policy on the industrial structure, which are caused, for example, by armaments and other prestige projects at the expense of civilian production sectors. In addition, these expenses tie up funds that are missing, for example, for the expansion of the infrastructure of the Chinese interior, but also for the development of a functioning health and social system.

China's gross domestic product mentioned above, if it reflects the true situation at all, overstates the economically relevant performance of the Chinese economy anyway, because the recorded value creation also includes the enormous expenditure for the unproductive military and repressive apparatus. This high state consumption can currently only be financed because previous governments, through their liberal economic and trade policies, have achieved an unprecedented upswing for China and its integration into the global economy. To a large extent, this was due to the new openness and created an image of China in the world that eventually also made foreign investors and lenders think positively about China [16].

F. Generation Xi as a risk?

However, this trust is currently declining significantly. "China is losing the appeal it used to have... I've never seen ideological decisions become more important than economic decisions." [17], says Jörg Wuttke, President of the European Chamber of Commerce in Beijing, at the presentation of the Chamber of Commerce's annual position paper. On 430 pages, the chamber makes almost a thousand recommendations to the Chinese government so that the Chinese market can regain its former attractiveness. The declining growth figures support these concerns.

However, even these insiders find it more than questionable that these recommendations could currently penetrate to the government district in Beijing. While pragmatic local governments from Shanghai to Shenzhen have shown understanding, the central government, Xi Jinping, has made it abundantly clear that it is willing to trade economic growth for political control. Apparently they believe that the economy will run itself. This is the misconception held by many post-communist autocrats. Experienced observers of China already see the current economic situation in China as unstable and at risk of a crisis and see the causes for this in Xi Jinping's government practices.

The government effectively ended the successful reform policy of its predecessors by reducing openness to the global economy and by making fatal economic policy mistakes. There are not only the attempts to control the pandemic through extreme lockdowns. At the same time, private individuals are being made more difficult to enter and leave the country, and foreign managers and investors are increasingly being systematically impeded in China. Chinese intellectuals and scientists have long been leaving the country in large numbers and entering the service of non-Chinese, usually Western companies, institutes and universities. The majority of you are

Chinese patriots through and through and verbally praise Chinese politics (see above), but still prefer the "sweet life" in the diaspora. The negative effects of this brain drain on the prospects for the Chinese economy should not be underestimated

The political turn towards the past is also evidenced by the various campaigns against successful Chinese entrepreneurs and companies accused of corruption. Added to this is the repressive action taken against critics from competing cadre groups, ethnic minorities and the costly and unproductive digital surveillance of the population. The intimidating effect of total social surveillance and paternalism prompts scientific talent in particular to emigrate. None of these measures will bring growth-enhancing effects, but additional unproductive state consumption does, which hinders technologically creative economic growth. The huge centralized state and party apparatus and the massive military apparatus are obstructive burdens that are increasingly slowing down economic development.

According to insiders, the measures outlined are primarily signs of political disputes between cliques of the new generation of leaders in the increasingly neo-feudal Communist Party, who at the same time want to secure their enormous material privileges. Domestically, Xi Jinping is pursuing a much stronger "patriotic" ideologization, probably also with the intention of distracting attention from the increasing economic problems, which is combined with more aggressive foreign policy rhetoric. The old thesis that the West was and is always to blame for failures is very reminiscent of the days of stagnation under Mao. The choreography of his public appearances is also reminiscent of those "good old days".

In addition, China is helpless and without a concept in the face of the already mentioned demographic problem of aging and the enormous imbalance in its gender proportions due to the marital surplus of men. This situation is not least caused by the erratic leaps in population policy in the past, similar to the problems of the supply chains during the pandemic period. It has not yet been clarified how this demographic problem is to be solved socially and it is therefore largely being suppressed officially. There is also no functioning social system, especially in the countryside, where the majority of the population still lives.

President Xi Jinping, who has been almost immortalized since October 2022, and his comrades-in-arms could themselves be a central part of the problem. Like them, he comes from the most privileged layer of leading cadres. His father and grandfather were already high cadres in the Communist Party and the state. His alleged personal "persecution" during the Cultural Revolution affected many Chinese privileged people and their family members, albeit in a moderate way. However, these "victims" from certain parts of the Chinese upper class, the Chinese nomenklatura, were largely rehabilitated and compensated by the governments under Deng Xiaoping. As a result, its members continue to dominate the decisive positions.

However, since they live in a closed, luxurious special world whose prosperity results from state support, their members often lack any experience and any understanding of the processes outside their world. As a result of their own prosperity, they also overestimate the prosperity achieved across the board in China. However, they apparently live under the constant fear of being ousted from their privileges.

According to the express will of the old leadership, Chinese citizens who have broadened their horizons through studies and experience abroad are not wanted as lateral entrants into this class of political leaders. So at the highest levels there is a kind of "job reservation" for children of senior management

personnel whose thinking has not been spoiled by lengthy stays abroad (unless on private pleasure trips).

Since the new generation of leaders was feudally born into their social positions, they are not necessarily known for being particularly agile [18]. They may have experience with the "Dolce Vita" and the intrigues of their class, but they have no experience with the life of normal Chinese citizens or even Chinese business people. They consider the former to be pretentious and lazy because of their growing demands for a higher standard of living. They like to think of the latter as corrupt. Their woodcut-like view of the world, which they presumably share with political figures such as W. Putin and other post-communist leaders, blocks their pragmatic access to relevant world and economic policy issues, also in their excessive overconfidence.

Xi Jinping personally does not have any training in economic policy issues, nor does he have any practical or international experience of his own. He was born highly privileged in 1953 and studied the strange-looking subject combination of chemistry, law and Marxist philosophy. However, such studies are representative of the majority of children in senior management. In this respect, Xi Jinping is a typical representative of the actual generation of Chinese leaders. However, its members do not give the impression of being highly educated and prepared for the forthcoming solutions to the country's existing economic and demographic problems. In contrast to parts of the former Chinese leadership like Zhou Enlai or Deng Xiaoping, like Mao they lack any authentic foreign experience.

The type of nostalgic self-portrayal and installation of this tour is interesting and revealing. The propaganda stylizes Xi Jinping into a kind of Mao 2.0 and Superman. According to the latest legislation, he may also rule for life. Xi Jinping has already had corresponding writings published on his "ideas", which, like the old Mao primer, are compulsory reading in schools. In these schools there are again military exercises and parades in the style of the 1950s and 1960s. These are said to have pushed English lessons out of the curriculum in some cases.

Pupils, students and soldiers goose-stepping martially and waving flags are, however, neither a sign of dynamism in science and business, nor of military strength. The People's Republic has always mastered such antics, following the example of Stalin's Russia and Hitler's Germany. However, the martial marches of flag-waving "popular masses" are necessary in order to impress their own population, which is still largely cut off from the world, to distract them from everyday problems and, in a nostalgic haze, to hide the non-existent solution concepts.

Even Chinese critics cynically describe the current policy as a "Great Leap Backwards". They report privately that Xi's performance in his previous roles as mayor of a city and as provincial chief was not necessarily convincing.

It is therefore highly doubtful whether this political situation will have the effect of securing further development dynamics in China. Under these circumstances, the outlined goals of Chinese economic policy will probably not be achievable. "What to do?" is the central question here and not the title of one of Lenin's writings.

G. Decoupling is not an option

In the era of Deng Xiaoping and his successors, people had become accustomed to the loyalty and reliability of Chinese business partners, but this has been in doubt for a number of years, not least because of the experience with the Russian Federation, a crisis-ridden aggressor of the same kind.

It is therefore time for Germany and the EU to fundamentally review their existing trade relations with China and to question what they could be based on in the future.

In the interest of both parties, however, it should not be about a complete "decoupling" of all trade relations. However, quasi-monopoly dependencies of important sectors, as they are e.g. from the natural gas import policy of the Merkel-Schröder governments to the Russian Federation can be reduced or avoided in new projects.

Dependencies on important goods such as Taiwan from countries of origin that are permanently threatened by China are also very risky. There is an urgent need to open up alternative procurement markets or to develop your own production in Europe, for example in the south-east.

However, it is not easy to predict what the "new trade policy" should look like, especially since there have only been imprecise declarations of intent in Germany so far, but no concrete strategies. The only thing that is clear is that China cannot achieve its ambitious goals without further cooperation with the world economy, especially with its technologically advanced parts.

However, the ambitious economic and technology policy goals described above provide certain indications of China's specific current and future dependencies on international cooperation. In order to formulate a new trading strategy, a thorough analysis of the major projects outlined should therefore be carried out as soon as possible.

However, if we start from the optimistic hypothesis that Chinese policy will also be rational under Xi Jinping because of the existing constraints, then we can also assume that the current Chinese trade policy will continue, although due to the new autocratic leadership it is likely to develop less dynamics [19].

III. RESÜMEE: NEVER PUT ALL EGGS IN ONE BASKET

The above considerations have shown that China is just one of several trading partners of roughly the same size for Germany. It only accounts for around 10% of all German foreign trade relations. The proportion of European trading partners inside and outside the EU, on the other hand, is 67%, which is seven times more important.

Long-term international trade relations inevitably always lead to certain mutual dependencies, which of course also affect jobs. This dependency is also bilateral in the case of China and Germany. It is within the proportions of the trading volume and is therefore not existentially threatening; German prosperity does not result primarily from economic relations with China.

The fact that individual sectors are more dependent on Chinese suppliers can pose a problem for them if the Chinese side, like the Russian Federation, breaches the contract. However, this is one of the normal risks of transactions with potentially disloyal, autocratically governed partners.

Pursuing a decoupling to solve the trade-related dependencies of the existing relationships would nullify the existing advantages of the trade relationships and rule out a possible expansion. So decoupling is not an option.

A risk-reducing diversification of trade relations and at the same time a departure from the traditional overestimation of China therefore makes more sense. On the one hand, with the aim of diversifying trade relations, it should be examined in future whether Chinese suppliers could be supplemented by newly developed African or South American suppliers. However, Chinese and Russian actors are already active in the mostly autocratic states there, albeit with a colonial attitude. However, they are currently mainly associated with local dictators, who can also fall.

It must also be examined to what extent cooperation is possible in connection with the complex Chinese infrastructure projects as part of the New Silk Road, because there is a lack of experience that has already been gained by German companies in Africa and South America. Opportunities for cooperation could also open up in the area of project consulting or project participation as a subcontractor.

Discussions about Chinese participation in European ports etc. are nonsensical, as they do not justify dependency, but rather create a nationally controlled infrastructure. On the other hand, the participation of potentially disloyal Chinese state-owned companies in IT-supported infrastructure projects is worth discussing and should be avoided if necessary, especially since there are always European alternatives here.

China's upcoming demographic problems could also provide starting points for new cooperation in the health and social economy.

In addition, it is important to provide more support for activities in China through diplomacy and at the same time to make their know-how available to newcomers.

It is true that China is highly developed in some centers and quite competitive there on a global scale. In large parts, however, there is still a considerable need to catch up technologically. China must therefore be viewed as a "dual economy" at best, in which a developed, modern core is located in an economy that is still clearly underdeveloped in large parts.

In this respect, China is still an emerging country with all the associated risks such as legal uncertainty, corruption, legal and political arbitrariness, etc. In addition, its autocratic system occasionally triggers abrupt upheavals caused by domestic politics. Herein lie the potential risks for all economic contacts with China and countries with comparable framework conditions.

If China would succeed in implementing its planned large-scale projects, even in part, the basis for continued good development of bilateral economic relations would be secured at least for a certain future, because these projects can only be financed if China loyally maintains and continues to push its existing international trade relations. If it follows Western logic, the Chinese government cannot afford to jeopardize the relative prosperity that large sections of its population have achieved in recent decades. Seen from this point of view, the consistent continuation of the previous policy of "going global" for China seems likely.

However, in view of the current rulers in China and against the background of the experiences with their little brother, the Russian Federation, one must also reckon with the fact that Chinese economic policy does not follow Western logic and that Germany will have to largely write off trade with China. That would not be nice for some China-fixated industries, but it would be manageable for the German economy!

REFERENCES

- [1] "Außenhandel Deutschlands Wirtschaft hängt an China - Tagesschau." 18 Feb. 2022. <https://www.tagesschau.de/wirtschaft/konjunktur/china-aussenhandel-wichtigster-partner-importe-exporte-usa-uk-waren-importueberschuss-101.html>. retrieved
- [2] "German Angst: Was ist das eigentlich? - FOCUS online." 12 Okt. 2017, https://www.focus.de/politik/praxistipps/german-angst-was-ist-das-eigentlich_id_7705190.html. (retrieved 30.09.2022).
- [3] "China - Wichtigste Importländer 2021 | Statista." 17 Jun. 2022, <https://de.statista.com/statistik/daten/studie/167159/umfrage/wichtigste-importlaender-fuer-china/>. (retrieved 19.09.2022).
- [4] "Deutsche Handelsbilanz mit China bis 2021 | Statista." 24 Aug. 2022, <https://de.statista.com/statistik/daten/studie/250757/umfrage/deutsche-handelsbilanz-mit-china/>. (retrieved 06.09.2022).
- [4] Matthes, J. (2022). Gegenseitige Abhängigkeit im Handel zwischen China, der EU und Deutschland, in: IW-Report 35/2022
- [5] Deng, X. (1985). Der Aufbau des Sozialismus chinesischer Prägung, Beijing.
- [6] Lichtenberg, G. C. (1985). Von den Kriegs- und Fastenschulen der Chinesen. In: Lichtenberg Aphorismen Essays Briefe, Leipzig, S. 420 – 432.
- [7] "Ich sage nur China, China, China"- Portfolio Concept." 03 Feb. 2021, <https://portfolio-concept.de/finanzkolumne-vermoegensverwaltung/ich-sage-nur-china-china-china/>. (retrieved 27.08.2022).
- [8] Ma, H. (1985). Neue Strategie für Chinas Wirtschaft. Beijing
- [9] "China's "dual-circulation" strategy means relying less on foreigners ..." 05 Nov. 2020, <https://www.economist.com/china/2020/11/05/chinas-dual-circulation-strategy-means-relying-less-on-foreigners>. (retrieved 10.11.2022).
- [10] Mao Zedong: China unter Mao: 1949-1966 - Diktatoren -Planet Wissen." https://www.planet-wissen.de/geschichte/diktatoren/mao-zedong_gnadenlosr_machtmensch/pwiechinauntermao100.html. (retrieved 06.09.2022).
- [11] Kelch, F. (2022). Interview mit China-Experten: 2049 im Visier – China auf dem Weg zur Weltmacht, <https://www.dbwv.de/aktuelle-themen/blickpunkte/beitrag/interview-mit-china-experten-2049-im-visier-china-auf-dem-weg-zur-weltmacht> (retrieved 04.07.2022).
- [12] Lang, F.P. (2018). Structures of a "New Society" Conceivable for the Digital Revolution. In: Herald of Kyiv National University of Trade and Economics (KNUTE) (ISSN 1727-9313), No. 4(118), Kiv UA, p. 108-118.
- [13] "The Belt and Road: Bigger than Infrastructure – chinaobservers." 02 Mrz. 2022, <https://chinaobservers.eu/the-belt-and-road-bigger-than-infrastructure/> (retrieved 30.09.2022).
- [14] Lang, F.P. & Pehl, M. (2022). „Belt and Road Initiative“ and “Global Gateway Initiative“ in Comparison. In: In: European Cooperation, Vol.1 (53), p. 7 - 19.
- [15] Shanghai five "The Shanghai Cooperation Organization - Council on Foreign Relations." 14 Okt. 2015, <https://www.cfr.org/backgrounders/shanghai-cooperation-organization>. (retrieved 10.11.2022).
- [16] Chinas Flotte"USA alarmiert: 6 Karten zeigen, wozu China-Militär in der Lage ist." 15 Sept. 2020, <https://www.businessinsider.de/politik/welt/usa-alarmiert-6-karten-zeigen-china-ausruestung/>. (retrieved 10.11.2022).
- [17] Müller, F. (2022). Chinas Wirtschaft gerät in Not, in: SZ vom 14. Oktober 2022.
- [18] Lang, F. P./ Melnychenko, O. (2016). China for the Normalization. In: European Cooperation, Vol. 2 No. 9, p. 9 -17.
- [19] Glunz, A. (2020). Vier Fragen und Antworten zum Decoupling, <https://klardenker.kpmg.de/4-fragen-und-antworten-zum-decoupling/> (retrieved 02.07.2022).