

**Rede von Elmar Brok  
anlässlich der EU Trade Days auf der Shanghai Expo  
beim Panel:  
"China as an Engine for Growth: Current Trends and Future Prospects"**

**Es gilt das gesprochene Wort!**

**I. Introduction - Shanghai as a symbol for Chinese Economic Growth**

- *Chinese proverb says "A man who has committed a mistake and doesn't correct it is committing another mistake."*
  - Important wisdom
  - Financial tsunami hit us, in China, in Europe, in the world
  - we should discuss together how we can prevent a new financial "Tsunami"
    - important role of China
      - "engine of growth"
- Shanghai Expo good opportunity to discuss this and to strengthen EU-China relations
  - **Shanghai: Symbol for Chinese growth**
    - **'head of the dragon'**.
    - **i.e. more than a third of Chinese private cars** are produced in greater Shanghai
    - **Shanghai entrepreneurs' natural sense for business**
      - creation of private small and medium-sized businesses (an **increase of approx. 40% per year!**)
    - **increasing number of international companies: more than 180 groups have their regional head office there** (i.e. Alcatel Lucent, General Motors, General Electric, Rhodia and Michelin)
    - **part of a larger network, the Yangtze delta**
      - **16 main towns of the Yangtze delta alone, representing 5% of the population, concentrate two thirds of regional GDP**

*Shanghai example for general economic might of China*

**II. China - Economic Situation and current Trends in the light of the financial crisis**

- China has been **an engine for growth** and will probably continue to be one
  - **10% growth rate** over the past 26 years
  - world's **3<sup>rd</sup> economic power** (1st US, 2nd Japan, 3rd China, 4th Germany), **3<sup>rd</sup> biggest exporter** and has increasing international political weight.
  - **according to an evaluation of the IMF China will even pass Japan in 2011** and then be the **world's 2nd economic power** (estimated GDP China in 2011 ca. 5,9 Mrd. US Dollar vs GDP Japan in 2011 ca. 5,3 Mrd US Dollar)
- **large fiscal and monetary stimulus**

- Although **China's real economy was hit hard by the global economic downturn** due to the falling exports recent data show a strong economic recovery
- **Real GDP grew by 10.7% year-on-year during the last quarter of 2009** (8% on average for the year 2009)
- In the **first quarter of the current year**, the economy growth **accelerated to 11.9%**
- Economists tend to agree that China will reach the growth target of 9.9% this year.

*Important element of Chinese growth are the trade relations with EU*

### **III. Trade EU-China - Statistics and Facts**

- The EU's open market has been a large contributor to China's export-led growth
- EU-China trade has increased dramatically in recent years
  - **China is now the EU's 2nd trading partner behind the USA** and the biggest source of imports
    - **trading volume between EU and USA 2009** 364,518 in Mio. Euro
    - **trading volume between EU and China 2009:** 296,343 in Mio. Euro
  - And in reverse: The **EU is China's biggest trading partner**
- **Trade in goods**
  - **EU goods exports to China 2009:** €81.7 billion
  - **EU goods imports from China 2009:** €214.7 billion
- **Trade in services**
  - EU services exports to China 2009: €18 billion
  - EU services imports from China 2009: €13 billion
- **Foreign Direct Investment**
  - EU inward investment to China 2009: €5.3 billion
  - China inward investment to EU 2009: €0.3 billion

*China as the world's third economy and the biggest exporter in the global economy, has also an increasingly important political power*

### **IV. Political relations EU - China: Strategic partnership**

- **China is one of the EU's most important partners**
  - **Chinese dimension in EU policies**
    - ongoing negotiations of partnership and cooperation agreement
    - **ensure fair market access** and to equilibrate the bilateral relationship
- **Both the EU and China have a major political and economic interest in an even closer strategic partnership**

- process of globalisation is leading to **an increasingly interconnected economy and security**
- **The EU and China should assume their prominent roles within the international community to contribute to a stronger, fairer and more effective multilateral system**
  - **Together we should work for peace, prosperity and security.**
  - We share the **common interests** of combating global terrorism, preventing the spread of weapons of mass destruction, enhancing economic development and global stability and preventing violent conflicts

***China's fast economic growth offers many opportunities but also poses serious challenges in terms of the impact on world environment, energy consumption and on European industries' competitiveness.***

#### **V. Responsibilities of China**

- **A Chinese proverb says literally: "Massive amounts of water flooded the dragon-king temple" (Means: even those who work to prevent something (bad) can be hurt or damaged by it. )**
  - This is what happened in the financial crisis: The financial "tsunami broke" over us and hit us all over the world
- **China has an important role to play in the aftermath of the crisis**
  - **responsibility in G20**
  - Sound internal policies supporting the internal demand and guaranteeing a **fair access to its market** would **help industrialized countries and in particular the US and the EU member states to recover from the recent depression**
  - Coming from one of the strongest export-orientated nations in the world, I completely understand Chinese export-orientated policy, but China has together with its partners also responsibility for the whole world
    - Monetary issues and in particular the reevaluation of the national currency (currently severely under-evaluated) would make Chinese exports less competitive and **reduce global imbalances**
      - very good: China's announcement that it will allow more flexibility in the Renminbi (=yuan) exchange rate
        - hopefully it will be done!
        - we need currencies which are market-driven
- **EU and China should** prevent a new "financial tsunami" together with their partners and allies in the framework of G20
  - we have to prepare the G20 Summit in Seoul in November in South Korea
    - **We should work together for**
      - maintaining strengthened financial administration
      - sustaining the liquidity of financial institutions
      - beefing up the credit grading surveillance

- working out efficient management mechanisms to reduce reliance on outside evaluation and judgment
  - We need rules for the financial framework and trade, standards for environmental protection
  - **What we need is a global regulation framework in the sense of the Social Market Economy**
    - On the one side: free market economy such as *private property, free foreign trade, exchange of goods and free formation of prices.*
    - and at the same time: diminishing occurring problems of the free market economy. These elements, such as *pension insurance, health care and unemployment insurance* are part of the social security system
- Another Chinese proverb says "Our greatest glory is not in never falling, but in rising every time we fall."

### Conclusion - EU-Chinese (economic) agenda for the next years

- **Chinas economic growth very important**, could be an economic engine also for Europe
  - but relations are reciprocal
    - The EU is China's largest trading partner, representing about 19% of its external trade
    - **trade between EU-China should be a win-win relationship for both trading partners**
- Maintaining 'strategic dialogues', both at bilateral and multilateral level, has ensured that broader strategic and geo-political issues are now on the agenda in EU-China talks
- There are also critical issues in the EU-China trade relationships
  - EU wants to ensure that China trades fairly, respects intellectual property rights and meet its WTO obligations
  - **Dumping**
    - Antidumping Measures EU
  - **environmental conscience is on the increase** and China acknowledges the dangers of global warming
    - the development of a "Green Economy" in China would be important
    - we should together prepare the next Climate Summit in Cancun
  - **Protectionism**
  - **While China has made good progress in implementing its WTO commitments, there are still outstanding problems**
    - inadequate protection of intellectual property rights, the maintenance of industrial policies which may discriminate

- against foreign companies especially in sectors like automobiles and barriers to market access in a number of services sectors including construction, banking, telecommunications, and express postal services)
      - Access to raw materials has also been identified as a major trade obstacle as well
    - **Human rights**
  - We need to address this issues in **bilateral Dialogues and Mechanisms such as**
    - **High Level Economic and Trade Dialogue (HED)**
      - **new strategic mechanism for driving trade and economic policy**
      - launched in Beijing in April 2008
      - chairmanship of Chinese Vice-Premier Wang Qishan and of the then EU Trade Commissioner Peter Mandelson
    - **Partnership and Competition**
      - **In 2006 the European Commission adopted a major policy strategy (Partnership and Competition)** on China that pledged the EU to accepting tough Chinese competition while pushing China to trade fairly
      - Part of this strategy: ongoing negotiations on a **comprehensive Partnership and Cooperation Agreement (PCA)** (started in January 2007)
    - Also **Lisbon Treaty could give a new impetus for EU-China relations**
      - **European diplomacy is gaining increasing influence**
      - **EU after Lisbon a more coherent partner for China**
      - EU now legal personality, can conclude Treaties with Third States
      - Trade Policy now Community Policy in all aspects (new: Foreign Direct Investment)
      - Also European Parliament plays a greater role, must assent all Treaties (i.e. SWIFT case)
  - We need a **mutual open and reciprocal trade relationship** between the EU and China to facilitate technology transfer
  - **Another** Chinese proverb literally says: If a person has ambition, things will be accomplished (English equivalent: Where there is a will, there is a way)
  - **Shanghai expo a good beginning and a symbol for the need of a strong cooperation between China and Europe**