



# Ambassador backs EU-China accord

By JIA JINGQI

The mutual respect of China and EU forms a very solid basis for a partnership between the two parties, according to Serge Abou, ambassador and head of the delegation of the European Commission to China. Speaking exclusively to China Daily of the eve of the EU-China Leaders summit, the ambassador called on both sides to develop ties for their mutual benefit and also to work together to find solutions to a number of global issues.

High on his list was cooperation in the fields of world peace and stability, climate change, assistance to developing countries, combating terrorism, end-



Serge Abou

ing world hunger and preventing nuclear proliferation.

Previewing the likely agenda of both the EU-China Leaders Summit and the EU-China Business Summit, both of which open today in Nanjing, the capital of Jiangsu province, Abou, said three main issues will face delegates. He identified these as EU-China relations, the economic crisis and climate change, with particular regard to the outcome of the Copenhagen Conference.

Addressing himself to the first issue, the ambassador said: "Regarding the world economy, I think the most important issue here is to discuss just how to best implement the

G20 Agenda. The exit strategies of the crisis should be coordinated.

"The main economies are not all at the same point on their roads to recovery. Some, like China, have already resumed high growth rates. Some are just out of the recession and some others are still in recession. It is important to ensure that the exit strategy of one does not prejudice the strategy of the others, especially if we want to have a new start for world growth."

Abou did not accept that protectionism is inevitably gaining momentum in the EU countries as a result of the global economic downturn. Although the trade figures between China and EU obviously suffered as a result of the crisis, he said protectionist pressures have basically been resisted as the EU has not adopted any "exceptional instruments" as a safeguard clause.

The ambassador pointed out that the total value of the measures presently in force against China's exporters represent less than 0.5 percent of the EU's total imports from China.

Looking forward to the great potential of expanding bilateral trade, the ambassador admitted he had high hopes of the green economy, one of the main topics likely to be addressed during the Business Summit.

He said: "The sectors showing the greatest promise are certainly those related to the environment, the energy revolution and climate change. I also predict good opportunities for our consumer industries, such as fashion and luxury goods, within the Chinese market. I also see growing investments in Europe from China."

Aside from economic ties between the two political entities, the ambassador sees equal importance in expanding cultural and educational links. He said: "In the future we will develop our cultural and educational cooperation, as it is necessary



China's Premier Wen Jiabao meets with the President of the Czech Republic, Václav Klaus (second from the left), the President of the European Commission Jose Manuel Barroso (first from right), and the Secretary-General of the Council of the EU and High Representative for the Common Foreign and Security Policy Javier Solana (first from left) at the recent 11th EU-China Summit this May in Prague. Many of them will now meet again in China.

Huang Jingwen

to place everyday people at the center of our partnership, which is, for the moment, mostly conducted by diplomats, business men and academics."

In line with this, the EU will have a high-profile presence at the 2010 Shanghai Expo, according to the ambassador.

Expanding upon the EU's commitment to the Expo, the ambassador said: "The Shanghai Expo will be our first participation in an Expo outside our own borders. This corresponds precisely with our desire to ensure that the EU is better known by a larger Chinese audience.

"Our Expo presentation will focus on our history and most high-profile achievements. The slogan of our pavilion is 'Intelligent Europe'. It will showcase the ways in which Europe has brought together the achievements of all of its individual member states - and even added value to these achievements. Above all, we will try to present just what characterizes Europe - beautiful and diverse cities, modern urban areas, a love of sport,

especially football, as well as its joint cultural, musical and artistic heritage."

## Copenhagen Conference

Abou pointed out that the Nanjing summit occurs at an opportune moment for comparing the positions of China and the EU on the threat of global warming. He said it will also allow them to coordinate their approach to the 2009 United Nations Climate Change Conference in Copenhagen, which will take place one week after the EU-China events.

He said: "We know that reaching an agreement during the Copenhagen Conference will be very difficult, but we all have to make our best efforts. The role played by the EU on this issue has been commensurate with its responsibilities as the most important union of advanced countries. We have made a number of very courageous proposals. China too is considering its position on the basis of the orientation given by President Hu Jintao at the last UN General Assembly."

# Head of CCPIT pays tribute to significance of 2009 conference

To mark the occasion of the fifth China EU Business Summit in Nanjing, I wish to extend, on behalf of the China Council for the Promotion of International Trade (CCPIT), sincere congratulations on the success of the event, as well as a warm welcome to all the friends and business people present on both sides.

Over the past 30 years, since the inauguration of diplomatic ties between China and the European Union (EU), the two parties have witnessed fruitful accomplishments in both trade and investment, thanks to efforts of both governments and business communities. China and the EU are now one of each other's most important trade partners.

Although the worldwide economic crisis has resulted in serious setbacks for economic development and international cooperation, the leading economies are now on the road to recovery, thanks to a coordinated global effort.

China and the EU, two of the biggest economies in the world, are expected to play an increasingly important role in pushing forward the global financial system reform, fighting trade protectionism and promoting globally sustainable economic growth. We expect the 12th EU-China Leaders Summit to inject new vigor into this process and start a fresh chapter in EU-China relations.

Confronted with the current uncertainties affecting world economic development, business communities on both sides need work together to promote a change in economic development methods, develop greener,



Wan Jifei

more recycling-friendly economies and achieve win-win benefits through the power of economic growth, initiated by advances in science and technology.

"Sustaining growth beyond the recovery" - the theme of this year's business summit - highlights the common concern among the business communities of both the EU and China.

This is the fifth session of the EU China Business Summit to be co-hosted by the CCPIT and its other partners. At present, the business summit is the most high-level platform for exchange between bilateral businesses and enterprises.

State leaders from China and EU will assemble and address the summit, a testament to their high expectations of the cooperation based around the bilateral enterprise. I believe that business people from both the EU and China will make full use of the summit to promote exchange, strengthen cooperation and create a new chapter of win-win prosperity.

I again wish the summit every success.

Wan Jifei  
President of the CCPIT

# Over-capacity blights both EU and China economies, claims Chamber president

China meets Europe today in Nanjing for the annual EU-China summit. This is the most important event for the EU in China this year. So how is the relationship, and what can we do to improve the relationship between the largest trading bloc in the world and the biggest economic comeback story in human history?

The politics of EU-China commercial relations hit a low in late 2008, but now there are signs that both parties have found their way back into a dialogue. Fortunately, confrontation is no longer the order of the day with both sides looking inward to try and fix their economies.

Given the challenges from rising unemployment in Europe and greater assertiveness by some interest groups in China with regard to solidifying monopolies, trade and investment liberalization is not a very popular policy in either Beijing or Europe's capitals.

There have also been many positive signals. With regards to helping SMEs, the EU moved fast and strengthened its IPR Help Desk for the sector in Beijing. On the Chinese side, the Ministry of Industry and Information Technology developed a number of important policies for SMEs in China.

There remains one major problem affecting both governments - the overcapacity in the global economy. The central government in Beijing is already moving to tackle this issue. On August 26th this year, the State Council released a statement noting that overcapacity had become a serious problem in many industries. The government singled out six industries - iron and steel, cement, flat glass, coal chemical, poly-crystalline silicon and wind power equipment. Measures to control these sectors now include tighter market entry, reinforced environmental supervision, tougher controls over land use and stricter lending standards.

## Report on overcapacity

The European Chamber wel-



Joerg Wuttke

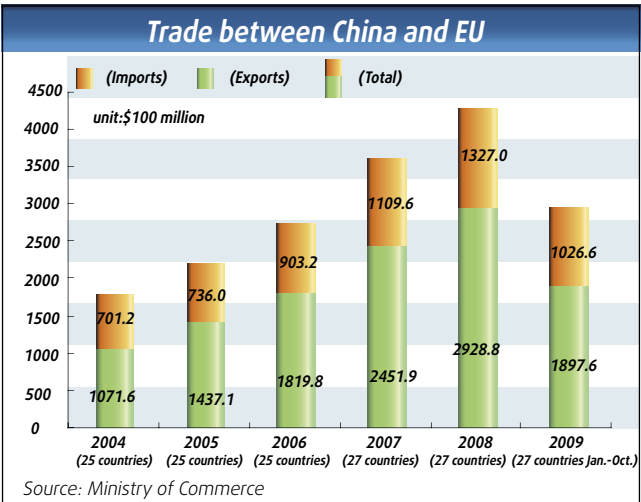
comes and fully supports these policies. Last week the chamber launched a study that provides insights into the problem of excess capacities, and most importantly, recommendations on how to overcome this problem.

This report found that overcapacities in China are having a severe effect on the Chinese economy. The extremely low utilization rates in industries producing at overcapacity go hand-in-glove with resource waste. Companies are cutting corners, often disregarding environmental as well as health and safety standards and circumventing labour and social laws. Companies in overcapacity industries suffer from low profits and lack sufficient cash for R&D projects, leading to less innovation.

Meanwhile, as banks bankroll the addition of unnecessary capacity in certain industries, the threat from non-performing loans is growing. At the same time, the global impact already can be felt in the form of growing trade tensions. Since trade frictions hamper supply chains, this is a major threat to globalization's positive effects.

According to the findings of our study, overcapacities are driven by

- High savings, particularly driven by retained earnings from State-owned enterprises
- Collapse of demand in export markets, primarily in the United States
- Low domestic consumption



- Weak enforcement of regulations
- Low input prices due to government policies
- Too low capital costs in China
- A fiscal system that encourages local government to attract excessive investment
- Local protectionism
- Inexpensive and widespread availability of technology
- Regionalism driving industrial fragmentation
- Environmental, health and safety standards and laws not fully implemented
- Philosophy of market share vs. profitability

The study has found that the recent measures taken by the Chinese authorities to curb overcapacity are a positive first step. However, the European business community in China sees further possibilities for improvement and offers more than 30 recommendations, including:

- Strive to cut capital expenditure
- Increase SOE dividend payment and redistribute to Chinese households (indirectly through government spending on social security, healthcare and education)
- Increase government spending on pension and healthcare systems in order to provide the social "safety net" which would enable households to consume
- Allow market access for specialized, efficient private

financial service providers, by encouraging both SME and private (venture) capital

- Reform the fiscal system to give local regions more funding possibilities
- Further open-up the service industry to the private sector and encourage stronger competition in the service sector
- Improve intellectual property protection so that innovations are protected and Chinese companies are given incentives for increasing R&D spending
- Enhance the business environment for SMEs
- Implement more rigorously environmental, safety and health standards and labour laws
- Adjust the relative input prices by increasing resource and environmental charges
- Reduce energy price subsidies to industry and continue resource price reform, by focusing on areas like coal resource tax, electricity price, water and natural gas price
- Gradually appreciate the RMB

We need a tangible outcome from this meeting, to prove that this is not just another talking shop. I am fully confident that this can be a solutions-focused summit. The European Chamber will do everything to make that happen.

The story is contributed by Joerg Wuttke, president of European Union Chamber of Commerce in China

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