

# German chancellor makes her seventh visit to China

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Last weekend, German chancellor Angela Merkel (Christian Democratic Union, CDU) travelled to China for an official state visit. It was her seventh trip to China during her term in office. As on her previous visits, she was accompanied by a significant business delegation.

Along with Volkswagen (VW) CEO Martin Winterkorn, who has accompanied the chancellor on her China visits for some time, the new Siemens head Joe Kaeser, Deutsche Bank chief Jürgen Fitschen, Commerzbank head Martin Blessing, and Thyssen-Krupp chief Heinrich Hiesinger as well as Frank Appel of Deutsche Post and many more were present. Deutsche Post has 14,000 employees in 500 locations in China and has a major international logistics centre in Shanghai.

The first destination was Chengdu, a city with a population of 1 million in the western province of Sichuan. In this city alone, 160 German firms are active. Immediately after her arrival, Merkel visited the VW plant in Chengdu, one of the firm's 17 production locations in China. Afterwards, she opened a conference on urbanisation, where German firms offered a wide range of services and know-how for municipal services and administration.

On Monday, Merkel met with President Xi Jinping and Prime Minister Li Keqiang in Beijing for political discussions, participating in the celebrations for the opening of a Chinese-German economic committee. The establishment of this forum is seen as an important step in formalising economic relations between the two countries.

China is Germany's most important trading partner outside of Europe and its fifth most important overall. On the other hand, Germany is China's most important trading partner in Europe. Germany's foreign investment agency "Germany Trade and Invest" (GTAI) reported that German direct investment in China is rising sharply, estimating that it will reach €39 billion this year. Although this is much less than German investment in the

US, which in 2012 stood at €199 billion, investment across the Atlantic has fallen by 10 percent over the past five years while in China it is increasing continuously.

In some industries, above all the auto industry and machine construction, business with China plays an extremely important role. VW recently issued a "Market Special: China" report stating that since the founding of a joint venture firm 30 years ago, its business in China has systematically expanded.

Two years ago, the Wolfsburg-based firm had achieved a market share of 20.8 percent of cars in the country, rising to the position of market leader.

In the fiscal year 2012, VW sold around 2.8 million vehicles in China, which as a result was its largest market. VW obtained almost a third of its global profit in China. The Chinese market is nowhere near saturated, VW wrote. For every 1,000 residents in China, there are currently only 50 cars, whereas in Germany it is 520. VW chief Winterkorn announced that by 2018, the firm would invest €18 billion in expanding production in China.

Siemens chief Kaeser also pointed out before his trip that China had been for some time Siemens's third most important market, behind the US and Germany. The firm has been active in China for 140 years, since 1872; it now employs 32,000 workers and achieves an annual turnover of €6.14 billion.

The Airbus manufacturer EADS also employs around 1,200 workers in China, working on joint projects worth billions. Germany's Lufthansa is planning close collaboration with Air China. A corresponding "memorandum for the further intensification of commercial cooperation" was signed by Lufthansa chief Karsten Spohr and Air China president Song Zhiyong, the airline announced on Monday.

During her term in office, Angela Merkel has systematically developed and expanded relations with China. This year, Foreign Minister Frank-Walter

Steinmeier and Economics Minister Sigmar Gabriel (both Social Democrats, SPD) have already travelled to Beijing. In October, German-Chinese government consultations will take place in Berlin for the third time.

China is pursuing not only economic, but also geopolitical aims in this collaboration. At the end of March, Chinese president Xi visited Berlin and held a speech about China's role in the world. He spoke about how China would play a greater role in global politics in the future and intended to use its good relations with Europe and the German government in particular.

The Chancellor's office and foreign ministry took note of the fact that in the UN Security Council vote on the Crimea referendum, China abstained rather than supported Russia's no vote. The director of the Mercator Institute for China Studies, Sebastian Heilmann, said of the decision at the time on *Deutschlandfunk* that it was very welcome that the Chinese leadership had come out of the shadow of Russia "and positioned themselves so that they can move closer to the West."

A few days later, Beijing published a strategy paper for strengthened cooperation with the EU. The German Institute for Global and Area Studies (GIGA) in Hamburg subjected the government document to a detailed analysis. Under the headline "China's new EU strategy: building a strategic axis in global politics," it pointed out that Beijing's last statement on the EU was more than a decade old. Since then, the "balance of forces and interdependences in Sino-European relations have shifted in favour of the Chinese side."

According to the document, China had since "emerged as the US's most important creditor [and] become increasingly active in Europe as an investor." In the future, China intended to cooperate as closely as possible with the EU, but was seeking "a role as an equal cooperation partner and an active framer of global politics."

The drive to "intensify the Sino-European partnership" was above all "created by the expansion of the US presence in the Asian-Pacific region 'pivot to Asia', and the planned transatlantic free trade agreement (TTIP) between the EU and US." Washington was attempting "to 'consolidate a new trading bloc,' which could 'weaken China's relative economic position of power.'"

In the Chinese media, the close economic cooperation with Europe and with Germany in particular is portrayed as a new "Silk Road strategy." "China is promoting a new Silk Road and intends to link up with a massive Eurasian trading network from Astana to Duisburg," wrote Mark

Simons, Beijing correspondent for the *Frankfurter Allgemeine Zeitung* ( *FAZ* ) at the beginning of July. Through a network of trading relationships and transport routes starting in the western Chinese Xinjiang province, first the cities of Central Asia, then Iran, Turkey and Europe are to be closely integrated economically.

As a result, there are not only plans for a major infrastructure project to simplify the exchange of goods, but also the creation of new political and cultural connections between Asia and Europe, a report based on the Chinese Communist Party newspaper *Global Times* stated.

According to the *FAZ* correspondent, influential sections of the ruling elite in China are of the opinion that the stronger economic integration of Eurasia "would fundamentally change the existing balance of forces in global politics." In other words, closer economic cooperation with Europe is part of a Eurasian strategy aimed at counteracting the economic and military pressure from the US.

But Washington has made clear at every opportunity that it would not allow such a development to take place, and that it views control of the Eurasian landmass as an unalterable cornerstone of US foreign policy. The expansion of economic cooperation between Berlin and Beijing could result in the rapid intensification of transatlantic tensions.

In addition, Chinese economic growth has been declining for several years, resulting in a stepping up of exploitation.

It was significant that the chancellor began her visit on Sunday with a stop at an institution for the integration of children from migrant families. Almost 270 million former peasants and agricultural workers get by as migrant workers. They live and work far away from their families under conditions of extreme exploitation.

Merkel praised the German social model and made no secret of the fact that she considered the cooperation of the trade unions with the state security services to be necessary to suppress resistance from the working class.



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