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Germany's Strategic Vision for the Indo-Pacific

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**This paper is a part of a series on Europe's evolving strategic vision for the Indo-Pacific.*

Background

“Germany – Europe – Asia: shaping the 21st century together” is the title of Germany’s policy guidelines for the Indo-Pacific region, published in September 2020.¹ These guidelines are based on the realization that the region’s development and stability affects German prosperity and security – directly and indirectly. This resulted in a re-thinking of German and European engagement towards the Indo-Pacific region.

First, the region gained increasing importance to Germany due to its economic growth. In 2019, Indo-Pacific countries were responsible for roughly 70 percent of global economic growth and in 2020, Asian economies combined were larger than the rest of the world economy.

Second, Germany increasingly saw the need to establish a regional balance between the People’s Republic of China, which is often viewed as synonymous to Asia, and the rest of the region, considering the strength of other major actors, such as Australia, India, or Japan. Thus, in drafting these policy guidelines and Germany’s growing attention to economic, geopolitical, and security developments in the Indo-Pacific, the elephant in the room has been China.

Prior to Chinese President Xi Jinping coming into power in March 2013, Germany viewed China mostly as an economic partner. It was their profitable economic exchange ever since the establishment of diplomatic relations in 1972, which has led to a growing political relationship, celebrating its 50th anniversary this year. However, Germany’s attitude towards China has faced multiple challenges arising from China’s authoritarian governance and expansive power projection since 2013; challenges for the multilateral liberal order, for peace and stability in the Indo-Pacific region, and for Europe’s self-assertion.

¹ “Germany – Europe – Asia: shaping the 21st century together”: The German Government adopts policy guidelines on the Indo-Pacific region,” Federal Foreign Office, September 1, 2020, <https://www.auswaertiges-amt.de/en/aussenpolitik/regionaleschwerpunkte/asien/german-government-policy-guidelines-indo-pacific/2380510>.

Today, China's one-party regime under President Xi resolutely enforces its own hold on power and manages its global political rise according to self-defined conditions without taking the interests of other European and Indo-Pacific countries into account. This development has led to a rising great power rivalry with the U.S. and tensions in the Indo-Pacific, in particular military maneuvers in the East and South China Sea. Berlin believes that China, with its increasingly aggressive activities is undermining the rules-based order and threatens the sovereignty of other states in the Indo-Pacific. In addition, the conflict over Taiwan also is becoming more volatile with the Chinese threat of violent unification of Taiwan with mainland China. This concern over Taiwan is shared by other European capitals.

Today, European capitals also are ever more united in their assessment that Beijing is attempting to influence the policies of others through massive threatening behaviour, such as its aggressive so-called "wolf warrior diplomacy." This has been the case within the EU. Germany also agrees with other countries' (such as Australia, the U.S., as well as the EU and most of its member states, such as France) assessment that the Western policy of engaging China has failed. The course of modernization and wealth creation has not led to China liberalizing internally, behaving peacefully, and acting in accordance with the rules externally.

This view resulted in a re-branding of Germany's relationship with China: China is not only called a partner, but also a competitor and rival.² China is considered a systemic rival, to be precise, in particular with regard to its governance system and with respect to the international rules-based order. The 2019 EU-China Strategic Outlook reflects this view: "China is, simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance."³

This, in turn, has led the EU to implement policy measures to ensure that Europe's businesses, consumers, citizens, and government institutions are protected effectively against Chinese encroachment (such as through an investment screening mechanism or anti-coercion instrument).

In exploring ways to tackle challenges posed by China, Germany and the EU have, furthermore, started to look closer at the whole of the region in order to strengthen cooperation with "likeminded" countries on multilateralism, as well as strengthen the basics of the rules-based international order. As China's growing economic, political, military capacities, and the way Beijing uses its might, have economic and geopolitical impact of global magnitude, so do, meanwhile, other major actors in the region.

The German Indo-Pacific guidelines of 2020 reflect the realization that Germany needs to be part of the developments in upholding security and improving trade and connectivity in the Indo-Pacific and efforts towards maintaining this order. The term "Indo-Pacific" roughly combines both the Asia Pacific and Indian Ocean region but, more importantly, it is much rather a geopolitical term. Thus, the policy guidelines essentially frame Germany's geostrategic vision for its engagement in the region.

From Vision to Implementation

Germany's vision for engaging with the Indo-Pacific region focuses on two main goals: First, even though it is never spelled out explicitly, diversify Germany's partnerships from China and, in this context, rectify Germany's image among Asian countries as not solely focused on China. In order to do so, Germany aims to enhance its cooperation with Indo-Pacific countries in areas ranging from economy, environment and climate to culture,

² Foreign Minister Heiko Maas, "China is a partner, competitor and rival," interview by *Redaktionsnetzwerk Deutschland*, Federal Foreign Office, July 12, 2020, <https://www.auswaertiges-amt.de/en/newsroom/news/maas-rnd/2367552>.

³ "Joint Communication to the European Parliament, the European Council and the Council: EU-China – A strategic outlook," European Commission, March, 12, 2019, <https://ec.europa.eu/info/sites/default/files/communication-eu-china-a-strategic-outlook.pdf>.

science, and security. Second, Germany's vision focuses on working towards a comprehensive European approach to the Indo-Pacific region.

1. Enhancing Cooperation with Indo-Pacific Countries

One year into execution of the Indo-Pacific guidelines, the German government took stock and concluded in September 2021, that “Cooperation with the region has been [...] advanced in a wide range of areas.”⁴ Notably, there has been a renewed focus on strengthening relations with ASEAN. For instance, Germany has been involved in the ASEAN health sector for the first time, triggered by the COVID-19 pandemic, by pledging 5 million euros to the COVID-19 ASEAN Response Fund in November 2020. In 2021, Germany focused, in particular, on Indonesia, which then held the G20, as well as ASEAN presidency. Indonesia was also partner country of the German Hannover trade fair in 2021, where both countries signed a joint declaration, reaffirming “the importance of intensive technical and political cooperation in the field of quality infrastructure to strengthen bilateral trade.”⁵

In addition, the German government has intensified its dialogue with Australia, first and foremost working towards enhancing their strategic partnership, resulting in the signing of an Enhanced Strategic Partnership in June 2021. Prior to this, the virtual Germany–Australia 2+2 (with both countries' foreign and defense ministers) political and security policy consultation took place for the second time. The consultations focused on enhancing bilateral, regional, and multilateral cooperation between the two countries.

In April 2021, Germany also launched 2+2 consultations with Japan. In addition, a Japanese–German security agreement was signed in Tokyo in March 2021, which allows the exchange of confidential information between authorities and companies in the partner countries.

These newly established dialogue formats hint at a more pronounced role of Germany in Indo-Pacific security affairs, ranging from capacity building, dialogues on more sensitive issues, such as defending against foreign influence and misinformation, to an actual physical presence by the German naval forces.

From August 2021 to February 2022, the German Navy sent the frigate “Bayern” to the Pacific, which included crossing the South China Sea on its way back to Germany. This trip's aim was to send a warning against China's territorial claims in the region and its assertive power play and to insist on the rule-based nature of the international and regional order. Port visits throughout the region reflect the inclusive approach of Germany's Indo-Pacific policy. A visit of the German frigate to China was originally intended as a friendly gesture towards Beijing. However, the Chinese leadership rejected it — a sign that Beijing fundamentally disapproves of an increased security commitment by Germany in the Indo-Pacific.

Further initiatives include offering to train employees in the ASEAN Secretariat and the ASEAN member states in how to interpret and apply the United Nations Convention on the Law of the Sea (UNCLOS) in a uniform manner. At the ASEAN Defense Ministers' Meeting Plus (ADMM+) in December 2020, Germany took part for the first time as a guest at ministerial level, demonstrating that it recognizes ASEAN's central role in regional security policy. In August 2021, Germany also joined the regional anti-piracy regime ReCAAP, which provides a rapid exchange of information about naval raids on a trade route. In addition, Germany launched a newly created Regional Germany Center in Singapore in August 2021, to counteract the disinformation with facts about foreign and security policy developments in the Indo-Pacific region.

Finally, Germany widened the scope of its “Enable & Enhance Initiative” to projects in South- and Southeast Asia for the first time. The “Enable & Enhance Initiative” is an instrument of preventive security policy,

⁴ “One year of the German Government policy guidelines on the Indo-Pacific region: Taking stock,” Federal Foreign Office, September 13, 2021, <https://www.auswaertiges-amt.de/en/aussenpolitik/regionaleschwerpunkte/asien/indo-pazifik-leitlinien-fortschritt/2481700>.

⁵ “Hannover Messe: Deutschland und Partnerland Indonesien vereinbaren Zusammenarbeit in der Qualitätsinfrastruktur (Germany and partner country Indonesia agree on cooperation in quality infrastructure),” Federal Ministry for Economic Affairs and Climate Action, press release, April 12, 2021, <https://www.bmwi.de/Redaktion/DE/Pressemitteilungen/2021/04/20210412-hannover-messe-deutschland-und-partnerland-indonesien-vereinbaren-zusammenarbeit.html>.

such as crisis prevention and management or peace consolidation, under the joint responsibility of the Federal Ministry of Defense and the Federal Foreign Office. In light of this initiative, Germany is advising the Cambodian police on how to combat gender-specific violence, is supporting authorities in Sri Lanka in preventing terrorism, and is equipping and training the Philippine coast guard in the area of situational awareness.

In sum, Germany has stepped up its engagement in the Indo-Pacific and the new German coalition government now needs to build upon this engagement and follow through with its vision's goals.

2. Finding a European Approach

The groundwork for a European approach has been laid by the EU Council when it adopted conclusions on an EU Strategy for Cooperation in the Indo-Pacific in April 2021. Germany was among the three countries (with France and the Netherlands) calling for a unified EU Strategy for the Indo-Pacific.⁶

Germany also has driven EU-ASEAN relations, in particular, while holding the Presidency of the Council of the European Union. The upgrade of EU-ASEAN relations to a Strategic Partnership in December 2020 was a milestone of the German presidency, along with the implementation of the Indo-Pacific guidelines.

Germany's greatest potential in the Indo-Pacific, both in what it can offer and gain, is the economic dimension and, thus, is keen for the European Commission to finalize more Free Trade Agreements (FTAs) in the region. Germany's interest in these agreements also is driven by the feeling of having been left behind in recent mega trade deals, such as the Regional Comprehensive Economic Partnership (RCEP) in 2020 and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in 2018.

A 2021 position paper by the Asia-Pacific Committee of German Business (APA) underlines the importance for the EU to improve frameworks within Asia-Pacific growth markets through FTAs and "calls on the EU and its member states to utilize the geo-economic potential of the EU-Asia connectivity strategy and to back it up with the necessary financial resources and decision-making powers." At the same time, the report emphasizes the need to accelerate cooperation "with economic partners where common values and interests exist," such as Australia, New Zealand, or South Korea, "in order to meet new challenges on the basis of democratic values and market economy rules."⁷ The expected FTAs between the EU and Australia and New Zealand, and potentially also with India, Indonesia, and even ASEAN, could unravel the potential for German firms to invest and trade with Asia, as well as to diversify from China. This is all the more so as the EU-China Comprehensive Agreement on Investment (CAI) is still on hold.

Next Steps

Germany's vision for engaging with the Indo-Pacific region has, in turn, raised expectations created among countries in the Indo-Pacific region. The newly elected German government needs to consider those expectations when deciding on its next steps in interacting with the region.

Security

Germany and most of Europe are subject to narrow military limits. With the exception of Great Britain and France, Europeans will not be able to play any important military role in the Indo-Pacific region — not because they do not want to recognize its political importance, but above all because they are unable to offer their American allies effective military support. A military role in Asia would require a massive effort that European states' current naval capabilities and defense budgets will not be able to undertake in the years to come. Equally unachievable would be political unity of the Europeans for military engagement, nor for military deterrence, in Asia.

⁶ George Cunningham, "The EU's Strategy for Cooperation in the Indo-Pacific," Sasakawa Peace Foundation USA, January 14, 2022, <https://spfusa.org/research/the-eus-strategy-for-cooperation-in-the-indo-pacific/>.

⁷ "EU Economic Cooperation with Asia-Pacific: Perspectives of German Business," Asia-Pacific Committee of German Business, May 2021, https://www.asien-pazifik-ausschuss.de/downloads/press/APA_Position_Paper_Asia-Pacific.pdf.

Germany is, therefore, rightly not overstating its military capacities and not inviting unrealistic assumptions of what it can achieve in the Indo-Pacific. As such, Germany's focus is on increasing engagement in building security capacities in the Indo-Pacific, which might include deepening security dialogues, and offering both training and equipment.

Economy

With the policy guidelines on the Indo-Pacific, the political leadership in Berlin has paved the way for enhancing German-Indo-Pacific trade and investment partnerships. However, there is no illusion that China is still the most attractive market to German firms, unlike those that have invested in the Chinese market and profited from it since many decades, such as Volkswagen or Siemens. In 2020, the People's Republic of China was once again Germany's largest foreign trading partner (imports and exports), while other Asian countries were far behind (Japan ranked 15th, South Korea 20th, and India 23rd).⁸

According to the APA position paper, "The absolute majority – around 70 percent – of German companies in China produce for the Chinese market and not for export. Relocating production out of China is, therefore, only an option for a very small number of companies. [...] A diversification strategy should, therefore, does not aim at relocating production out of China, but at expanding activities. The focus should be on improving framework conditions through FTAs," as mentioned above. Here, the APA recommends," in order to achieve free trade agreements with as many trading partners as possible, more flexible and modular solutions could be sought in the future. For example, in its negotiations, the EU could rely more on flexible transition periods or a gradual entry into force of individual modules."⁹

Climate Change and Innovation

Finally, Germany is positioning itself as a cooperation partner in areas such as climate change and innovation. In the frame of the Indo-Pacific policy guidelines, Germany is deepening cooperation on tackling the climate change challenge with Indo-Pacific countries, notably with Australia and India. In April 2021, Germany joined the International Solar Alliance, an initiative, launched by India in 2015, to provide solar energy. This is an indication that Germany is looking to focus on closer cooperation with developing and emerging economies. In June 2021, Australia and Germany announced the Australia-Germany Hydrogen Accord, an initiative to collaborate on developing hydrogen as a future energy resource. Collaboration on climate change action and emissions reduction is becoming significant in Germany's foreign policy and, in this case, it combines both countries' strengths: Australia's hydrogen production potential and Germany's technological expertise.

This collaboration highlights the potential of Germany and Indo-Pacific countries on key innovations. It is essential for the German industry to stay both competitive and innovative and Germany's next step will and must include working towards concrete cooperation in technological innovation, research, and development. In addition to innovation in green energy, Germany's Industry 4.0 agenda or Digital Strategy 2025 could offer more synergies between Germany and Indo-Pacific countries.

Conclusions

Until recently, Germany and the EU identified China as a crucial partner, not only economically, but also as a partner in tackling challenges to the global order. Reducing global CO₂ emissions, combating pandemics, non-proliferation policy, maintaining security and stability in critical regions of the world are not the only issues on which China and the West can work together constructively.

⁸ "Rangfolge der Handelspartner im Außenhandel der Bundesrepublik Deutschland 2020 (Ranking of trading partners in foreign trade of the Federal Republic of Germany in 2020)," Federal Office of Statistics, February 18, 2022, https://www.destatis.de/DE/Themen/Wirtschaft/Aussenhandel/Tabellen/rangfolge-handelspartner.pdf?__blob=publicationFile.

⁹ "EU Economic Cooperation with Asia-Pacific: Perspectives of German Business," Asia-Pacific Committee of German Business, May 2021, https://www.asien-pazifik-ausschuss.de/downloads/press/APA_Position_Paper_Asia-Pacific.pdf.

Therefore, the German and also the EU's vision for engagement in the Indo-Pacific is inclusive; it is not about containment but cooperation. At the same time, both the German and the EU's vision includes cooperation with Indo-Pacific countries that share common values and interests in the rules-based order, namely, with other non-authoritarian governments other than China. Thus, while Germany's Indo-Pacific policy is not aimed at containing China, it rather aims at balancing China's power. Taiwan, for instance, is a crucial part of the Indo-Pacific, yet it is not mentioned in the German guidelines. This reflects major difficulties ahead for Germany to navigate their increased engagement in the Indo-Pacific region vis-à-vis China.

For the new German coalition government, the challenge of finding a way to deal with China as a partner and system competitor is growing. In concrete terms, this challenge concerns Chinese influence on politics and the economy in Europe as well as Beijing's attempts to build up a geostrategic front against the U.S. and the Western community as a whole.

This makes it, firstly, all the more important for Germany to avoid going it alone within the EU. Berlin must take a comprehensive and coordinated approach to foreign policy action in third countries within the EU in order to meet the challenges posed by China.

A stronger focus on building norms and standards in the Indo-Pacific is a credible way for the EU to contribute to a values and rules-based order. Secondly, it is equally important for Germany and other EU members to underscore that the dimension of great power competition is not between China and the United States, but between China and the liberal international order itself, which is based on shared values, interests, and history.

Dr. Stanzel wrote in her personal capacity. The views and interpretations expressed by the author are solely her own.



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