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EU-CHINA BUSINESS SUMMIT “COOPERATION TO BOOST CONFIDENCE FOR GROWTH”

20 SEPTEMBER 2012

PALAIS D'EGMONT, BRUSSELS

**ADDRESS BY JÜRGEN R. THUMANN,
PRESIDENT OF BUSINESSEUROPE**

BUSINESS LEADERS PLENARY SESSION (14H30-16H00)

Dear Fellow Business Leaders from the European Union and China,

Let me start with one very clear message from what I have learnt today: European companies are keen on doing more business with China! And I am convinced that Chinese business leaders have the same interest into Europe!

How do I come to this conclusion? A quick look into statistics cannot do harm:

- China's market reforms and impressive economic growth have been really historic in their proportions. Over the past 15 years, China has tripled its global export market share from around 5 to over 16%.
- China's exports have risen in more than five-fold during the last decade or to mention the exact figures: from around €201 bn in 2001 to €1172 bn in 2011. Today Europe is the destination of around one quarter of all Chinese exports (€290 billion in 2011).

This spectacular export growth has clearly shaken up global competition. Chinese companies have become formidable competitors in a large number of key industrial sectors. No doubt, due to its sheer size, the rise of China is having a huge impact on the global economy.

And in spite of the competitive challenge, European companies have benefited from China's industrial development. We remain convinced that EU companies will continue to benefit when the conditions are right. With the aftermath of the global economic crisis, enhancing business between China and the EU is an important path to accelerate global recovery.

Over the next five years China is expected to be the largest contributor to global GDP. China is already the EU's 2nd largest trading partner after the US, and Europe's fastest growing export market. Therefore it comes as no surprise that we are very keen on even doing more business with and in China.



But to do so, this also depends on the level of competition we face in China. And we are very much in favour of open competition – but it must be at a level playing field. The situation has clearly improved over the last decade. But there are still some challenges for European companies making business in China, such as:

- The legal and regulatory system is often changing, creating some legal uncertainty.
- The enforcement of IPR has become better – but there is still further room for improvement, notably when it comes to enforcement of IP rules.
- Recently, European companies have been concerned that market access restrictions are on the rise in China. A policy of market closure could undermine one of the huge potential benefits of China's rise for EU business as a growing market for EU exporters.

This is why we have welcome the strong commitments of Premier Wen Jiabao to keep the Chinese market open and to settle trade disputes rapidly through diplomatic channels and where necessary through appropriate legal means like the WTO.

At the same time, Chinese companies are increasingly present on the EU market – through investments, exports, or tendering in European procurement markets. All this is very much appreciated, provided – and I repeat myself – that European and Chinese companies compete on fair terms and at a level playing field.

Let me give you two examples:

- While open flows of both inward and outward investments are fundamental to the competitive performance of the European economy as a whole, European companies do not always receive a reciprocal level of openness on the Chinese market. Some sectors of the Chinese economy are still subject to investment restrictions such as joint venture or local content/technology requirements.
- If companies are backed-up by subsidy policies, competitors face unfair competition.

But all these issues can be solved in close cooperation and a spirit of trust. The EU, China and all other international actors need to rely on partnerships for growth. Partnerships can only work well if they are beneficial to all parties involved. We should focus on the hugely positive elements of our bilateral relationship.

BUSINESSEUROPE strongly advocates the launch of future EU-China negotiations on an ambitious bilateral investment agreement. Let me briefly outline the huge benefits it would bring for both sides:

- An EU-China investment treaty would provide significant legal certainty for investors regarding the general rules of fair treatment for Chinese investment in Europe and European investment in China. This would give investors the certainty they need to make sustainable long term investments.
- An investment treaty would clarify any limitations to foreign investors – and we, as business, would like to see as few restrictions as possible.



- An investment treaty would facilitate joint ventures by creating very clear rules of the game for settling differences without government interference in business matters.
- An investment treaty would provide important guarantees for investors against unjustified expropriations and for fair payment for justified expropriations. While this is rare in the EU and in China today, given the multitude of different governmental levels regulating business in the EU and in China, it is essential to have an over-arching framework of investment protection.

In a recent analysis BUSINESSEUROPE called the EU for a mature relationship with China based on open and constructive engagement from both sides. These dialogues can be used effectively to deepen our economic cooperation and to foster mutual understanding between the people of the EU and China. A number of exciting new projects to strengthen our economic relations are within our grasp – the launch of negotiations for a bilateral investment treaty should be a priority!

I thank you for your attention.
