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BOOK REVIEW

Germany and China: How Entanglement Undermines Freedom, Prosperity and Security

By Andreas Fulda

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Whoever believes that de-coupling from China is the right decision to be made by the German government and the EU will read Fulda's book as a comprehensive choice of arguments backing this belief. Alas, whoever does not believe this to be the right decision will not be convinced by what he or she reads in Fulda's book. Instead of trying to convince those who are wrong according to Fulda's views, Fulda's intervention only deepens the divide between the "China Versteh'er" (meaning that whoever tries to understand what is going on in China is unwilling or unable to criticise China), and those who criticise China. With this approach, he follows a recent trend in the discussion of how to deal with China: people of different opinions do not speak with each other but shout at each other.

Fulda's book is a hybrid publication. Its theoretical framework gives the reader the impression that it wants to be read as an academic work. However, Fulda's inability to use the theoretical framework as a guide to analysis shows that he does not go beyond the journalistic mode of presentation. I, therefore, choose to take this book as part of an ongoing debate within academic circles and the politically interested public in Germany. As Fulda has been very active in publicising his ideas recently, it seems worthwhile to understand and discuss his views on matters more thoroughly.

Fulda's argument starts with the assessment that the policy of "rapprochement through interweaving" and "change through trade" which the German government has been pursuing for decades vis-à-vis the former Soviet Union, the Russian Federation, and the People's Republic of China has been proven to be wrong (p. 26) by the ongoing war in Ukraine. At first glance, this argument sounds convincing, however, Fulda does not take potential counter-narratives seriously enough to decipher the inherent logic of what decision-makers at the time had to consider. Germany's Ostpolitik was part and parcel of a fundamental change in the ordering of the world undertaken in the crisis-ridden 1970s when Nixon decided to go for *détente* vis-à-vis the Soviet Union and China. Willy Brandt and his adviser Egon Bahr took this opportunity not because they hoped for a regime change in the GDR or the Soviet Union, but because they wanted to normalise the relationship with the USSR to counterbalance the strong grip that the US still had on the Western part of Germany. As maybe hoped for but not made explicit then, Ostpolitik also aimed to test the chances of reunifying Germany. In other words: Nixon's change of strategy offered Germany the rare opportunity to pursue its vital interests without harming its relationship to the US! From today's perspective, Germany's Ostpolitik was successful as it made Germany's re-unification possible and contributed to ending the Cold War. That might have caused German decision-makers not to question the validity of their policy. The same is true for the dissolution of the USSR which seemed to have proven the feasibility of regime change in Communist countries. When Reagan embarked on his SDI project hoping to drive the SU into a major economic crisis he finally had to change strategies and embark on yet another round of *détente* with Gorbachev. From today's perspective, all this could only be successful because of NATO's

“rearmament with medium-range missiles and the rapid modernization of the US military” (p. 26). In other words, Western agendas can only be successful if forwarded through military threats. However, at the time, the fear of war was still strong enough in Europe to hope that a *modus vivendi* could be found through diplomatic channels.

What Fulda calls a dogma to which Germany’s decision-makers stubbornly adhered was, as a matter of fact, in the eyes of those who had to make the decisions at the time, a form of “creative learning” by transferring experiences from collaborating with the Soviet Union to the case of China. Fulda refers to Buzan’s warnings from the 1990s which were aimed at relativising the efficiency of a “change through trade” policy. Buzan was right to predict that the PRC government would not allow for a “peaceful” change in China. But this does not imply that engaging with the PRC was wrong already at the time. Although journalists and politicians visiting the PRC would time and again stress the human rights issue as something the PRC needed to be criticised for, politicians were mostly interested in preserving stability in the PRC and benefitting from trade and investment. At the same time, globalisation was seen as a peace-preserving mechanism. As long as the economies of the US and Germany were entangled with China the possibility of war was assessed to be minimal. Fulda wonders why Steinmeier in his capacity as Germany’s foreign minister did not respond to warnings articulated at the time (p.40), but he does not take the pains to understand that according to the overall consensus in Germany at the time, politicians were doing everything on behalf of Germany’s freedom and prosperity. Fulda argues that the inability of Germany’s policymakers to learn from the past is due to the dominance of the business elite over political decision-making (p. 203). He discusses the role of the German Eastern Business Association (Ostauschuss der deutschen Wirtschaft) at length stating that it has “vigorously defended Germany’s pro-business approach to China” (p.42). However, he also follows Karnitschnig in arguing that then chancellor Helmut Kohl was responsible for opening “the door to China only to throw away the key” letting “Beijing use it to bind them to an economic relationship they could not escape” (p.79). Apart from being unclear about who has to be made responsible for the “failure” of collaborating closely with the PRC: the economic or the political elite, Fulda falls again into the trap of looking at things from today’s perspective without taking the historical constellations into account. Against the background of the economic crisis of the 1970s, engaging with the PRC was instrumental in saving our part of the world, today commonly called “the West”, and in preserving social stability by economic growth for decades to come. Not embarking on this course would have meant that the German economy lost international competitiveness as early as at the end of the last millennium.

In the second part of his book, Fulda discusses several case studies showing that his arguments are sound. The case studies range from the failures of Germany’s solar panel and automotive industries to blindness to technology theft and technology transfer, from uncritical reliance on Chinese collaborators by the German development aid agency to naivety in

scientific collaboration and dual-use issues. For Fulda, all cases are signs of policy failure as well as due to the unwillingness and inability to learn from past mistakes. For these fallacies, he makes “principle-agent dilemmas” responsible: “Principal-agent relationships marked by information asymmetry (...) can jeopardize German sovereignty when individuals or organizations start representing the interests of China’s one-party state instead of working towards enlightened or material German interests” (p. 210). Interestingly, Fulda makes the German side responsible for the failures, going so far as to reproach those who have been active on behalf of companies such as Volkswagen, Daimler, BMW, and BASF to fulfil the wishes of the Chinese side to the detriment of German interests. Although he tries to argue that the Chinese state is a threat to freedom and prosperity in Germany, his disgust towards international companies engaged in China drives him to put the responsibility for our “dependence” on China on the shoulders of Germany’s business elite. This again is an argument that is derived from today’s conflicts between mainstream tendencies among the political elites and the representatives of those international companies based in Germany that tend to invest in China or in the US rather than in Germany. Before the US decided that the PRC was the only country willing and able to challenge the hegemonic position of the US in the world, the political and economic elites in Germany were for the most part not in conflict over their China strategies. As a matter of fact, the strategies pursued by the German and the US elites aligned with each other. Under this precondition, the political and economic elites in Germany were acting in consensus. But today’s situation is different: Germany is sandwiched between China and the US. No longer can Germany pursue its economic interests without harming its relationship with the US. Consequently, the interests of the political elite (which heavily relies on benign relations with the US) and the economic elites (which cannot do without China) fall apart. They cannot act in consensus anymore.

Fulda concludes: “I would argue that Germany can no longer afford not to learn from past failure. This is especially so because Xi’s growing security state is casting an even longer shadow over Western liberal democracies. If Germany remains entangled with autocratic China our freedom, prosperity, and security will be further undermined” (p.210). I would agree that decision-makers and investors in Germany did not understand early enough that the CCP under Xi Jinping’s leadership is no longer the same CCP we encountered under previous leaderships. They continued to rely on China’s business interests being identical to their own interests and did not observe closely enough how the CCP under Xi’s leadership shifted from putting the economy in command back to Mao’s “putting politics in command” (*zhengzhi guashua*). With this change in priority, the identity of interests no longer exists. Xi’s “China dream” is the dream for China to rise to world power status and European political leaders as well as business elites overlooked that this implies that China would no longer succumb to the US as the one and only world power, but instead would do everything to make the US and its friends in the “West” understand that the time for unquestioned Western hegemony will soon be over.

The reason why this important turning point in PRC history was overlooked is the fact that investors have still been making a lot of money in China, and with the kind of profits they are making in or by way of collaborating with China, they cater to the needs of their shareholders. Fulda rightly points to the problematic side of German investments and trade with China, but he forgets to mention how Germany's engagement with China brought prosperity to Germany in times when security and freedom seemed well protected by the US dominating the post-Cold-War world. Instead of complaining that the German China policy has always been a failure, he should have instructed his readers on how to identify the moment of change. Leaving political arguments aside, German investors could have observed like their Japanese counterparts, already during the first decade of the 21st century that Chinese businesses were moving into countries like Vietnam, Laos, and Cambodia because their return on investment no longer fulfilled their expectations as wages started to rise.

The so-called "dependency" which Fulda defines as four different forms of dependency, i.e. the dependency on raw materials, intermediate products, revenues, and "psychological dependencies" (p. 214) is, as a matter of fact, a mutual dependency which makes China much more vulnerable than Fulda admits. With the current economic problems in the PRC, we can observe in real-time how tariffs and indirect sanctions such as the US CHIPS and Science Act of 2022 have hurt the business environment in China. The fact that China is part and parcel of this de-globalising globalised world means that the regime change some people are hoping for as the best solution to end China's rise to world power could be the result of China's economy running low for a prolonged period of time. China's economic malaise can eventually result in an incremental loss of social stability leading to a split of the political elite. These two ingredients are exactly what a regime change needs as its precondition for success. This is the reason why the "psychological dependency" is observable on both sides, not only in the form of the German angst but also in the form of the CCP's fear of regime change. According to Fulda, people do not dare to criticise or take harsh actions against, for instance, the violation of human rights because they fear retaliation by China. Vice versa, Xi Jinping reiterates that China is being "encircled" by enemies. China's threat perception stands between the PRC and the rest of the "Western" world just as much as the threat perception makes it difficult for us to understand what is going on in China. This mutual perception problem is extremely dangerous and generated moments of near-nuclear war between the US and the USSR several times in the past. In this situation, China specialists like Andreas Fulda should use their in-depth knowledge to help overcome this dangerous constellation.

In the case study dedicated to the debates colleagues from the field of China Studies have been pursuing recently, and in which Fulda has been quite pronounced the book does not present any new insights. Rather than explaining to the non-Sinologist reader what this debate is about, Fulda reiterates the arguments and cites from his and his friends' statements exchanged in German newspapers and on X. He argues that it is "incumbent on China scholars

to begin questioning rule-stabilizing, culturally relativistic and culturally essentialist as well as anti-praxeological traditions in Chinese studies” (p. 217). If I understand correctly, Fulda is trying to convince the field of China Studies to come to a consensus on how to deal with China. This consensus implies that we should contribute to destabilising China by criticising it from a “Western” point of view. This approach has its historical roots in the very beginning of China Studies with the Institut für Orientalische Sprachen acting as a training centre for colonial officers deployed in China. From my point of view, there are not only two ways of dealing with China. Instead, the freedom entailed by academic research and teaching should allow us to pursue multiple options. We do not need more China experts if they all align with the same idea. The complexity of the issue we are dealing with necessitates that we research multiple issues with divergent methodologies and theoretical frameworks. To reduce the agenda of the field of China Studies as per Fulda’s suggestion would be the next mistake to make.

At the end of the book, Fulda makes seven suggestions on how to deal with China in the future. Some of them are quite abstract, such as his suggestion to overcome the “German angst” and his warning against the danger of “provocative weakness” (p.215), i.e. the provocation of coercive action because of obvious weakness. Others are quite concrete. He advises German party foundations to immediately leave China, and the government to strengthen the Foreign Office vis-à-vis the Chancellery, to contain corporate lobbying, and to implement rigorous outbound investment screenings. While I would agree that it is necessary to put naivety aside, I would suggest investing our knowledge and understanding of the country to come up with suggestions more sophisticated than the idea of getting rid of China as a powerful competitor.

Fulda’s book was quite obviously written under time pressure with lots of citations from his writings and quite a few typos. The author is replete with what he calls “strategic culture”, but unfortunately not patient enough to carefully develop his argument. The most important weakness of the book, however, lies in its isolating Sino-German relations from the overall geo-political setting. Some of what Fulda qualifies as “inability to learn” or lack of “strategic culture” is closely linked to Germany’s geo-political position in Europe and the world at large.