IfM-Position Paper

Institut für Mittelstandsforschung
IfM BONN
www.ifm-bonn.org
Das IfM Bonn ist eine Stiftung des privaten Rechts.
Gefördert durch:
Bundesministerium für Wirtschaft und Energie
aufgrund eines Beschlusses des Deutschen Bundestages
Ministerium für Wirtschaft, Industrie, Klimaschutz und Energie des Landes Nordrhein-Westfalen

Nr. 49

The Mittelstand between De-Risking from China and Business Risks

By Prof Dr Dr h.c. Friederike Welter und Dr Markus Rieger-Fels

For years, we at the Institut für Mittelstandsforschung have advocated that laws and regulations at both national and European level should, as a matter of principle, be drafted from the perspective of small and medium-sized enterprises. After all, they make up the vast majority of businesses and are predominantly part of the Mittelstand. Policymakers could then develop separate regulations for large companies. The benefits of such an approach for Mittelstand businesses are currently evident in the example of political efforts to reduce economic dependence on China.

For years, trade between Germany and China has been characterised by rising Chinese imports and declining German exports. In 2025, goods worth €171 billion were imported from the People's Republic into Germany, an increase of 8.8 percentage points compared with 2024. By contrast, German exports to China fell by 9.7 percentage points, to a value of only around €81 billion. Added to this is the increasingly aggressive economic policy pursued by the Chinese government, which supports domestic companies through substantial industrial subsidies while simultaneously using access to raw materials and intermediate products as a means of political pressure. In response, the EU is currently examining how to respond effectively to China's trade policy. Among other measures, policymakers are considering diversification requirements for large companies, which would ultimately also affect their (smaller) suppliers in Germany.

Generally, Mittelstand entrepreneurs are aware of the current geopolitical risks associated with trade with China. This was demonstrated once again at the end of 2025 by the IfM survey conducted for the study "Dependence of the Mittelstand on Supplies from China". For Mittelstand enterprises, however, de-risking from China also means exchanging geopolitical risks for business risks. After all, Mittelstand enterprises in particular place great value on long-standing business relationships. Accordingly, they invest considerable time in selecting and developing their suppliers and local business partners – not only in China.

At the same time, Chinese suppliers, some of which are family-owned businesses, also generally have a strong interest in fostering and maintaining well-established business relationships that are mutually beneficial. For example, they often provide German entrepreneurs with valuable information on how best to deal with difficulties involving the authorities or transport-related problems. Mittelstand entrepreneurs therefore carefully weigh up the costs they could incur on the one hand as a result of import or export problems with their Chinese trading partners and, on the other, as a result of terminating these business relationships. In the worst-case scenario, they risk incurring additional financial losses in the latter case if establishing new partnerships proves difficult. In some circumstances, there may even be no alternatives available at all. Regardless of this, they can hardly pass on to their customers the costs arising from relocating their business relationships.

Another obstacle for Mittelstand enterprises is the lack of awareness at both European and national level of the interdependencies between different policy areas. While many regulatory requirements in the environmental, social and health sectors pursue important societal objectives, higher environmental standards, stricter safety requirements, supply chain reporting obligations and requirements to obtain new approvals for modified products can also make it more difficult for enterprises to reduce their dependence on China. To give two examples: medicinal products must contain certain active ingredients. If these are to be replaced by active ingredients produced outside China, this may, under certain circumstances, require a new marketing authorisation, along with the corresponding testing, reporting and approval requirements. The same applies to replacing Chinese raw materials with recycled materials: here too, numerous regulatory hurdles currently make it difficult for recycling companies within and outside the European Union to purchase waste materials in large quantities. However, recycled materials only become cost-competitive once recycling companies are able to achieve scalable minimum volumes.

It is therefore by no means a lack of knowledge or risk awareness on the part of Mittelstand enterprises that currently stands in the way of de-risking, but rather business considerations. Policymakers at both national and EU level should acknowledge this and act accordingly. It is important that European policymakers continue their efforts to reduce trade barriers with third countries through free trade agreements. At the same time, they should seek to establish as many raw materials partnerships worldwide as possible, while continuously developing recycling opportunities and reducing regulatory hurdles.

Published on 20 July 2026 in the F.A.Z., p. 16.