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### **5<sup>TH</sup> EU-CHINA BUSINESS SUMMIT: THE GREEN AGENDA: SUSTAINING GROWTH BEYOND THE RECOVERY**

NANJING, 30 NOVEMBER 2009

Speech by Mrs. Signhild Arnegård Hansen, Chairman of the Confederation of Swedish Enterprise and Vice President of BUSINESSEUROPE

Honourable Premier, Prime Minister, President,  
Ministers,  
Fellow business leaders,

- It is a great honour for me to address as leader of the European and Swedish business delegation all the distinguished participants of the EU-China Business Summit.
- I would like to thank the Chinese Ministry of Commerce, the European Commission, the Swedish Presidency of the European Union and the Jiangsu Provincial Government under whose patronage this 6<sup>th</sup> bilateral Summit is held today.
- My words of gratitude include of course the China Council for the Promotion of International Trade and the European Union Chamber of Commerce in China, together with BUSINESSEUROPE, Svenskt Näringsliv and Nanjing Municipal People's Government, as well as the EU-China Business Association, who all worked very hard together to make this event a success again.
- Today I will talk to you about some of the key challenges business both in the EU and in China is confronted with. I am confident that today's political and business meetings will be successful and make concrete steps forward in improving our business relations even further.
- The European and Chinese business communities share a number of common and fundamental values. These include strong support for open markets, the principles of non-discrimination, transparency, economic freedom and rule of law – all of them the basic ingredients for fair world trade. We call upon our political leaders to promote these principles in all bilateral, regional and multilateral relations – and to refrain from erecting any obstacles to the freedom of trade and investment.



- Be it China or the European Union – we are all facing difficult economic times! The global financial and economic crisis has affected us severely. Emerging economies, especially in Asia, have weathered the global storm relatively well so far, but even China has seen its annual growth rates decline by up to one third. Improvements in European and global confidence indicators suggest that the recession might be drawing to a close. However, it is still too early to give the “all clear”. The recovery remains fragile.
- The G20 Pittsburgh Declaration outlined the need to address macro-economic imbalances to avoid a repeat of the financial crisis that has thrown the world economy into disarray. Although the US current account deficit and the Chinese surplus have declined somewhat since the start of the financial crisis, the weakness of the US dollar combined with China’s fixed exchange rate policy risk shifting the burden of future adjustments on to the EU’s shoulders. A continued appreciation of the euro against both US dollar and Chinese Renminbi would not only be a stumbling block for economic recovery in Europe but could lead to sub-optimal monetary policy decisions across our different economic blocks and fuel renewed financial and asset price misalignments. BUSINESSEUROPE would therefore like to see a more intense dialogue between European, Chinese and US authorities to discuss ways of reducing global imbalances and ensure the sustainable development of our respective economies.
- Enhancing business between our two economic powers will be one important path to accelerate recovery. China is already today the EU’s 2<sup>nd</sup> largest trading partner after the US, and our fastest growing export market. However, there is still a lot of room for improvement.
- Let me just take the example of investments: In 2007, EU investment into China amounted only to €4.5bn. This is less than 1 % of European overall investment in countries outside the EU! Clearly, the scope for increases is great. And I would like to underline that this is not a one-way street – the EU itself could also do more to attract more Chinese direct investments.
- European companies are very keen on doing more business with and in China. The issue of our Summit today – The Green Agenda – points to future high potential business areas. But to do so, they need more legal certainty in China. There have been a number of improvements over the years, certainly. But some very disturbing barriers to trade and investment persist. Let me illustrate some of our key concerns:
  - Concerning market access, European business is concerned that laws and regulations are still not consistently enforced and applied at national and regional levels. Globally operating companies – European and Chinese alike – need internationally applicable common standards and norms. Unjustified country-only standards seriously hamper business development, to the detriment of both China and the EU.



- The practice of Chinese Compulsory Certification (CCC), which affects a broad range of industries, is especially challenging for companies. Apart from its very difficult application, it forces companies to provide highly confidential business information. European business is happy to work together with the Chinese authorities in order to find a more practical and less burdensome solution to this.
- In some sectors, European companies still have limited investment possibilities. The services sector in particular remains very heavily regulated. China's policy of attracting foreign direct investment (FDI) would be enhanced further if such limits were removed. Moreover, we need to find a workable solution to the problem of forced technology transfer, as these practices go beyond the duty of mere certification procedures for foreign products.
- We have been supportive of government stimulus plans to cushion some of the negative effects of the economic crisis. However, we must be very cautious that such measures are not applied in a protectionist manner. We have positively noted China's assurance that they are not directed against foreign companies. However, there remain some strong concerns about their continued application in such a way as to discriminate against non-Chinese companies. We are deeply concerned that these new provisions will not only hinder the timely accession of China to the WTO Government Procurement Agreement, but also could have a domino effect on protectionism globally.
- Counterfeiting and piracy is a global problem today, and it is therefore important that China and the EU cooperate on this problem bilaterally and at multilateral level. We are happy to acknowledge that China is currently reviewing some key legislation in this field – this policy needs to be pursued. It is also in China's own interest as the Chinese economy is moving up the value chain towards an innovation-oriented economy. Therefore both the EU and China should join forces in support of strict enforcement of intellectual property rights in line with international standards.
- China is the world's third largest importer of raw materials, a natural consequence of its strong industrial development. EU industry also largely depends on imports of raw materials. Therefore both China and the EU should aim for a fair and common approach to natural resources, guaranteeing a level playing field.
- Let me just conclude with a few words on two other important meetings: the WTO Ministerial meeting in Geneva that starts today and the upcoming climate change conference in Copenhagen.
- China has been a WTO member for about eight years now. This has been very positive and beneficial, both for China and the whole WTO membership. In today's globalised world, key traders like the EU and China have to set the example in respecting the rules and pushing forward further opening up of global trade. This of course also includes removing rules when they are not



WTO compatible. Let me quote as examples the subsidies area, and export restrictions on raw materials. Business counts on efficient leadership from both the EU and China in order to achieve a political breakthrough at this week's meeting in Geneva. Conclusion of ambitious sectoral agreements would have a positive effect for moving towards a successful conclusion of the round.

- Last but not least – and essential for the green agenda we are discussing during this Summit – there are three points on climate change European business considers key for a successful outcome in Copenhagen:
- Commit the developed countries to equally strong emission reduction targets, and mobilise all major economies to start this process as soon as possible. The EU has already committed itself to binding reductions. As has Japan. But it is not enough. The International Energy Agency predicts that 97% of emission increase between now and 2030 will come from non-OECD countries. Consequently, we need emerging economies, and especially China, to be a committed partner in establishing binding policies.
- We need a price on carbon. In Europe we already have this via the Emission Trading Scheme and energy taxation. We believe that establishing a more globalized price is the way to avoid carbon leakage. Carbon leakage – that will cost growth and jobs locally and will harm the climate globally. That is why we support the development of global sectorial approaches, where manufacture of similar products worldwide should have comparable emission targets. A way to create a more global pricing on carbon is also to work with the so-called Kyoto mechanisms (“Clean Development Mechanism”).
- Finally, we need transfer of technology that promotes innovation. Technology transfer of energy efficient or carbon free technologies is essential and much of the techniques are already developed and waiting to be put on the market. Up to 70% of emission reductions required until 2030 can be met with existing or near-commercial technologies. I believe that European companies – in partnership with its Chinese counterparts - can play key role here. I would, however, like to again underline the necessity of securing the protection of intellectual property in such relationships.
- Ladies and Gentlemen, I thank you very much for this opportunity to speak to you today. There are remaining obstacles, clearly, but I also see a large number of common opportunities for both our economies. Business has always been part of the solution: we see in the challenges ahead the opportunities – rather than the risks. So let us take from our Summit today the commitment to truly work together in order to make the best of the great potential for even deeper EU-China relations.
- I thank you very much for your attention.

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