

INTERVIEW

## «China Should Be Bold and Let Its Own Currency Appreciate»

Joerg Wuttke, partner at consulting agency DGA Albright Stonebridge and former President of the EU Chamber of Commerce in China, talks about the war in Iran from Beijing's perspective, the state of China's economy, and his fears concerning Europe.

Mark Dittli

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### Deutsche Version

The war in the Persian Gulf is keeping global financial markets on edge. President Donald Trump, who had based his election campaign largely on the idea that the United States should no longer pursue foreign adventures, has become entangled in the Middle East.

How does China view the war from both an economic and a geopolitical perspective? How will the rivalry between the U.S. and China develop further, and how should Europe position itself?

Joerg Wuttke can take all three perspectives. The German works as a partner at the consulting firm DGA Albright Stonebridge in Washington, D.C., and has spent most of his professional career

in China, where he served for many years as president of the EU Chamber of Commerce. In an in-depth conversation with The Market NZZ, Wuttke shares his analysis of what the war means for Taiwan, the current state of China's economy, and why he has come to the conclusion that Europe should protect itself with tariffs.



«The war in Iran opens the door to speculation that Taiwan could be integrated into the People's Republic through a blockade or even militarily»: Joerg Wuttke.

### **What do your contacts in China tell you, how is Beijing's view on the war in Iran?**

Like many other countries, China is suffering from high oil and gas prices. The government has responded by halting exports of refined oil products and fertilizers. This will be felt worldwide, especially in the fertilizer market. The party leadership will now reconsider whether to move forward with building another gas pipeline with Russia in

order to become less dependent on seaborne deliveries. The indirect positive effect of the war is that rising energy prices reduce deflationary pressure and lead to slight inflation via producer prices. An expectation that prices will rise modestly is beneficial for China's economy.

**And how does Beijing see the war from a geopolitical perspective?**

There is some satisfaction in seeing the Americans once again getting bogged down in the quagmire of the Middle East. They are depleting their ammunition, especially interceptor missiles, which are becoming increasingly scarce. In addition, they are withdrawing their best troops from Japan and transferring them to the Gulf. From China's perspective, this opens the door to speculation that Taiwan could be integrated into the People's Republic through a blockade or even militarily. Scenario planning in Beijing regarding Taiwan has definitely become more realistic than before.

**However, Tehran is also a partner of Beijing. Does the war not weaken China's position in the region?**

In Beijing, there is also some satisfaction with the fact that Donald Trump is managing to alienate all of the United States' allies, while at the same time creating a situation in which the extreme regime in Iran is being curtailed. Beijing has never been a close friend of the regime in Tehran. China tends to view matters less from a military perspective and more from an economic one. Iran, which will one day need to be rebuilt, will certainly rely on Chinese equipment. All of China's partners must recognize

that Beijing will never come to their rescue militarily. But when it comes to reconstruction, China will be there again.

**You mentioned Taiwan. What are your scenarios?**

I believe the party leadership in Beijing has concluded that more is possible with Trump in the White House than with his successor – whoever that may be. This means the window of opportunity regarding Taiwan remains open until the end of 2028. That year will be particularly important anyway: Taiwan's presidential elections will take place in January 2028, followed by U.S. elections in November. Beijing would naturally prefer the Kuomintang to win in Taiwan. Soon, the Kuomintang chairwoman, Cheng Li-wun, will visit Beijing. She is extremely pro-Beijing, and I'm curious to see how her visit unfolds. If Ms. Cheng were elected in January 2028, the risk of a Chinese military intervention would likely be low.

**And what if President Lai Ching-te is re-elected?**

Then we'll have to see how he will communicate. A victory for Lai combined with Trump in his final months in the White House could present an opportunity for Beijing to make a move on Taiwan. I see all scenarios, from ship inspections to a blockade, and even a military engagement. My sense is that Taiwan's military is hardly in a position to provide effective deterrence. The Kuomintang currently effectively controls parliament, which means new arms procurement is presently blocked. Taiwan is internally gridlocked, which in turn leads Beijing to view this as an opportunity.

**Party secretary Xi Jinping has purged the military leadership in early February. Was this related to Taiwan?**

That is not known. The way in which virtually the entire general staff was removed was officially framed as part of an anti-corruption campaign. But this time it went further; there were claims that the generals were no longer politically reliable. This must be interpreted as meaning they were not following Xi Jinping. The question then arises: in which areas? In planning scenarios related to Taiwan? Or on other issues? By removing almost the entire top brass, a new option has emerged in the form of younger, possibly more aggressive generals. This could lead to the Taiwan question being considered differently than before.

**President Trump was supposed to visit Beijing in early April. The visit has now been postponed to mid-May. How was this interpreted in China?**

Beijing found it very helpful that the visit was postponed. During the preparatory phase, the Chinese side realized that the Americans were completely distracted. Beijing repeatedly asked what exactly the Americans wanted, but received no useful answers. Now they have gained six weeks to make another attempt. It will be very difficult to achieve anything jointly, because the United States has increasingly become primarily a commodity supplier to China, such as liquefied natural gas or soybeans. The areas that are truly of interest to China are high technology and dual-use goods, and those are no longer exportable for the Americans. This could ultimately lead to a managed trade system between the U.S. and China, a clearly coordinated

export-import arrangement: <you buy this many aircraft from us,> and so on. Such a system would certainly not be in Europe's interest, as it would essentially mean that the world's two largest economies decide not to leave trade to market forces anymore.

### **What is the current state of the health of China's economy?**

Not good. The government is trying to keep the economy somewhat afloat. The real estate market, which together with construction used to account for 25% of economic output, has nearly halved. This has massive consequences not only for companies in the real estate sector but also for the finances of local governments, which have funded themselves by up to 40% through land sales. We are seeing fiscal stress in local governments, especially in the northeast and southwest of the country. The property sector has declined so sharply that private households have effectively lost the equivalent of \$14 trillion in wealth compared to ten years ago. This has lasting effects on consumption.

### **So private consumption will again provide little stimulus this year?**

Consumption will rise somewhat this year – the figures for the first quarter are not bad – but it will not be a lifeline for the economy. People are struggling with unemployment, sentiment is poor. People are holding back their money. Meanwhile, the government has scaled back its fixed asset investments after realizing that building more infrastructure no longer yields economic results. The only strong driver of growth in China's economy is exports.

**And that is increasingly creating problems for the rest of the world, especially Europe.**

Yes, China's export strength is our disadvantage. Above all because it now affects products in which Europe was a leader just a few years ago: cars, chemicals, or machinery. We are increasingly facing the problem that China has a significantly undervalued currency, making it extremely competitive in exports. The renminbi has depreciated by around 40% against the euro since the beginning of 2020. This is not solely China's doing: because the renminbi is loosely pegged to the dollar, and the dollar has fallen by more than 12% against the euro over the past year alone, the renminbi has also continued to depreciate against the euro. China would need to revalue its currency.

**Three weeks ago, the so-called Two Sessions of the National People's Congress and the Political Consultative Conference took place, where details of the 15th Five-Year Plan were also presented. Were there any surprises for you?**

No. It's more of the same. Beijing wants to invest more in future-oriented technologies, but there are no reforms whatsoever aimed at scaling back state-owned enterprises or giving private companies more room. What stands out in the 15th Five-Year Plan is the focus on technologies that specifically address population aging: biotechnology, AI, robotics – areas where China is trying, among other things, to replace its shrinking workforce. The goal is to maintain a high level of manufacturing, but increasingly without human labor. China is pushing this forward. You know the principle I've been emphasizing for years: everything China plans tends to end in overcapacity. In the coming

years, this will affect sectors such as AI, biotech, and robotics. The entire AI push should clearly be seen as a way of forging ahead under pressure.

### **In what sense?**

The speed at which China is aging is historically unprecedented. The population is shrinking extremely rapidly. In the decade starting 2030, China will lose a population equivalent to that of France, and this trend will continue in the following decades. Between 2060 and 2070, China's population will fall below one billion. A nation that was accustomed to delivering extraordinary economic performance is now undergoing a demographic shift at a speed never seen before in any other economy. Young couples no longer want to have children. This fundamentally changes demand for consumer goods. Anyone looking in the rearview mirror at the past 30 years and assuming the next 30 years will be similar, just a bit slower, is on the wrong track.

**You are rather pessimistic about the state of the economy. But in areas such as AI and robotics, China has made enormous progress in a short time. How do these two things fit together?**

We are seeing a bifurcation of the Chinese economy: super high-tech on one side, and everything else on the other. The progress in AI, especially for industrial applications, is impressive. In this area, China now also has an important locational advantage: the race between the United States and China in AI will ultimately be decided by how much electricity is available. Since 2021, China has installed a total of 1,500 gigawatts of new power generation capacity,

a large share of it from renewable sources – solar and wind – combined with battery storage systems. The U.S. has a total capacity of 1,370 GW. In other words, within five years China has installed more than the entire existing capacity of the United States. China currently has nearly 4,000 GW – that's three times as much as the U.S. In addition, China plans to build six times more new power generation capacity than the Americans over the next five years. Energy is becoming the most important competitive advantage. We Europeans must wake up to that fact.

**The high-tech sector is primarily driven by private entrepreneurs. Can it be said that the party leadership and private entrepreneurs have found some kind of accommodation again?**

State involvement in traditional industries such as steel, aluminum, automobiles, and mechanical engineering remains very strong. One must also ask whether a giant like Huawei can really be considered a private company. But it is true that in the high-tech sector, especially in AI, China has a vibrant entrepreneurship. DeepSeek is a prime example. Or robotics specialists like Unitree from Hangzhou, whose humanoid robots perform kung fu – that is certainly impressive. But one must never forget: nothing is unplanned. China is a communist society, with a Marxist economy, and a Leninist party structure. That ultimately means total control for the party. One can only imagine what China would be capable of if it gave its entrepreneurs more freedom. In that sense, China is wasting its potential. This is also why many entrepreneurs are leaving. Around 15,000 millionaires leave China every year for places like Japan or Singapore. Europe should actually try to attract these people.

**From a European perspective, we mainly see the problem that Chinese exports are flooding our markets and competing with our companies. How should we deal with this?**

Europe is currently experiencing a brutal triple shock. China is buying almost nothing from us, Chinese companies are pushing into our markets, and at the same time we face total uncertainty in the White House under Donald Trump. We need to start strengthening Europe, integrating our markets, and removing internal barriers. We must reform our education systems; we lack engineers. It is also crucial to strengthen industries with dual-use applications in the defense sector. Long-term defense contracts can help promote new technologies. This is how the United States grew in the 1960s and 1970s – with NASA space programs and the Pentagon. We must think about how defense spending can not only protect us, but also help restructure our economy. A prime example is Osnabrück, where a Volkswagen factory is planned to be converted, with the help of an Israeli group, to participate in the production of interceptor missiles. If we fail to recognize the signs now, it will be too late.

**And how should we deal specifically with Chinese competition?**

I have come to the conclusion that we should protect ourselves with import tariffs during a transition phase. That may sound like protectionism, but given the extreme undervaluation of the renminbi, it is justified.

**The dynamic within the EU has often been described as France favoring tariffs and Germany opposing them in the interest of its economy.**

I would not simplify it that much. 80% of German CEOs have supported tariffs in recent years, but large corporations have opposed them. In the end, the Scholz government decided to support companies like Volkswagen, Mercedes, and BMW rather than the many suppliers being squeezed by Chinese competitors. I believe it is right to protect our mechanical engineering and chemical industries during a transition phase. The chemical sector is no longer competitive given our energy prices and the burden of green regulations. But if the chemical industry leaves Europe, it will trigger domino effects in other sectors, because chemical inputs are part of most supply chains.

**Wouldn't China retaliate harshly, for example with a boycott of rare earths?**

Yes. But that is something we would have to withstand. We need to engage with Beijing on equal footing and make it clear that we cannot dismantle our industrial base. We must protect ourselves. We do have leverage as well – for example, China depends on our machinery for semiconductor production. We need more courage and better communication. Beijing must understand that we are not doing this to harm China, but to protect ourselves so that we can continue doing business with them in the future.

**A more elegant solution would be for Beijing to allow the renminbi to appreciate. Why is that so difficult?**

The International Monetary Fund has been calling for appreciation for years. Chinese consumers would gain

purchasing power, and Chinese firms could acquire assets abroad more cheaply. So it should be in their interest. But domestic pressure points in a different direction: Beijing wants a weak renminbi to support exports. Exports are more important than higher purchasing power for domestic consumers. And yet China already benefits from low energy costs – its export sector does not need a weak currency. They should allow it to appreciate. I wish Beijing would show more courage.

**We began our conversation with the war in Iran; let us end with it. How do you perceive the war from the U.S. perspective?**

In the town I live, in Potomac, Maryland, a gallon of gasoline cost \$3.08 before the war. By mid-last week it was \$4. On Saturday it rose to \$4.19, and on Sunday to \$4.39. I have never seen such rapid increases at the pump in my life before. Once gasoline prices exceed \$4 per gallon, Trump becomes nervous. The initial shock is there, but the broader economic and social impact is only slowly unfolding. It will be very difficult to reverse. Trump campaigned on the idea that his predecessors were fools for getting entangled in the Middle East – and now he is doing the same. Within three days, they used up \$5 billion worth of ammunition. Now the Pentagon is requesting another \$200 billion to finance the war—and everyone knows it will be much more. This will make it significantly harder for Republicans to win the midterm elections in November. They may be able to hold the Senate, but if Democrats avoid major mistakes, they should win the House of Representatives.

## Joerg Wuttke

Joerg Wuttke is a partner at DGA Albright Stonebridge Group in Washington, D.C., and is the former, long-serving president of the EU Chamber of Commerce in China. Before moving to the United States in 2024, he had lived in Beijing for more than thirty years.

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## INTERVIEW

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The Supreme Court has struck down President Trump's punitive tariffs. Matt Gertken, Chief Geopolitical/US Political Strategist at investment research firm BCA, discusses the ruling's impact on financial markets, the administration's response, and the broader implications for investors.

Christoph Gisiger 21.02.2026



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## INTERVIEW

### «Asian Currencies, Led by the Renminbi, Are Grotesquely Undervalued»

Louis-Vincent Gave, CEO and co-founder of Gavekal Research, talks about his views on the US-China trade war, the end of US exceptionalism, the fading AI trade, and his investment outlook for 2026.

Mark Dittli 19.12.2025



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## INTERVIEW

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Mark Dittli 03.10.2025



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## INTERVIEW

### «The Americans Have Misjudged Their Handling of China»

Joerg Wuttke, partner at consulting agency DGA and former President of the EU Chamber of Commerce in China, talks about the détente between Washington and Beijing, China's next Five-Year Plan, and the implications of the Nexperia case.

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