

ZVEI China-Theses

China has developed into a self-confident, politically ambitious and economically strong world power. China's success is based on a different system of rights and values than those of Western industrialised countries. Europe's model of success and prosperity is based on free world trade and access to other markets. Through its entrepreneurial activities, industry contributes to improving the working and living conditions of people and human rights in many parts of the world and thus makes a significant contribution to prosperity in Germany and Europe. We are convinced that our value system is the more sustainable model of society and are not afraid of competition between systems.

The German electro and digital industry is facing up to **competition with China**. The ZVEI opened its EuropElectro Office in Beijing more than 15 years ago and has been networking continuously in China ever since. The ZVEI is pursuing three thematic areas: **Technical market access conditions, regulatory industrial policy framework** in the EU and **industrial cooperation**.

ZVEI calls for a **coordinated EU strategy for China** that takes the following points into account:

- **China is the most important market for the German electrical and digital industry.**
- **Diversification of global supply and customer networks to reduce one-sided dependencies. Opportunities arise above all in the Asia-Pacific region.**
- **Consistent industrial, trade and foreign policy "from the same cast" is the key to a competitive future.**
- **No national solo efforts, develop a multi-pillar strategy at EU level. Germany and France must move forward together and develop proposals. EU strategy should be coordinated with the most important Western partners, first and foremost the USA.**
- **"Sing the same song" must be the guiding principle on all levels.**
- **A self-confident electrical industry does not shy away from competition, demands a level playing field and strict adherence to reciprocity.**
- **Turning away from a defensive strategy against China towards a strategy of strengthening our industry and international competitiveness.**

Our Positions & Recommendations

- Our claim for dealing with China:
Use Opportunities – Accept Challenges – Manage Risks!
- ZVEI supports the German Federal Government in developing a forward-looking China strategy. This must include the European perspective and closely involve important partners in Europe (especially France) and be discussed with the USA. German and European policymakers should think through various scenarios of what policies China can be expected to pursue in the coming years and what this means for Germany and the EU. We will have to live with conflicting goals in our dealings with China and find pragmatic solutions.
- Making Europe and Germany fit for the future: Offensive strengthening of own competitiveness - China policy must be part of a globally oriented EU foreign, industrial and trade policy. Europe and Germany must concentrate on strengthening their own international competitiveness. The focus on strategic sovereignty, the promotion and expansion of technologies and ecosystems and a strengthening of resilience are right and should be continued by the next EU Commission (from 2024/25). IPCEIs offer good opportunities to bundle private and public investments. In addition, we need competition law to take greater account of the global competitive situation. We need international standards and state support for the strategically important standardisation work.
- **European trade policy should be geared towards creating and ensuring access to other markets.** We need more targeted **Free Trade Agreements (FTAs)** and should swiftly conclude current ratification processes (e.g., CETA, Mercosur and India) and seek new cooperation and investment opportunities with the Global South. The EU-China Investment Agreement CAI has failed, but there must be no vacuum. A new

attempt for an **EU-China Trade Agreement** should be made within the framework of a trade policy dialogue between the EU Commission and the new leadership in China.

- The **European Raw Materials Policy** (Critical Raw Materials) must be geared towards reducing unilateral dependencies on China. In the case of the so-called "rare earths", 86% of the quantities mined today come from China, and 98% are processed in China. Alternatives can be found in Canada, the USA, South America and Africa. So far, only a few countries besides China are willing to extract these raw materials and process them until they are ready for industrial use. In the European interest, raw material cooperation should be promoted within the framework of FTAs and other initiatives. This must be ensured through political framework conditions, for example also in the case of **EU punitive tariffs and EU investment programmes** such as the **Global Gateway Initiative**.
- **Supply chains and networks** of European industry can be diversified in the medium term, especially in the Asia-Pacific region. The electrical and digital industry is currently analysing the potential and infrastructure situation in South Korea, Singapore, Vietnam and Indonesia, among others. However, there is no "substitute" for a market as large as China.
- **EU policy must be geared towards creating a level playing field, equal, free and fair market access and be solution oriented.** Platforms for exchange with China are needed at all levels: political, economic and social. The ZVEI expressly supports the two current trade and climate policy dialogues between the EU Commission and China. Climate and environmental policy projects in China (with a view to China's goal of CO2 neutrality in 2060) are creating a great demand for European solutions. We must take advantage of these opportunities. Contacts and trips of business delegations to China should be resumed after the end of the Chinese COVID restrictions to counteract further polarisation.
- **The EU single market is an asset.** Access to the single market offers great economic opportunities to countries like China and its industries. German and European companies, as sought-after and reliable business partners, are in turn part of many international value-added networks. Especially in times of decoupling and economic uncertainties, the EU internal market is of great importance for growth and prosperity for Chinese companies (state and private). Therefore, the demand for a level playing field and strict reciprocity is essential.
- **The German government and the EU Commission must assert their interests more strongly.** To protect EU interests, a clear regulatory framework is needed at EU level, not a patchwork of different national approaches. The **Anti-Coercion and International Procurement Instrument** as well as the **Foreign Subsidies Regulation** are important EU tools that should be used when necessary. **EU Investment Screening** has already proven its worth in numerous cases by creating transparency for foreign investment in Europe and providing more clarity for member states on the impact. When assessing foreign investment in Europe, a distinction should be made between greenfield and brownfield - impact assessments should be undertaken for acquisitions and investments in critical infrastructure.
- The **primacy of politics** applies: the federal government and the EU Commission must assume greater responsibility in creating a regulatory framework that supports the market. Regulations must be designed in such a way that companies can also meet the requirements. The state can create transparency about political, economic and social developments and evaluate them.
- **Preserving the entrepreneurial spirit:** German and European companies have been involved in China for many years (some for decades). Most companies do this, as everywhere else in the world, at their own **entrepreneurial risk**. Such companies should not be restricted in their entrepreneurial freedom (not even in their freedom to take risks). It is important that free entrepreneurship and economic activity can continue to be exercised freely and not be impaired by state regulations.
- **China's strategic goals and initiatives must be given greater attention and viewed from a global and geopolitical perspective.** This applies to the **Belt and Road Initiative** with its many small projects throughout Europe - and to the **Shanghai Cooperation Organization**, in which numerous countries participate under China's leadership - an organisation without a common basis of values but with interest-driven joint activities that bind many states to China.
- **Avoid competition with multilateral organisations, increase attractiveness and strengthen like-minded partners within multilateral organisations.** Include China in these organisations to avoid migration to their own organisations, according to Chinese values, with the inclusion of countries that are (e.g. financially) dependent on China. This applies, for example, to the WTO, BRICS, etc., as well as to the international standardisation organisations and initiatives.

- **A self-confident electrical industry does not shy away from competition**, demands a level playing field and strict adherence to reciprocity, not only in relation to China, but in general, i.e., also for business in the Global South. Turning away from a defence strategy against China towards a strategy of strengthening our industry and economy/competitiveness.

Background: Facts and figures on China's economic relevance for the electrical and digital industry

- China's share of the global market for electrical and digital goods is 42 %. (Asia accounts for just under two-thirds of the global market; Europe (16 %) and America (19 %) together account for slightly more than the last third). At the turn of the millennium, China's share was only 6 %. Since 2000, the Chinese electronics market has grown by an average of 13 % per year (world growth 3 % p.a.).
- 52 % of international electrical production comes from China.
- China is now by far the largest export customer and importer of the German electrical and digital industry (ahead of the USA and France).
- Exports of the electrical and digital industry to China amounted to €25.2 billion in 2021. This was 11 % of total German electrical exports (of 226.3 billion euros). Industry shipments to China increased tenfold between 2000 and 2021.
- China's importance in imports of electronic and electrotechnical products to Germany is even greater (2021: 71.1 billion euros or 32%).
- Consequently, Germany had a high trade deficit with China in electrical goods of 46 billion euros in 2021.
- China is the largest foreign investment destination for EDI alongside the US (FDI direct investment €7.3 and €7.1 bn respectively in 2020 - FDI in China is down from 2019).
- 6 % or 52,000 of EDI's jobs depend directly on exports to China alone; this does not yet take secondary effects into account. EDI is an important supplier for other core industries.

German electro exports to China, 2021, shares

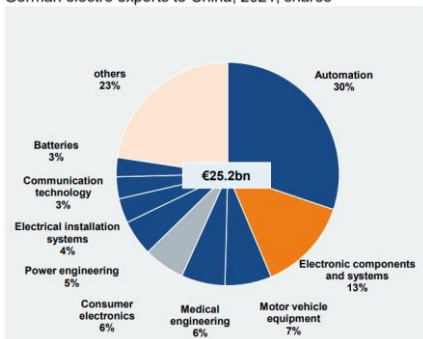


Figure 1: German electro exports to China, 2021
November 2022 | German Statistical Office and ZVEI's own calculations

German electro imports from China, 2021, shares

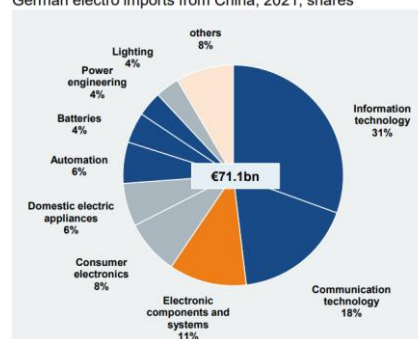


Figure 2: German electro imports from China, 2021
November 2022 | German Statistical Office and ZVEI's own calculations

Further details are available in the [ZVEI Analysis „Economic significance of China for the German electro and digital industry“](#)

Status: 17. November 2022

Contact

Silke Sichter • Global Affairs & Economics
Phone: +4969 6302 282 • Mobile: +49174 9414 171 • Email: Silke.Sichter@zvei.org

ZVEI e. V. • Germany's Electro and Digital Industrie • Lyoner Straße 9 • 60528 Frankfurt am Main • Germany
Lobbyregisternr.: R002101 • EU Transparenzregister ID: 94770746469-09 • www.zvei.org