

Germany in the Indo-Pacific region: strengthening the liberal order and regional security

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As predicted by the realists,¹ the rise of China has led not to its peaceful integration into the liberal world order, but to a clash with a current hegemon—the United States. The liberal world order created by the US after the end of the Cold War is in ‘deep trouble’.² Contrary to predictions by commercial liberals, economic interdependence does not stop great powers from competing with each other.³ In the future, probably two orders will coexist, one led by the United States and another led by China,⁴ with competition between them concentrating in the Indo-Pacific region.⁵ As argued by the US Department of Defense, China ‘seeks Indo-Pacific regional hegemony in the near-term and ultimately global pre-eminence in the long-term’.⁶ US–Chinese competition is forcing middle powers to adapt their foreign policy strategies to the new geopolitical situation.⁷ Germany feels threatened by the idea that the liberal world order on which it depends is coming to an end, and faces tough decisions about the future design of its bilateral relations with the two superpowers.⁸

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¹ John Mearsheimer, ‘The future of the American pacifier’, *Foreign Affairs* 80: 5, 2001, pp. 46–61; Graham Allison, *Destined for war: can America and China escape Thucydides’s trap?* (Boston: Houghton Mifflin Harcourt, 2017).

² John J. Mearsheimer, ‘Bound to fail: the rise and fall of the liberal international order’, *International Security* 43: 4, 2019, p. 7. Some dispute the role of China in challenging the liberal world order and point at the United States as the revisionist power. See e.g. Steve Chan, ‘Challenging the liberal order: the US hegemon as a revisionist power’, *International Affairs* 97: 5, 2021, pp. 1335–52.

³ Norrin M. Ripsman, ‘Globalization, deglobalization and great power politics’, *International Affairs* 97: 5, 2021, pp. 1317–33.

⁴ Mearsheimer, ‘Bound to fail’; John M. Owen, ‘Two emerging international orders? China and the United States’, *International Affairs* 97: 5, 2021, pp. 1415–31.

⁵ Feng Liu, ‘The recalibration of Chinese assertiveness: China’s responses to the Indo-Pacific challenge’, *International Affairs* 96: 1, 2020, pp. 9–28.

⁶ US Department of Defense, *Indo-Pacific strategy report: preparedness, partnerships, and promoting a networked region*, p. 8, <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF>. (Unless otherwise noted at point of citation, all URLs cited in this article were accessible on 29 Nov. 2021.)

⁷ This article adopts a simple definition of ‘middle powers’, understanding them as ‘states that are weaker than the great powers in the system but significantly stronger than the minor powers and small states’: see Carsten Holbraad, *Middle powers in international politics* (London: Macmillan, 1984), p. 4.

⁸ Sebastian Biba, ‘Germany’s relations with the United States and China from a strategic triangle perspective’,

As the Indo-Pacific region became the centre of a struggle for power, several countries developed their own Indo-Pacific strategies. They include the United States itself, Japan, Australia, India, Indonesia, France, the United Kingdom, the Netherlands and Germany. ASEAN has also published an Indo-Pacific strategy.⁹ Also, the decision of the German government to develop ‘policy guidelines for the Indo-Pacific’ was triggered by the impact the situation in this region will have on Germany. As the German foreign minister in Angela Merkel’s government Heiko Maas argued: ‘Our prosperity and our geopolitical influence in the coming decades will depend on how we work together with the countries of the Indo-Pacific region. That ... is where the shape of the international rules-based order of tomorrow will be decided.’¹⁰

Owing to Germany’s importance and its intensive economic ties with China, the Indo-Pacific guidelines published by the German government in 2020 were met with great interest,¹¹ and generated a growing literature discussing these guidelines. Many authors concentrate on the challenges for Germany’s policy in the Indo-Pacific region posed by the increasing competition between the United States and China.¹² Göran Swistek concentrates on Germany’s limited military capacity to engage in the Indo-Pacific region.¹³ Other authors, viewing Germany more as a member of the EU, analyse its Indo-Pacific guidelines in the context of the German–French partnership. They discuss differences between the German and French positions towards the Indo-Pacific, the consequences of those differences for EU strategy, and the future direction of EU policy on the Indo-Pacific region and on China.¹⁴

This article challenges some arguments put forward by previous studies. The publication of the Indo-Pacific guidelines in 2020 and the deployment of the frigate *Bayern* to the Indo-Pacific in early August 2021 offer a starting point for a

International Affairs 97: 6, 2021, pp. 1905–24.

⁹ Seng Tan, ‘Consigned to hedge: south-east Asia and America’s “free and open Indo-Pacific” strategy’, *International Affairs* 96: 1, 2020, pp. 131–48; Dewi Fortuna Anwar, ‘Indonesia and the ASEAN outlook on the Indo-Pacific’, *International Affairs* 96: 1, 2020, pp. 111–29; Kei Koga, ‘Japan’s “Indo-Pacific” question: countering China or shaping a new regional order?’, *International Affairs* 96: 1, 2020, pp. 49–73; Rajesh Rajagopalan, ‘Evasive balancing: India’s unviable Indo-Pacific strategy’, *International Affairs* 96: 1, 2020, pp. 75–93; Akiko Fukushima, *From the Asia-Pacific to the Indo-Pacific: drivers and hurdles* (Calgary: Canadian Global Affairs Institute, March 2021); Stephen Nagy, ‘Sino-Japanese reactive diplomacy as seen through the interplay of the Belt and Road Initiative (BRI) and the free and open Indo-Pacific vision (FOIP)’, *China Report* 57: 1, 2021, pp. 7–21.

¹⁰ Quoted in Federal Foreign Office, ‘Germany—Europe—Asia: shaping the twenty-first century together’: the German government adopts policy guidelines on the Indo-Pacific region, 1 Sept. 2020, <https://www.auswaertiges-amt.de/en/aussenpolitik/regionalenschwerpunkte/asien/german-government-policy-guidelines-indo-pacific/2380510>.

¹¹ Federal Government of Germany, *Policy guidelines for the Indo-Pacific. Germany—Europe—Asia: shaping the twenty-first century together*, Aug. 2020, <https://www.auswaertiges-amt.de/blob/2380514/f9784f7e3b3fa1bd7c5446d274a4169e/200901-indo-pazifik-leitlinien--1--data.pdf>.

¹² Hanns W. Maull, ‘Germany’s painful wriggle between China and the US’, *Nikkei Asia*, 28 Dec. 2020, <https://asia.nikkei.com/Opinion/Germany-s-painful-wriggle-between-China-and-the-US>; Markus Jaeger, ‘Germany between a rock and a hard place in China–US competition’, *DGAP Commentary*, March 2021.

¹³ Göran Swistek, ‘Quadratur des Kreises im Indo-Pazifik’ [Squaring the circle in the Indo-Pacific], *SWP-Aktuell*, 30 March 2021.

¹⁴ Mathieu Duchâtel and Garima Mohan, *Franco-German divergences in the Indo-Pacific: the risk of strategic dilution*, Institut Montaigne, 30 Oct. 2020, <https://www.institutmontaigne.org/en/blog/franco-german-divergences-indo-pacific-risk-strategic-dilution>; Frédéric Grare, ‘Germany’s new approach to the Indo-Pacific’, *Internationale Politik Quarterly*, 16 Oct. 2020, <https://ip-quarterly.com/en/Germans-new-approach-indo-pacific>; Garima Mohan, ‘A European strategy for the Indo-Pacific’, *Washington Quarterly* 43: 4, 2020, pp. 171–85.

discussion on a German grand strategy in the post-liberal world order. Based on an analysis of documents by the German government and the German Navy, on statements by and media interviews with politicians, civilian and military officials, and on statistical data, this article addresses two issues. First, why Germany published its Indo-Pacific guidelines when Beijing opposes the concept, regarding it as part of the United States' foreign policy strategy of containing China and its use as potentially damaging to Chinese interests.¹⁵ Second, what features have characterized German policy in the Indo-Pacific region since the guidelines were published.

I argue that the publication of the German Indo-Pacific guidelines and the growth of German engagement in the region are a consequence of a change in how Germany perceives China. Initially, Germany viewed the rise of China as an opportunity, but this changed in the second decade of the twenty-first century, when Beijing began to be seen increasingly as a threat to German national interests, owing to its challenging the liberal world order. As a result, Germany strengthened its cooperation with like-minded countries in Asia and now engages in soft balancing against China. Germany's defence minister in Angela Merkel's government, Annegret Kramp-Karrenbauer, has stopped short of using the word 'alliance', but has called for 'an international network of like-minded countries';¹⁶ she also stopped short of declaring a containment strategy against China, stating that the two countries work together where this is possible, but Germany digs its heels in against China where it has to.¹⁷

This article contributes to the literature on German foreign policy in two ways. First, it contradicts the argument that economic interests force Germany to keep a low profile in its policy towards China.¹⁸ It supports the argument that economic dependence is insufficient to influence a middle power's alignment preference—or at least that, in this case, China has not been successful in transforming its economic power into alignment preferences by middle powers.¹⁹ The economic relations that are developing between Germany and China are too weak for Beijing to use as a wedge in the US–German alliance.²⁰

Second, this article demonstrates how the new, more active German foreign policy, first presented by the German president Joachim Gauck and the foreign minister Frank-Walter Steinmeier during the 2014 Munich Security Conference,²¹

¹⁵ Igor Denisov, Oleg Paramonov, Ekaterina Arapova and Ivan Safranchuk, 'Russia, China, and the concept of Indo-Pacific', *Journal of Eurasian Studies* 12: 1, 2021, pp. 72–85.

¹⁶ Jörg Fleischer, 'Federal minister of defence underlines relevance of Indo-Pacific region', Federal Ministry of Defence, 6 Nov. 2020, <https://www.bmvg.de/en/news/akk-underlines-relevance-of-indo-pacific-region-5013700>.

¹⁷ 'Rede der Bundesministerin der Verteidigung Annegret Kramp-Karrenbauer anlässlich des Auslaufens der Fregatte Bayern am 2. August 2021 in Wilhelmshaven' [Speech by federal minister of defence Annegret Kramp-Karrenbauer on the occasion of the deployment of the frigate *Bayern* on 2 August 2021 in Wilhelmshaven], Federal Ministry of Defence, 2 Aug. 2021, <https://www.bmvg.de/resource/blob/5204444/936507409/96c0cdf66b1e59f6f119c60/rede-akk-data.pdf>.

¹⁸ Hans Kundnani, 'Germany as a geo-economic power', *Washington Quarterly* 34: 3, 2011, pp. 31–45.

¹⁹ Robert S. Ross, 'On the fungibility of economic power: China's economic rise and the east Asian security order', *European Journal of International Relations* 25: 1, 2019, pp. 302–27; Audrye Wong, 'How not to win allies and influence geopolitics: China's self-defeating economic statecraft', *Foreign Affairs* 100: 3, 2021, pp. 44–53.

²⁰ On wedge strategy, see Timothy W. Crawford, 'Preventing enemy coalitions: how wedge strategies shape power politics', *International Security* 35: 4, 2011, pp. 155–89.

²¹ Speech by federal president Joachim Gauck at the opening of the Munich Security Conference, Munich, 31 Jan. 2014, <http://www.bundespraesident.de/SharedDocs/Reden/DE/Joachim-Gauck/>

actually works in practice. I give an affirmative answer to a question asked by Thomas Bagger, director of foreign policy in the office of the federal president: 'Is Germany capable of realizing that the post-1989 period was a brief mirage?'²² By publishing the Indo-Pacific guidelines, participating in soft balancing against China and deploying the frigate *Bayern* to the Indo-Pacific region, the German government has admitted that great power politics has returned.

The remainder of the article proceeds as follows. First, I discuss why states build alliances. Then I discuss the emergence of the German–Chinese strategic partnership and analyse its decline. I go on to discuss the strategic and economic aspects of German policy in the Indo-Pacific region, and conclude with the policy implications of my findings for Germany and its allies.

Why states build alliances

Most realists believe that states balance against the biggest power.²³ Stephen M. Walt, though, argues that rather than allying against power alone, states balance against the most threatening power. Walt identifies four factors affecting the level of threat that a state may present. The threat is a product of aggregate power (the state's total resources, such as population, economic and military might, technological prowess), geographic proximity, offensive capabilities and perceived aggressiveness. Walt summarizes that states prefer balancing against threat rather than bandwagoning, which they resort to only rarely. Only weak states will bandwagon, owing to a great power's capacity to reward friends and compel obedience. The closest neighbours of an aggressive power may be vulnerable to rapid conquest, especially if they lack powerful allies with which they can build a balancing coalition.²⁴ Randall Schweller argues that neither power nor threats, but interests, are crucial to understanding states' behaviour. He suggests that balancing and bandwagoning are not opposing strategies as 'balancing is driven by the desire to avoid losses; bandwagoning by the opportunity for gain'.²⁵ Haas argues that states balance against opposing ideologies.²⁶ In the twenty-first century, the term hedging was introduced into the literature to describe the strategy of middle powers avoiding balancing and bandwagoning between the United States and China. It was argued that they keep an equal distance from the two great powers, engaging and containing both of them and avoiding taking

Reden/2014/01/140131-Muenchner-Sicherheitskonferenz.html;jsessionid=2114CA47EE295D395EBE28918435B59E.2_cid388?nn=1891550; Frank-Walter Steinmeier, 'Speech by Foreign Minister Frank Walter Steinmeier at the 50th Munich Security Conference', Munich, 1 Feb. 2014, <https://www.auswaertiges-amt.de/en/newsroom/news/140201-bm-muesiko/259556>.

²² Thomas Bagger, 'The world according to Germany: reassessing 1989', *Washington Quarterly* 41: 4, 2018, pp. 53–63.

²³ Kenneth N. Waltz, *Theory of international politics* (Reading, MA: Addison-Wesley, 1979); John J. Mearsheimer, *The tragedy of great power politics* (New York: Norton, 2001).

²⁴ Stephen M. Walt, 'Alliance formation and the balance of world power', *International Security* 9: 4, 1985, pp. 3–43.

²⁵ Randall L. Schweller, 'Bandwagoning for profit: bringing the revisionist state back in', *International Security* 19: 1, 1994, pp. 72–107.

²⁶ Mark L. Haas, *The ideological origins of great power politics, 1789–1989* (Ithaca, NY: Cornell University Press, 2005).

sides. But as great power competition intensifies, the ability to apply hedging strategy declines.²⁷

Realists traditionally understand balancing as ‘using military power, alliances or both to stop a hegemon’.²⁸ But Robert Pape and T. V. Paul have introduced the term ‘soft balancing’,²⁹ arguing that in a unipolar world states avoid hard balancing against the hegemon because it could be too risky; instead, they engage in soft balancing. Pape and Paul call for the concept of balancing to be broadened to include non-military forms of balancing. In the past, the term ‘soft balancing’ has had its share of critics, being described as ‘balancing that does not balance at all’.³⁰

Nevertheless, in an interdependent world, Paul’s explanation of how great powers can be restrained is still an interesting proposal. He discusses three concepts of balancing: hard balancing, limited hard balancing and soft balancing. Each of these strategies operates at a different threat level. Hard balancing is characteristic of states engaged in intense competition. It includes internal balancing and external balancing. Internal balancing means acquiring and developing military capacity that can match that of the enemy; external balancing includes forming alliances and counter-alliances to match the power of the adversary. Limited hard balancing does not include mutual defence agreements, but does include limited military buildup, semi-formal alliances and strategic partnerships. Finally, soft balancing includes tactics short of formal alliances. States build strategic partnerships and diplomatic coalitions to counterbalance a rising or threatening state. Soft balancing is understood as

restraining the power or aggressive policies of a state through international institutions, concerted diplomacy via limited, informal ententes, and economic sanctions in order to make its aggressive actions less legitimate in the eyes of the world and hence its goals more difficult to obtain.

Soft balancing can develop over time into limited hard balancing, or even hard balancing if the security competition becomes more intense.³¹

The two decades after the end of the Cold War confirmed the hypotheses of Walt and Paul. States balance not against power but against threats, and their balancing strategies may include non-military elements. Despite the insurmountable global military dominance of the United States, no balancing coalition emerged against the United States during this period. Nor has the rising power of China been balanced. Neither of these two countries was seen as enough of a threat to the other or to another group of countries to provoke a balancing coalition. In the

²⁷ Alexander Korolev, ‘Shrinking room for hedging: system–unit dynamics and behavior of smaller powers’, *International Relations of the Asia-Pacific* 19: 3, 2019, pp. 419–52.

²⁸ Christopher Layne, ‘The unipolar illusion revisited: the coming end of the United States’ unipolar moment’, *International Security* 31: 2, 2006, p. 8.

²⁹ Robert A. Pape, ‘Soft balancing against the United States’, *International Security* 30: 1, 2005, pp. 7–45; T. V. Paul, ‘Soft balancing in the age of US primacy’, *International Security* 30: 1, 2005, pp. 46–71.

³⁰ Thomas Mowle and David Sacko, *The unipolar world: an unbalanced future* (Basingstoke: Palgrave Macmillan, 2007).

³¹ T. V. Paul, *Restraining great powers: soft balancing from empires to the global era* (New Haven, CT: Yale University Press, 2018), pp. 20–22.

second decade of the twenty-first century the situation changed.³² Nevertheless, China is still not seen as a ‘common enemy’, which can explain ‘why there is still no NATO in Asia—no military alliance or hard balancing against China. However, military alliances seem too narrow to define the institutionalization of the Indo-Pacific concept.’³³

The rise of strategic partnership between Germany and China

Since the end of the Cold War and the dissolution of the Soviet Union, Germany has felt secure. It has been further enjoying the US security umbrella and, since the disintegration of the Soviet Union, it has been under no direct military threat. Instead, it has been surrounded by allies and friendly states.³⁴ That is why it saw itself as the biggest beneficiary of the end of the Cold War,³⁵ and of the newly emerged liberal world order. In the post-Cold War era, the United States promoted the liberal world order around the world, and Germany readily joined in with the project, supporting the expansion of both the EU and NATO. In relations with China, Germany implemented its own version of the US engagement strategy: a strategy of ‘change through trade’.

During the Cold War, Asia attracted little foreign policy interest in West Germany. But from the early 1990s this changed, along with Germany’s improved security situation and the growth of Asia’s economic, political and strategic importance. Since that time, the German foreign policy establishment has paid increasing amounts of attention to Asia. In 1993 Germany published its first Asian Strategy, which concentrated mostly on opportunities offered by Asian markets for Germany’s export-orientated economy.³⁶ In 2002, a new Asian Strategy was published. It pointed to an increasing need for diversified cooperation between Germany and the countries of Asia.³⁷ With power shifting ‘from the West to the rest’,³⁸ German foreign policy also moved towards ‘the rest’. In 2012, the German government published a ‘New Players Concept’, directed towards all ‘countries with which Germany does not already cooperate within’ the EU, the G8 or NATO. These countries, it said, ‘have significant economic clout or are experiencing strong economic growth ... in regional or international comparison’. They also ‘have

³² Hillary Clinton, ‘America’s Pacific century’, *Foreign Policy*, vol. 189, 2011, pp. 56–63.

³³ Kai He and Huiyun Feng, ‘The institutionalization of the Indo-Pacific: problems and prospects’, *International Affairs* 96: 1, 2020, p. 152.

³⁴ Bundesministerium der Verteidigung [Federal Ministry of Defence], *Verteidigungspolitischen Richtlinien für den Geschäftsbereich des Bundesministers der Verteidigung* [Defence policy guidelines for the portfolio of the federal minister of defence], 26 Nov. 1992, https://zeitgedankenweb.files.wordpress.com/2017/09/verteidigungspolitische_richtlinien_1992.pdf.

³⁵ Bundesministerium der Verteidigung [Federal Ministry of Defence], *Weißbuch 1994. Weißbuch zur Sicherheit der Bundesrepublik Deutschland und zur Lage und Zukunft der Bundeswehr* [White paper 1994: white paper on the security of the Federal Republic of Germany and on the situation and future of the Bundeswehr] (Bonn: Presse- und Informationsamt der Bundesregierung, 1994).

³⁶ Bundesregierung [Federal government], *Asien-Konzept der Bundesregierung* [The federal government’s Asia Concept] (Bonn: Deutscher Bundestag [German Bundestag], 25 Oct. 1993), Drucksache 12/6151.

³⁷ Auswärtiges Amt [Federal Foreign Office], *Aufgaben der deutschen Außenpolitik. Ostasien am Beginn des 21. Jahrhunderts* [Tasks of German foreign policy: east Asia at the beginning of the twenty-first century], May 2002, <https://www.bpb.de/system/files/pdf/E5SYLA.pdf>.

³⁸ Fareed Zakaria, *The post-American world: and the rise of the rest* (London and New York: Penguin, 2011).

demonstrated a clear determination to shape various policy fields, and furthermore ... will in the medium or long term assume a key role in steering regional processes and shaping international and/or global governance'. The German government saw the world as 'becoming increasingly multipolar', with new players 'now an influential force in shaping international policy in an interdependent world'.³⁹

The 'New Players Concept' did not mention China directly. Nevertheless, there was broad agreement that, given China's unprecedented economic growth and the amount of economic exchange between it and Germany, the most attractive 'new player' for Germany was China. The rise of China had been welcomed by Germany for over three decades, since the beginning of Beijing's economic reforms in the late 1970s. There was no significant strategic or historical bitterness between the two countries, and China's huge population and increasing wealth were expected to benefit the German economy. Germany's minister of foreign affairs from 2009 to 2013, Guido Westerwelle, called the fears related to China's rise unfounded because they stemmed from zero-sum thinking. According to him, as China's influence grew, its economy would also grow, and as the two countries developed good political relations, Chinese growth would be in Germany's favour. Westerwelle talked of a Chinese middle class hundreds of millions strong and interested in German products. Like Chancellor Angela Merkel, he believed that there would be not only a globalization of the economy, but also a globalization of values and views, under the banner 'change through trade'.⁴⁰ Westerwelle argued that, in the long run, no society that allows private property and a market economy would be successful if it denied civil liberties, and that economic prosperity would bring liberal ideas to a country, including better education, and therefore more enlightenment. Ultimately, society would become more open and free than before.⁴¹

China has been a strategic partner for Germany in the twenty-first century. Although formally the German–Chinese partnership includes political, economic, cultural, scientific and societal cooperation, in reality its foundation is narrow and focused on economic exchange.⁴² As both countries play in the 'champions league of globalization',⁴³ their export successes have encouraged some observers in Germany to believe that the country is in a new strategic situation, where it shares more economic interests with China than with other European countries or the United States.⁴⁴ Although both Germany's and China's economies are export-orientated, for decades they have been complementary. Germany was exporting

³⁹ Bundesregierung [Federal government], *Shaping globalization—expanding partnerships—sharing responsibility. A strategy paper by the German government*, 8 Feb. 2012, <https://www.auswaertiges-amt.de/blueprint/servlet/blob/610644/49a58b5ecfd5a78862bo51d94465afb6/gestaltungsmaechtekonzept-engl-data.pdf>.

⁴⁰ Guido Westerwelle, 'Interview: "We want a strategic partnership with China"', Federal Foreign Office, 28 June 2011, <https://www.auswaertiges-amt.de/en/newsroom/news/110628-bm-dlf/244110>.

⁴¹ Guido Westerwelle, 'Our foreign policy is value-oriented', Deutschlandfunk, 2 Sept. 2012, <https://www.auswaertiges-amt.de/en/newsroom/news/120902-bm-dlf/251316>.

⁴² Felix Heiduk, 'What is in a name? Germany's strategic partnerships with Asia's rising powers', *Asia Europe Journal* 13: 2, 2014, pp. 131–46.

⁴³ Guido Westerwelle, 'Article by Foreign Minister Westerwelle to mark the 40th anniversary of the establishment of diplomatic relations with the People's Republic of China', Federal Foreign Office, 11 Oct. 2012, <https://www.auswaertiges-amt.de/en/newsroom/news/121011-bm-faz/251810>.

⁴⁴ Thomas Gutschker, 'Zwei Streber' [Two swots], *Frankfurter Allgemeine Sonntagszeitung*, 2 Sept. 2012, p. 10.

capital goods for China's developing industries and high-value consumer goods, while importing cheap consumer goods.⁴⁵

The ideological differences between the two countries were not seen as an important obstacle to developing bilateral relations. At least in the short term, Germany's economic interests prevailed over human rights issues in its policy on China.⁴⁶ The German government believed that it could facilitate China's integration into the liberal world order, and help make its rise a peaceful one using economic interactions. It sought to inspire the evolution of China towards democracy and a liberal market economy. The 'change through trade' strategy was modelled after the eastern policy (*Ostpolitik*) of West Germany in the 1970s.⁴⁷ The optimism of German political elites about China's integration into the liberal world order and the end of great power competition was well summarized in 2012 by Michael Schaefer, the German ambassador to Beijing, who said: 'I don't think there is such a thing as the West any more.'⁴⁸ This was the peak of the German–Chinese strategic partnership.

In the mid-2010s, Germany began to see its relations with China more pessimistically, although some politicians, such as the minister of economic affairs and energy Peter Altmaier, continued to believe in the 'change through trade' strategy.⁴⁹ The most recent attempt to establish better, more stable rules for economic exchange with China was a comprehensive agreement on investment (CAI) between the EU and China announced in December 2020, of which the German government was the most enthusiastic supporter within the EU.⁵⁰

The demise of the German–Chinese partnership

While liberals believe that international trade and foreign direct investment increase pressure to avoid political conflict, realists take an opposing view. They argue that economic interdependence does not reduce the potential for conflict, and in fact can be an additional arena of conflict.⁵¹ From this perspective, the growing economic interdependence of the late twentieth and early twenty-first centuries has given states unwilling to engage in war other weapons they can use against each other.⁵²

⁴⁵ Hans Kundnani and Jonas Parello-Plesner, *China and Germany: why the emerging special relationship matters for Europe* (Berlin: European Council on Foreign Relations), May 2012.

⁴⁶ Kundnani, 'Germany as a geo-economic power', p. 42.

⁴⁷ Hans Kundnani, 'The Ostpolitik illusion', *IP Journal*, 17 Oct. 2013, <https://internationalepolitik.de/de/die-ostpolitik-illusion>.

⁴⁸ Quoted in Hans Kundnani, 'Leaving the West behind: Germany looks east', *Foreign Affairs* 94: 1, 2015, p. 115.

⁴⁹ Matthew Karnitschnig and Jakob Hanke Vela, 'Germany's economy minister defends Berlin's muted response to China's crackdown in Hong Kong', *Politico*, 15 July 2020, <https://www.politico.com/news/2020/07/15/germany-hong-kong-china-365499>.

⁵⁰ Theresa Fallon, 'The strategic implications of the China–EU investment deal', *The Diplomat*, 4 Jan. 2021, <https://thediplomat.com/2021/01/the-strategic-implications-of-the-china-eu-investment-deal/>.

⁵¹ Edward D. Mansfield and Brian M. Pollins, 'Interdependence and conflict: an introduction', in Edward D. Mansfield and Brian M. Pollins, eds, *Economic interdependence and international conflict: new perspectives on an enduring debate* (Ann Arbor: University of Michigan Press, 2003), pp. 1–28.

⁵² Dong Jung Kim, 'The perils of geoeconomics', *Washington Quarterly* 42: 1, 2019, pp. 153–70.

In the mid-2010s, with the rise to power of Xi Jinping and China's shift to a more assertive foreign policy under his leadership,⁵³ trouble spots in German–Chinese relations began to accumulate. These were first visible in areas related to the economy, but soon extended to issues of international security. Their increasing salience caused Germany to re-evaluate the consequences for the country of China's rise. Within a few years it was obvious to German decision-makers that China had a different vision of the world order from Germany, and that Chinese policy threatened German national interests. According to the chair of the Bundestag Foreign Affairs Committee, Norbert Röttgen, China had become 'the biggest foreign policy challenge for Germany' (*größte außenpolitische Herausforderung für Deutschland*).⁵⁴

This deterioration in German–Chinese relations began with the expansion of Chinese companies in Germany. Although for years German politicians had encouraged Chinese companies to invest in Germany, the mood changed abruptly when Chinese companies started overtaking German engineering and computer technology companies in the mid-2010s. Sigmar Gabriel, the minister of economy and energy at that time, started to talk about 'unfair and aggressive trade practices' on the part of China.⁵⁵ In recent years, in order better to manage investments from third countries, and concerned about German technologies being transferred to China, Germany has introduced several restrictions on investment by companies from third countries.⁵⁶

Second, Germany is increasingly worried about China's geo-economic projects, set up in opposition to institutions controlled by western countries. Germany became a member and the fourth largest shareholder of the Asian Infrastructure Investment Bank, with the goal of making it a true international financial institution and weakening its 'Chinese characteristics'.⁵⁷ But Germany did not join the 'Belt and Road Initiative' (BRI), deterred by concerns relating to issues of transparency of public procurement, a level playing field for business, European labour, environmental and social standards, and the solvency of participating countries.⁵⁸ German elites understood that, while China is developing its global vision, Germany and the West lack a corresponding vision. Secretary of State Markus Ederer suggested in 2016 that China's objective regarding the BRI was to capture the central position in the global economy.⁵⁹ During the Munich Security Conference in 2018, the then German foreign minister Sigmar Gabriel argued that

⁵³ Yan Xuetong, 'From keeping a low profile to striving for achievement', *Chinese Journal of International Politics* 7: 2, 2014, pp. 153–84.

⁵⁴ Norbert Röttgen, quoted in *Deutscher Bundestag Stenografischer Bericht* (Berlin, 29 May 2020, minutes of plenary proceedings 19/164), p. 20424.

⁵⁵ Sigmar Gabriel, quoted in Klaus Larres, 'China and Germany: the honeymoon is over', *The Diplomat*, 16 Nov. 2016, <https://thediplomat.com/2016/11/china-and-germany-the-honeymoon-is-over/>.

⁵⁶ Joe Miller, 'Germany flexes its muscles on foreign investment', *Financial Times*, 25 June 2020, <https://www.ft.com/content/54f92ca5-5380-466b-95f8-3e98b40ebc82>.

⁵⁷ Angela Stanzel, *A German view of the Asian Infrastructure Investment Bank*, European Council on Foreign Relations, 21 April 2017, https://www.ecfr.eu/article/commentary_a_German_view_of_the_aaii_7275.

⁵⁸ Angela Stanzel, 'China's BRI and Europe's response', American Institute for Contemporary German Studies, 17 Jan. 2019, www.aicgs.org/publication/Chinas-bri-and-europes-response/#_ftn4.

⁵⁹ Federal Foreign Office, 'Rede von Staatssekretär Markus Ederer „China's Belt and Road Initiative in context“', 5 Nov. 2016, <https://www.auswaertiges-amt.de/de/newsroom/161109-sts-e-China/285218>.

China was using the BRI to establish a comprehensive system, shaping the world in its own interests, and intended as an alternative to the western one. Gabriel emphasized that China was at that time the only country with a truly global geo-strategic vision, one which it is pursuing relentlessly. Germany and its allies, in contrast, have no strategy of their own for protecting their global interests.⁶⁰

Third, people in Germany began to see that the German social market economy model was coming under threat from Chinese-style state capitalism. These fears were first formulated in a paper published by the Federation of German Industries, in which China was identified as both a 'partner' and a 'systemic competitor'.⁶¹ Given the vested interests of German companies in the Chinese market, German economic elites took the view that 'risk mitigation measures must not lead to broad economic decoupling'. At the same time, they constantly argued in favour of new free trade agreements to diversify economic relations in the Indo-Pacific region towards 'partners where common values and interests exist'. They pointed out the risks for the market economy and for Germany's national security arising from its economic interdependence with China.⁶² These arguments were picked up by Chancellor Merkel, who called China simultaneously a 'strategic partner' and a 'strategic competitor', with which Germany was in 'systemic competition'.⁶³ Since then, those terms have frequently been used by other German politicians to describe China.⁶⁴

Fourth, as China's integration into the liberal economic order and its acceptance of the rules of that order proved to be an illusion, the economic overdependence of German companies on the Chinese market started to be seen as a threat. German exports to and investments in China are concentrated in just a few economic sectors, with German automobile companies being the most dependent on China.⁶⁵ Although China's share in German trade is still relatively modest, the problem of the vulnerability of the German economy on the Chinese market persists.⁶⁶

Fifth, German authorities are increasingly worried about their country's 'digital sovereignty'.⁶⁷ Germany's role in standard-setting is declining, especially in telecommunications and computer technologies. In the twentieth century,

⁶⁰ Federal Foreign Office, 'Speech by Foreign Minister Sigmar Gabriel at the Munich Security Conference', 17 Feb. 2018, <https://www.auswaertiges-amt.de/en/newsroom/news/rede-muenchener-sicherheitskonferenz/1602662>.

⁶¹ Federation of German Industries (BDI), *Partner and systemic competitor—how do we deal with China's state-controlled economy?*, 1 Oct. 2019, <https://english.bdi.eu/publication/news/china-partner-and-systemic-competitor/>.

⁶² Asia-Pacific Committee of German Business, *EU economic cooperation with Asia-Pacific: perspectives of German business*, May 2021, https://www.asien-pazifik-ausschuss.de/downloads/press/APA_Position_Paper_Asia-Pacific.pdf.

⁶³ Angela Merkel, quoted in *Deutscher Bundestag Stenografischer Bericht* (Berlin, 21 March 2019, minutes of plenary proceedings 19/89), p. 10482.

⁶⁴ See e.g. Annegret Kramp-Karrenbauer, 'Multilateralismus nach vorne bringen' [Moving multilateralism forward], interview, Federal Ministry of Defence, 7 April 2021, <https://www.bmvg.de/de/aktuelles/verteidigungsministerin-akk-interview-multilateralismus-5049504>.

⁶⁵ Ben Hall, 'Germany frets over its corporate dependency on China', *Financial Times*, 25 Nov. 2020, <https://www.ft.com/content/0387a039-944f-4de5-8d41-7e22b7600563>.

⁶⁶ Noah Barkin, 'A vulnerable Germany finds it hard to say no to China', *Berlin Policy Journal*, 9 Sept. 2019, <https://berlinpolicyjournal.com/a-vulnerable-germany-finds-it-hard-to-say-no-to-china/>.

⁶⁷ Heiko Maas, 'European digital sovereignty is long overdue', interview, Federal Foreign Office, 4 Dec. 2019, <https://www.auswaertiges-amt.de/en/newsroom/news/maas-zeit/2285502>.

standard-setting was a great strength of the German economy, but in the twenty-first century the United States and China have taken the lead,⁶⁸ and are now putting pressure on Germany to ensure its cooperation. The United States is mainly concerned about the possibility of China using telecommunications equipment produced by Huawei for espionage purposes, and is therefore putting pressure on its allies to deny the company access to local networks. It has even suggested that countries where Huawei builds telecommunications networks may be excluded by the United States from intelligence-sharing. A new law passed in Germany in 2021 establishes high security requirements for telecom equipment suppliers, and allows the German government to exclude ‘untrusted’ companies from supplying critical components. The law provides for an approval process that could be an insurmountable hurdle for Chinese suppliers. Worries expressed by German intelligence and the foreign ministry about the security of German telecommunication networks prevailed over Angela Merkel’s and Peter Altmaier’s desire not to anger China and not to threaten the interests of German car producers.⁶⁹ Germany decided on this step despite warnings in December 2019 from the Chinese ambassador to Berlin, Wu Ken, who suggested that German automobile companies could be targeted by the Chinese authorities if Huawei were excluded from the German market.⁷⁰

Sixth, Beijing’s ‘Made in China 2025’ strategy shows how German–Chinese economic relations may be moving away from a win–win situation. The Chinese authorities have been working to increase their industry’s self-reliance in advanced technologies, with the aim of dominating these sectors over time. A study by the Bertelsmann Foundation shows the possible impact of the ‘Made in China 2025’ strategy on exports of German machinery to China. Between 2010 and 2019, these increased from €15 billion to almost €20 billion a year, but should the Chinese strategy be fully successful, that figure could drop down to a mere €13 billion by 2030. China also looks set to become an increasingly important supplier of machinery to other markets, competing with German producers.⁷¹

The increasing salience of economic disputes between them does not mean that Germany is heading for an economic decoupling from China.⁷² As Minister of State Niels Annen argued during a visit to China in 2019, ‘China is an indispensable and yet in some areas also difficult partner’ for Germany.⁷³ Germany

⁶⁸ Alan Beattie, ‘Technology: how the US, EU and China compete to set industry standards’, *Financial Times*, 24 July 2019, <https://www.ft.com/content/0c91b884-92bb-11e9-aea1-2b1d33ac3271>.

⁶⁹ Laurens Cerulus, ‘Germany falls in line with EU on Huawei’, *Politico*, 23 April 2021, <https://www.politico.eu/article/germany-europe-huawei-5g-data-privacy-cybersecurity/>.

⁷⁰ Katrin Bennhold and Jack Ewing, ‘In Huawei battle, China threatens Germany “where it hurts”: automakers’, *New York Times*, 16 Jan. 2020, <https://www.nytimes.com/2020/01/16/world/europe/huawei-germany-china-5g-automakers.html>.

⁷¹ Bertelsmann Stiftung, *Was Chinas Industriepolitik für die deutsche Wirtschaft bedeutet. Szenarien für „Made in China 2025“ am Beispiel des deutschen Maschinenbaus* [What China’s industrial policy means for the German economy: scenarios for ‘Made in China 2025’ using the example of German mechanical engineering], Dec. 2020, https://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/ST_DA_Studie_Auswirkungen_Chinas_Industriepolitik.pdf.

⁷² Heiko Maas, ‘We’ve been waiting for this for a long time’, interview, Federal Foreign Office, 4 Dec. 2020, <https://www.auswaertiges-amt.de/en/newsroom/news/maas-spiegel/2424958>.

⁷³ Federal Foreign Office, *China: partner, competitor, difficult counterpart*, 12 July 2019, <https://www.auswaertiges->

wants and needs good economic and political relations with China.⁷⁴ The question arises, of course, whether China still needs German cooperation as much now as it has over the past four decades. In the coming years, according to Beijing, China's economic growth should be based on a 'dual-circulation' model, a term coined by President Xi Jinping in 2020. That is, the main emphasis in the Chinese economy should be on developing an internal cycle of domestic supply chains and markets, with the international cycle (foreign trade and investment) playing only a complementary role. The international exposure of the Chinese economy should decline.⁷⁵ As competition among the great powers intensifies, China, but also the United States and India, are aiming for greater economic self-sufficiency.⁷⁶ In German–Chinese economic relations, there has been an observable shift in focus over the past few years from absolute gains to relative gains.

But the German–Chinese divergences go beyond issues of international political economy; they include strategic and political issues as well. German Minister of Defence Kramp-Karrenbauer saw China as 'a very power-conscious state, not only when it comes to its economic interests and its immediate regional neighbourhood' (*China ist ein sehr machtbewusster Staat, nicht nur, wenn es um seine wirtschaftlichen Interessen und um die unmittelbare regionale Nachbarschaft geht*).⁷⁷ According to Norbert Röttgen, the list of divergences includes, but is not limited to, Hong Kong, Taiwan and the South China Sea,⁷⁸ which is viewed by German politicians as one of the major threats to the international order. During the Munich Security Conference in 2020, Kramp-Karrenbauer mentioned certain 'illegitimate territorial claims in the Indo-Pacific region',⁷⁹ though without pointing her finger directly at China. In another speech, she also mentioned China's deployment of 'little blue men' in the South China Sea.⁸⁰ She pointed to the modernization of the Chinese Army, and to China's desire to shape the world order in its favour, forcing weaker states to do its bidding.⁸¹ As early as 2016, a German government defence white paper noted that China spent as much on defence as all EU members combined.⁸² As the command of the German Navy indicated in its 2019 annual

amt.de/en/aussenpolitik/laenderinformationen/China-node/minister-of-state-annen-China/2233168.

⁷⁴ 'Speech by Federal Foreign Minister Heiko Maas at the luncheon held by the American Council on Germany (ACG) on "Germany, Europe and the United States: a strategic partnership facing new challenges?"', Federal Foreign Office, 1 April 2019, <https://www.auswaertiges-amt.de/en/newsroom/news/maas-american-council-on-Germany/2205634>.

⁷⁵ Nigel Inkster, *Xi steers China towards economic and technological self-reliance*, International Institute for Strategic Studies, 11 Nov. 2020, <https://www.iiss.org/blogs/analysis/2020/11/China-economic-technological-self-reliance>.

⁷⁶ Scott Malcomson, 'The new age of autarky. why globalization's biggest winners are now on a mission for self-sufficiency', *Foreign Affairs*, 26 April 2021, <https://www.foreignaffairs.com/articles/united-states/2021-04-26/new-age-autarky>.

⁷⁷ Kramp-Karrenbauer, 'Multilateralismus nach vorne bringen'.

⁷⁸ Röttgen, quoted in *Deutscher Bundestag Stenografischer Bericht*, p. 20424.

⁷⁹ "'Defending the West": speech by Federal Minister of Defence Annegret Kramp-Karrenbauer at the Munich Security Conference', Munich Security Conference, 15 Feb. 2020, <https://www.bmvg.de/resource/blob/183082/odd7817eaoc5dd8aofd261ba4f302da5/20200217-download-englische-rede-akk-data.pdf>.

⁸⁰ '3rd keynote address delivered by the German minister of defence', Bundeswehr Command and Staff College, Hamburg, 24 June 2021, <https://www.bmvg.de/en/news/3rd-keynote-address-delivered-by-federal-minister-of-defence-5099350>.

⁸¹ Kramp-Karrenbauer, 'Multilateralismus nach vorne bringen'.

⁸² Federal Government of Germany, *White paper 2016 on German security policy and the future of the Bundeswehr*, 2016,

report, China is quickly developing a blue-water navy. In the same report, China was described as the only country in modern history that has successfully transformed itself from a land power into a hybrid land–sea power.⁸³ In the words of the inspector of the navy, Vice-Admiral Andreas Krause, China is on the way to becoming a ‘maritime nation’.⁸⁴ Alongside this challenge are those arising from ‘very different approaches to social policy, particularly respect for human rights and the rule of law’, between Germany and China.⁸⁵ Finally, German politicians are also concerned by the dangers of Chinese ‘propaganda and disinformation’.⁸⁶ From the perspective of the German Federal Ministry of Defence, ‘China has turned from an emerging economy to a powerful and, more often than not, openly expansive player’.⁸⁷

The mounting challenges in Germany’s relations with China are playing an increasingly important role in German foreign policy. In 2019, Minister of Foreign Affairs Heiko Maas argued that the EU should transform its geo-economic capabilities into geopolitical power. He also argued in favour of a transatlantic trade partnership that could later evolve into the core of a transatlantic agenda towards the rising powers, including an ‘increasingly dominant China’.⁸⁸ Since then, the argument that Germany needs a *rapprochement* with the United States has frequently been repeated.⁸⁹ German politicians underline the ‘community of values’ shared by Europe and America; at the same time, they indicate that a western understanding of rules and values plays hardly any role in China.⁹⁰ In this strategic situation Kramp-Karrenbauer drew a simple conclusion: the existence of the ‘West’ and German membership in the western alliance are not in question. ‘We are not “somewhere in the middle”. We are and will continue to be part of the West.’⁹¹ She summarized her position thus: ‘We, that is to say Europe and

<https://uk.diplo.de/blob/501780/5a749ee7763cc8538f4dc9855b899e71/whitepaper2016-data.pdf>.

⁸³ Marinekommando [Navy Command], *Jahresbericht 2019. Fakten und Zahlen zur maritimen Abhängigkeit der Bundesrepublik Deutschland* [Annual report 2019: facts and figures on the maritime dependence of the Federal Republic of Germany], 12 Nov. 2019, p. 14, <https://www.bundeswehr.de/resource/blob/156014/fa1039c053101b9c63ad642c683880778/jahresbericht-marinekommando-2019-data.pdf>.

⁸⁴ Andreas Krause, ‘Ansprache. 60. Historisch Taktische Tagung’ [Address: 60th Historical Tactical Conference], Bundeswehr, Linstow, 9 Jan. 2020, p. 11, <https://www.bundeswehr.de/resource/blob/169242/a7af7af8ea2cee1a-ba754cf80a59880c6/ansprache-des-inspektors-der-marine-zur-60-historisch-taktischen-tagung-data.pdf>.

⁸⁵ ‘Speech by Federal Chancellor Angela Merkel on the German presidency of the Council of the EU 2020 to the European Parliament in Brussels’, European Parliament, 8 July 2020, <https://www.eu2020.de/eu2020-en/aktuelles/reden/speech-chancellor-merkel-european-parliament/2366782>.

⁸⁶ 3rd keynote address delivered by the German minister of defence’.

⁸⁷ Federal Ministry of Defence, *Position paper: reflections on the Bundeswehr of the future*, 9 Feb. 2021, https://www.bmvg.de/resource/blob/5092430/a83129815c00e3638302ba3630478987/Position%20Paper_Reflections%20on%20the%20Bundeswehr%20of%20the%20Future.pdf.

⁸⁸ Federal Foreign Office, ‘Speech by Foreign Minister Heiko Maas at the 55th Munich Security Conference’, 15 Feb. 2019, <https://www.auswaertiges-amt.de/en/newsroom/news/foreign-minister-maas-munich-security-conference-2019/2190442>.

⁸⁹ ‘Speech by Federal Chancellor Angela Merkel on the German presidency of the Council of the EU 2020 to the European Parliament in Brussels’.

⁹⁰ ‘Rede der Bundesministerin der Verteidigung Annegret Kramp-Karrenbauer anlässlich der Bundeswehrtagung’ [Speech by Federal Minister of Defence Annegret Kramp-Karrenbauer at the Bundeswehr Conference], Federal Ministry of Defence, Berlin, 11 June 2021, <https://www.bmvg.de/resource/blob/5093684/36191338bd-dc1883b5f9541228a9fae0/2021-06-11-Rede-BwTagung.pdf>.

⁹¹ “‘Defending the West’: speech by Federal Minister of Defence Annegret Kramp-Karrenbauer at the Munich Security Conference’. See also 3rd keynote address delivered by the German minister of defence’.

the West, cannot be the weaker members of society' (*Wir, das heißt Europa und der Westen, dürfen nicht die Schwächeren sein*).⁹²

This evolution of Germany's policy on China in the second half of the 2010s shows the limits of economic power as an instrument of foreign policy. As a study by Robert S. Ross on the political consequences of the economic dependence on China of middle powers in the Indo-Pacific region shows, economic dependence is insufficient to influence their alignment preference.⁹³ Interestingly, data for Germany show it has a much lower economic dependence on China than the countries of the Indo-Pacific region have. China's share in the exports of countries of the Indo-Pacific region is in double digits: for Australia, it is over 30 per cent, and for Japan, over 20 per cent, while the Chinese share in German exports was only 7.07 per cent in 2018. Exports to China amounted to 3.21 per cent of German GDP in 2018, whereas for Indo-Pacific countries this figure was much higher: for Taiwan, 32.92 per cent in 2014, for Malaysia over 16 per cent, for the Republic of Korea and Singapore over 12 per cent, for Australia over 5 per cent, and for Japan, 3.58 per cent in 2014. Even more interestingly, China's exports and GDP are more dependent on exports to the United States than German exports and GDP are on exports to China.⁹⁴

The government of Angela Merkel viewed China through three lenses: as an important partner, as a competitor, and as a systemic rival.⁹⁵ It believed the right response to the Chinese threat involved four lines of activity: first, investments in future technologies; second, an alliance with European countries and the United States; third, clear support for a liberal, rules-based order in the Indo-Pacific region; and fourth, strengthening the operational readiness of the Bundeswehr.⁹⁶

Strategic and economic aspects of German policy in the Indo-Pacific region

As the German Ambassador to Indonesia has stated, Germany does not want a confrontation with China, but wants to diversify its relations in the Indo-Pacific region.⁹⁷ Germany seeks a more 'inclusive' Indo-Pacific.⁹⁸ In a world of increasing great power competition, 'it would be dangerous ... to restrict policy on Asia too much to China'.⁹⁹

⁹² Kramp-Karrenbauer, 'Multilateralismus nach vorne bringen'.

⁹³ Ross, 'On the fungibility of economic power'.

⁹⁴ World Bank, *World integrated trade solution*, 15 May 2021, <https://wits.worldbank.org/countrysnapshot/en/DEU>; Ross, 'On the fungibility of economic power'.

⁹⁵ Heiko Maas, 'China is a partner, competitor and rival', interview, Federal Foreign Office, 12 July 2020, <https://www.auswaertiges-amt.de/en/newsroom/news/maas-rnd/2367552>.

⁹⁶ 'Rede der Bundesministerin der Verteidigung Annegret Kramp-Karrenbauer anlässlich der Bundeswehrtagung' [Speech by Federal Minister of Defence Annegret Kramp-Karrenbauer at the Bundeswehr Conference].

⁹⁷ Martin Orth, 'EU und ASEAN sind prädestiniert für eine enge Partnerschaft' [The EU and ASEAN are predestined for a close partnership], interview with Peter Schoof, [deutschland.de](https://www.deutschland.de/de/topic/politik/indo-pazifik-deutschen-leitlinien-fuer-die-kuenftige-politik), 19 Oct. 2020, <https://www.deutschland.de/de/topic/politik/indo-pazifik-deutschen-leitlinien-fuer-die-kuenftige-politik>.

⁹⁸ Federal Government of Germany, *Policy guidelines for the Indo-Pacific*.

⁹⁹ 'Speech by Foreign Minister Heiko Maas on the federal government's proposal on the occasion of the tabling of the coalition proposal on strengthening Indo-German relations', Federal Foreign Office, 24 Oct. 2019, <https://www.auswaertiges-amt.de/en/newsroom/news/maas-india/2260838>.

In 2020, Germany published its Indo-Pacific guidelines,¹⁰⁰ and declared the region ‘a priority of German foreign policy’.¹⁰¹ The reason for Germany’s interest in the Indo-Pacific is that the ‘region is becoming the key to shaping the international order in the twenty-first century’. Its population comprises half of the global population, and almost 40 per cent of global GDP is created there.¹⁰² The German government anticipates that, in the future, Germany will be economically dependent on countries of the Indo-Pacific region. It also admits that the geographic dimension of the Indo-Pacific has not been clearly defined, and that the region is determined more by ‘interlocking competing strategic projections and global value chains’. The Indo-Pacific region, then, is one created not by geography, but by politics.¹⁰³

Given the importance of the region for the future international order, Germany ‘has a great interest in participating in Asia’s growth dynamics and in being involved in shaping the Indo-Pacific region, as well as in upholding global norms in regional structures’. Germany sees itself ‘as an internationally active trading nation and a proponent of a rules-based international order’, with an ‘excellent reputation in many areas of our bilateral cooperation’, and points out that its guidelines address ‘important issues such as climate and environmental protection, renewable energies and vocational training’. Its strategy defines Germany’s interests in the following areas: peace and security, diversifying and deepening relations with countries of the region, securing sea lines of communication (SLOC), securing open and free trade, digital transformation and connectivity, climate protection, and access to fact-based information. Germany is willing to develop more diversified relations with partners in the region to avoid ‘unilateral dependencies and to strengthen ties with the global players of tomorrow’. The guidelines explicitly argue that the current strong ties in the economic sector should be diversified. Security, cultural, educational and scientific relations with the countries of the region should be developed. Germany wants to strengthen its ties with democratic countries that share its values. It opposes a hegemonic or bipolar structure in the Indo-Pacific. One goal of German policy is to avoid a new Cold War. Germany wants to cooperate with regional partners on developing connectivity in the region, to ensure that Indo-Pacific economic growth is ‘environmentally friendly and socially compatible’, that natural resources are used in a sustainable way and that biodiversity is preserved. Germany is also interested in securing access to diverse sources of fact-based information for the citizens of the region. This is to confound measures taken by certain authoritarian regimes, described as those that ‘make intensive use of communication to manipulate and influence civil societies’.¹⁰⁴

¹⁰⁰ Federal Government of Germany, *Policy guidelines for the Indo-Pacific*.

¹⁰¹ ‘Foreign Minister Maas on the adoption of the German government policy guidelines on the Indo-Pacific region’, Federal Foreign Office, 2 Sept. 2020, <https://www.auswaertiges-amt.de/en/newsroom/news/maas-indo-pacific/2380474>.

¹⁰² Federal Government of Germany, *Policy guidelines for the Indo-Pacific. Germany—Europe—Asia: shaping the twenty-first century together*.

¹⁰³ Federal Government of Germany, *Policy guidelines for the Indo-Pacific*, p. 8.

¹⁰⁴ All quotes in this paragraph are from Federal Government of Germany, *Policy guidelines for the Indo-Pacific*.

Political reactions in the region itself to Germany's Indo-Pacific guidelines have been divided: Australia, India, Japan and Singapore have welcomed them, but China has responded angrily.¹⁰⁵ Although some Chinese experts like to downplay German engagement in the region, reducing it to economic expansion under the US security umbrella,¹⁰⁶ there is no doubt that there has been an important change in Germany's Indo-Pacific policy.

Since late 2020, there have been intensive diplomatic exchanges between the German government and the governments of Australia, Japan, Singapore and the Republic of Korea on the situation in the Indo-Pacific region. Minister Kramp-Karrenbauer gave a speech on Germany's Indo-Pacific policy during the ASEAN Plus defence ministers' meeting in December 2020. During the third meeting with Japanese Defence Minister Nobuo Kishi, she called the Indo-Pacific 'strategically the most important region of the world' (*die strategisch wichtigste Region der Erde*).¹⁰⁷ The main topics of discussion with regional partners were the freedom of SLOC, territorial disputes in the region, cyber and IT cooperation, and increasing armament efforts. It was constantly repeated that Germany shares values and interests with these countries, and is interested in closer security cooperation with them and in the prosperity of the region. Minister Kramp-Karrenbauer underlined that the ideological confrontation between authoritarian China and the free world has further intensified as a result of the COVID-19 pandemic.¹⁰⁸

Remarkably, Kramp-Karrenbauer did not meet with her Indian counterpart in late 2020 or early 2021, even though in recent years the strategic importance of India for Germany has loomed large.¹⁰⁹ The situation in the Indo-Pacific region was only one of many topics discussed by Chancellor Merkel and Prime Minister Narendra Modi during a video conference in January 2021.¹¹⁰

In the Indo-Pacific guidelines, the German government set itself the goal of developing strategic partnerships with a number of different countries in the

¹⁰⁵ Grare, 'Germany's new approach to the Indo-Pacific'; Till Fähnders, 'Deutsche Strategie für Indo-Pazifik erzürnt China' [German strategy for Indo-Pacific enrages China], *Frankfurter Allgemeine Zeitung*, 9 Nov. 2020, <https://www.faz.net/aktuell/politik/ausland/deutsche-indo-pazifik-strategie-warnsignal-an-china-17042642.html>.

¹⁰⁶ Xin Hua, 'Influencing Indo-Pacific region difficult for Europe', *Global Times*, 3 Sept. 2020, <https://www.globaltimes.cn/content/1199869.shtml>.

¹⁰⁷ Federal Ministry of Defence, *Japan: Wertepartner im indopazifischen Raum* [Japan: value partner in the Indo-Pacific region], 13 April 2021, <https://www.bmvg.de/de/aktuelles/japan-wertepartner-indopazifik-5054598>.

¹⁰⁸ Fleischer, 'Federal minister of defence underlines relevance of Indo-Pacific region'; Federal Ministry of Defence, *Fokus Indo-Pazifik: Ministerin tauscht sich mit Amtskollegen aus Singapur aus* [Focus on Indo-Pacific: minister exchanges views with counterparts from Singapore], 5 Aug. 2021, <https://www.bmvg.de/de/aktuelles/fokus-indo-pazifik-ministerin-amtskollegin-singapur-5206970>; Federal Ministry of Defence, *Stärkeres Engagement im Indo-Pazifik: Ministerin in Asien* [Stronger engagement in the Indo-Pacific: minister in Asia], 31 May 2021, <https://www.bmvg.de/de/aktuelles/staerkeres-engagement-im-indo-pazifik-ministerin-in-asien-5087424#:~:text=Aktuelles%20St%C3%A4rkeres%20Engagement%20im%20Indo-Pazifik%3A%20Ministerin%20in%20Asien,die%20US-Truppen%20auf%20dem%20Milit%C3%A4rst%C3%BCtzpunkt%20Guam%20im%20Pazifik>.

¹⁰⁹ Heiko Maas, 'Germany and India: "pulling in the same direction on security policy issues"', interview, Federal Foreign Office, 1 Nov. 2019, <https://www.auswaertiges-amt.de/en/newsroom/news/maas-interviews-india/2262494>.

¹¹⁰ 'Bundeskanzlerin Merkel spricht mit dem indischen Premierminister Narendra Modi' [Chancellor Angela Merkel talks to Indian prime minister Narendra Modi], Federal Government of Germany, 6 Jan. 2021, <https://www.bundeskanzlerin.de/bkin-de/aktuelles/bundeskanzlerin-merkel-spricht-mit-dem-indischen-premierminister-narendra-modi-1834606>.

region. Currently there are five: Australia, China, India, Indonesia and Vietnam. The first partner with which this goal was achieved was Australia. On 10 June 2021, the German–Australian strategic partnership that had existed since 2013 was elevated to a new level of ‘enhanced strategic partnership’. Under this rubric, both partners agreed ‘to pave the way for a multi-layered security partnership’.¹¹¹

Germany’s interests as listed in the Indo-Pacific guidelines point to China, although in a way that seeks to avoid antagonizing that country. The official documents released after the meetings between Kramp-Karrenbauer and her counterparts from Australia, Japan, the Republic of Korea and Singapore made no mention of China. Despite this precaution, the Indo-Pacific guidelines do refer to China as a country that is ‘calling into question the existing rules of the international order’. The document also refers to certain conflicts in the region, and argues in favour of strengthening ties with ‘democracies and partners with shared values’.¹¹² Germany does not want to provoke China unnecessarily, but feels increasingly threatened by it.

Sending the frigate *Bayern* to the Indo-Pacific region in August 2021 did not change the balance of power, but was a symbolic gesture intended to strengthen the position of Germany’s democratic partners in the region. The last time the German Navy was present in the Pacific region was in 2002, in a completely different political situation. But Germany’s navy has been active for years in the Indian Ocean, participating in Operation Atalanta since December 2008.¹¹³ According to Kramp-Karrenbauer’s declaration, Germany is ready to protect the freedom of navigation threatened by China.¹¹⁴ She declared that the tools Germany will use to defend values it considers important go beyond diplomacy and negotiations to include military means.¹¹⁵ Nevertheless, in practice there is an important difference between the mission of the *Bayern* and the missions of the US Navy or the British, French, Japanese and Australian naval presences in the region. The German mission does not demonstrate freedom of navigation. The *Bayern* has been ordered to avoid the disputed waters, and a visit to the harbour of Shanghai was planned to demonstrate Germany’s friendly attitude towards China. The *Bayern*’s mission is the German Navy’s cautious first step in the region, but even this military presence is a new phenomenon that the Chinese authorities are finding difficult to accept. They refused to admit the *Bayern* into Shanghai harbour, explaining that this was due to a lack of trust between China and Germany.¹¹⁶

¹¹¹ Federal Foreign Office, *Enhanced Strategic Partnership between Australia and the Federal Republic of Germany*, 10 June 2021, <https://www.auswaertiges-amt.de/blob/2465290/f063d638a9e90d6726383d26e86b3e12/210610-esp-en-data.pdf>.

¹¹² Federal Government of Germany, *Policy guidelines for the Indo-Pacific*.

¹¹³ Patricia Schneider, ‘German maritime security governance: a perspective on the Indian Ocean region’, *Journal of the Indian Ocean Region* 8: 2, 2012, pp. 142–64.

¹¹⁴ Kramp-Karrenbauer, ‘Multilateralismus nach vorne bringen’.

¹¹⁵ ‘3rd keynote address delivered by the German Minister of Defence’.

¹¹⁶ Friederike Böge, ‘China begründet Absage an Fregatte *Bayern* mit mangelndem Vertrauen’ [China justifies the rejection of the frigate *Bayern* with a lack of trust], *Frankfurter Allgemeine Zeitung*, 17 Sept. 2021, <https://www.faz.net/aktuell/politik/ausland/china-begrueudet-absage-an-fregatte-bayern-mit-mangelndem-vertrauen-17541862.html>.

Although Germany does not want to ‘content itself with remaining on the sidelines, as a mere observer’,¹¹⁷ its current military capabilities do not allow it to engage more actively in the Indo-Pacific, even though the region is included alongside the Baltic Sea, the North Atlantic and North Sea, and the Mediterranean, as one of the four essential areas for the German Navy.¹¹⁸ Despite the navy’s ongoing programme of modernization, the consequences of a decades-long policy of cost-cutting are still visible. The acquisition of new weapon systems regularly runs into delays and cost overruns, and the new systems often do not meet all the requirements and suffer quality defects. In the years ahead, the German Navy will have to take on more tasks, still with little equipment. In the foreseeable future, it may not have the operational reserves it needs to be able to react to sudden turns of events in an appropriate way.¹¹⁹

Notwithstanding its diplomatic offensive and its dispatch of the *Bayern* to the Indo-Pacific, Germany’s relations with the region remain dominated by economic issues, and China is still its biggest economic partner in the region. Trade with China comprises half of Germany’s trade with all Indo-Pacific countries. In 2020, it was worth over €212 billion, more than its trade with the next three trading partners together (Japan, the Republic of Korea and India), which jointly were worth over €87 billion.¹²⁰ At the end of 2018, German FDI in China was worth over €86 billion, whereas in the next three biggest recipients in the region (India, the Republic of Korea and Singapore) it amounted to under €43 billion.¹²¹

Despite its own limited military capacity, Germany has been successfully developing and exporting weapons for decades. From 2000 to 2020, Germany was the fourth biggest arms exporter in the world, behind the United States, Russia and France, and ahead of the United Kingdom, which was the fifth biggest arms exporter.¹²² The increasing tensions in the Indo-Pacific region are providing an opportunity for more exports to this region. From 2000 to 2020, Germany exported arms to Australia worth \$1,763 million, to India worth \$775 million, to Indonesia worth \$469 million, to Malaysia worth \$1,031 million, to Singapore worth \$730 million and to the Republic of Korea worth \$3,967 million.¹²³ Germany lost, however, what was probably the biggest contract in the region, a sale of submarines to Australia, and it also failed to obtain a lucrative jet fighter contract

¹¹⁷ Federal Government of Germany, *Policy guidelines for the Indo-Pacific*, p. 2.

¹¹⁸ Bundesregierung, *Siebter Bericht der Bundesregierung über die Entwicklung und Zukunftsperspektiven der maritimen Wirtschaft in Deutschland* [Seventh report of the federal government on the development and future prospects of the maritime industry in Germany], 4 March 2021, https://www.bmwi.de/Redaktion/DE/Downloads/B/bericht-der-bundesregierung-ueber-die-entwicklung-und-zukunftsperspektiven-der-maritimen-wirtschaft-in-deutschland.pdf?__blob=publicationFile&v=6.

¹¹⁹ Krause, ‘Ansprache. 60. Historisch Taktische Tagung’, pp. 18–24.

¹²⁰ Statistisches Bundesamt [Federal Statistical Office], *Außenhandel. Rangfolge der Handelspartner im Außenhandel der Bundesrepublik Deutschland* [Foreign trade: ranking of trading partners in the foreign trade of the Federal Republic of Germany], 19 July 2021, https://www.destatis.de/DE/Themen/Wirtschaft/Aussenhandel/Tabellen/rangfolge-handelspartner.pdf?__blob=publicationFile.

¹²¹ Deutsche Bundesbank, *Direct investment statistics*, 20 April 2021, pp. 53–6, <https://www.bundesbank.de/resource/blob/811578/c661b415a0b13d5a0e34cfd909ecfafc/mL/o-direktinvestitionen-data.pdf>.

¹²² SIPRI, *TIV of arms exports from all, 2000–2020*, 10 Dec. 2021, https://armstrade.sipri.org/armstrade/html/export_values.php.

¹²³ SIPRI, *TIV of arms exports from Germany, 2000–2020*, 15 Aug. 2021, https://armstrade.sipri.org/armstrade/html/export_values.php.

in India. In both cases, its French competitors prevailed. However, despite that initial success, French companies will not deliver submarines to Australia. On 15 September 2021, Australia, the United States and the United Kingdom announced a security pact called AUKUS under which Australia can acquire eight US-made nuclear-powered submarines. The contract with France for conventional submarines was cancelled. For Australia, the strategic goal of containing China prevailed over the maintenance of good relations with France. For Germany, this decision raised several questions: first, concerning information exchange and the coordination of activities between the United States and its European allies; second, how Germany would react if it found itself in France's shoes—or, in Heiko Maas's words, 'What if this happened to us?'; and third, about the credibility of US security guarantees to its European allies. The announcement of AUKUS was another signal for Germany that the US pivot towards Asia may be connected with a pivot away from Europe. Maas argued that the EU must continue to work on 'European sovereignty'.¹²⁴

Conclusions

The roots of the German Indo-Pacific guidelines lie in the failure of the country's 'change through trade' strategy towards China. Contrary to German expectations, as its economic exchange with the world increased, China did not become a liberal democracy and did not accept the liberal world order. The warnings of realists about the consequences of the rise of China were borne out, and the world is moving away from a liberal order to a realist order.¹²⁵ Chinese policy is now interpreted by German authorities as a threat to their economic and security interests. The list of differences is constantly growing. Economic ties that were previously seen in terms of absolute gains are now seen in terms of strategic vulnerability, and China's economic growth, once seen as an opportunity, is now seen as the rise of a systemic rival. A few years ago, Chinese military strength was a non-topic for German decision-makers; today it is making its way towards the centre of the debate as China stakes territorial claims against its neighbours.

Germany's increasing engagement in the Indo-Pacific region is intended to support the principles of the liberal order, and the political and territorial status quo, in cooperation with regional powers that it has identified as key partners. Germany does not want to see new spheres of influence or a new bipolar world order, although its opposition towards Chinese policy inevitably brings it closer to the United States.

Since the publication of the guidelines on the Indo-Pacific, Germany has engaged in soft balancing against China. Unprecedented diplomatic activity on the part of German ministers, especially Kramp-Karrenbauer, has been observed. Kramp-Karrenbauer has met numerous times with her counterparts

¹²⁴Richard Walker, 'German foreign minister urges EU-US cooperation in Indo-Pacific', *Deutsche Welle*, 23 Sept. 2021, <https://www.dw.com/en/german-foreign-minister-urges-eu-us-cooperation-in-indo-pacific/a-59287758>

¹²⁵Mearsheimer, 'Bound to fail', pp. 7–50.

from Australia, Japan, Singapore and the Republic of Korea. Germany is actively participating in an emerging diplomatic coalition against China's hegemony in the Indo-Pacific.

Although the deployment of the frigate *Bayern* was a symbolic gesture showing Germany's commitment to the goals defined in the Indo-Pacific guidelines, the planned route for the frigate shows that it will avoid all the disputed areas in the region. Germany does not want to be on the front line of a diplomatic confrontation with China. Even so, China showed its opposition to the visit of the *Bayern* in Indo-Pacific waters by refusing to admit it to Shanghai on the grounds of a lack of trust between the two countries. Being militarily weak and reluctant to participate in military operations, and given its geographical distance from China, Germany will prefer to pass the buck to a coalition of the United States and regional powers rather than join with them in any eventual use of force. Further, Germany's soft balancing should not be misunderstood as economic decoupling from China. China is a valuable economic partner for Germany, and an important partner in other areas, for example in combating climate change. Germany is interested in continuing its economic exchange with China. At the moment, it is unclear how the German government can foster more diversified economic relations with other Indo-Pacific countries to reduce its dependence on China. Yet, as the legal changes in Germany regarding telecommunications technology suppliers and foreign investments show, its future economic cooperation with China will be much more selective; in particular, the new government that has just emerged from the 2021 parliamentary election will probably take a tougher stance on China.¹²⁶ The steps already taken by the previous German administration show that a selective decoupling from China was chosen to ensure Germany's economic security. New economic 'spheres of independence' are going to be created.¹²⁷

¹²⁶ Noah Barkin, 'Rethinking German policy towards China. Prospects for change in the post-Merkel era', *Chatham House*, May 2021, <https://www.chathamhouse.org/sites/default/files/2021-05/2021-05-26-german-policy-towards-china-barkin.pdf>

¹²⁷ Economic 'spheres of independence' are understood as strategically important areas of economic life where international cooperation tends to diverge away from potential rivalries towards creating 'countervailing security and economic ties'. Cooperation with a potential rival may be maintained for economic reasons, but in a way that gives the rival no leverage. See: Thomas Wright, 'Sifting through Interdependence', *The Washington Quarterly* 36:4, 2013, pp. 7-23.