



“The Hamburg Summit: China meets Europe”

Words of Welcome

by

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China's Role in the World

Mr. Vice-Premier, Ladies and Gentlemen!

Being asked to give an overview of China's role in the world, I wonder about my legitimation to do that. When I came back from World War II, being already 26 years old, my knowledge of the world outside – including China – was as scarce as the knowledge of the red guards of youngsters during the so-called cultural revolution two decades later. So I had to invent my education myself – by reading, by travelling and by listening to others.

1)

My first travel to the Far East was more than three decades ago, and 1975 I was the first German chancellor to visit China. I have since been to China many times. But I will not forget the extraordinary mix of impressions of that first visit: On the one hand I was appalled by the poverty of the masses and by the everlasting repetition of Mao's phrases; on the other hand I felt deeply attracted by the three thousand years of continuous Chinese civilizational evolution – and by the way also attracted by Deng Xiaoping, whom later on I have met several times. So I have become a friend of China, not an enthusiastic admirer, rather a friendly observer and critic, but always a friend. After having met many Chinese personalities, including almost every one of the party's general secretaries and of the prime ministers, having watched Deng Xiaoping's pragmatic leadership, stepwise reforming his country and opening it up to the outside world – today my admiration for him is greater than ever, the Tiananmen tragedy notwithstanding.

If a foreigner comes to Nanjing and Canton or to Shanghai and other great ports today and if he has known these cities 25 years ago, he is amazed and impressed by the profound changes and the enormous progress. Since almost two decades the gross domestic product has grown about 8 per cent per year, a growth that is unmatched elsewhere in a big economy.

This success has induced corresponding changes in mentality. Whilst in the 1970s one could detect an economic inferiority complex, particularly vis-à-vis Japan, it has now been replaced by the self-confident certainty that within a few decades China will match and then overtake Japan's GNP – and I agree with that. Today China is about to overtake Britain and France; Germany will follow less than a decade later. Within two decades the Chinese GNP will be the second largest in the world, with the second largest exports and imports. The enormous growth of tanker and container traffic between China and the rest of the world – including the port of Hamburg – is therefore likely to be maintained. But in terms of average income per capita China will for quite some time remain to be a developing country.

Until recently some Americans expected China to become a great new market for their consumer goods only, later on for their manufactured goods in general. But today the world has started to perceive China as an oncoming competitor in exporting not only consumer goods but as well products of high technology. China's computers, airplanes, ships or machinery of all kinds will qualitatively be as good as western ones but they will be sold at lower wage costs and therefore at very competitive prices. Container traffic may once again serve as an example: If you have a chance to visit the port of Hamburg, you will see that all the new electronically operated cranes are imported from China.

I do expect the enormous upswing to be continued. But of course the continuation will depend on conditions. Most of the necessary conditions are of a domestic nature; they can be met by China itself. Some other conditions do depend on political and economic developments in the world beyond China's borders; China can influence them only partially.

2)

Regarding the domestic conditions at first glance the growing differences in the standards of living between the well-to-do citizens (mostly in the coastal provinces) and the poor (mostly in the central hinterland, in the North-East and in the West) are obviously a great problem. Taking a second and a third look one understands that a considerable number of problems have to be solved in order to overcome the poverty.

For instance there are the relatively old-fashioned and backward state-owned industries with several hundreds of millions of workers. The modernization needs both infrastructure and efficient management, both of which need great effort and a lot of time. There is the danger that modernization will create additional unemployment. The same goes for the modernization of agriculture. The modernization process as a whole does necessitate a degree of flexibility in a great number of citizens and of the whole workforce – in a flexibility which in Mao's time had been inconceivable and as well undesirable. For quite many bureaucrats in the hinterland it still is undesirable. China's educational effort, impressive as it really is, has become an indispensable pre-condition for modernization in almost any field.

3)

A market economy does need a reliable rule of private law – and regarding corruption also of criminal law. It also needs an efficient banking system. In modernizing China's financial markets and restructuring the banks, Zhu Rongji has operated forcefully but at the same time cautious. He was right not to take the advice of American bankers who advised China to open up for the import of short-term finances and to liberalize the exchange rate of Renminbi. But also did China not give in to the temptation to devalue Renminbi during the South-East-Asian currency crisis in the late 1990's. One could read a lot of criticisms in America and in Britain, mostly by the same kind of people who in the early 1990's had given selfish but inadequate advice to Russia, wanting to establish a full market economy almost overnight. They did not know Russia and today they don't know China – despite their frequent visits to Shanghai. In my view the very specific Chinese mixture of establishing a market economy gradually and increasingly with a decreasing number of political instruments from the tool-box of a command economy has so far worked astonishingly well. I see no reason to doubt that it will work as well in future.

Of course, like any other economy, also the Chinese economy will have to face economic crises, not least in terms of energy and water supply. But financially I am quite confident that within about thirty years we are going to see sort of a triangle between the Dollar, Euro and Renminbi. The Chinese government in the meantime will not let its currency become the object of speculations in outside financial centers.

4)

The considerable economic problems are compounded by an obvious ideological and ethical problem. The young people in the big cities are enamoured of western consumer standards – TV, mobile phones, the internet, etc. – and of the new economic freedoms. But the old Marxist and Maoist concepts are unsuited to dealing with these new phenomena. When today's 25-year olds are growing a bit older, they will have to decide according to what set of principles will they raise their children. It is possible that they will return to the ethical principles of Confucius, which could be expanded and adapted to today's circumstances.

Twenty years ago I once remarked to Deng Xiaoping – half in earnest and half-jokingly – that the Chinese Communist Party was in reality a Confucian party. Deng simply replied “So what?” I have no doubt that Confucian values play a much greater role in the way the Chinese deal with each other than is officially acknowledged. Family cohesion, respect for elder people, a good education for one's children, hard work and thriftiness, also the obligations and responsibility of the rulers to the people – all these values that have been passed down through the centuries.

Today the Chinese Communist Party seeks to maintain a balance between Confucianism, communism and a market oriented economy. Jiang Zemin's “three represents” are attesting this fact. For quite a few intellectuals this balancing act has gone on for too long. Those who have studied in America or Europe are leaning towards an amalgam of Confucianism and democracy. The prudent dissidents, however, know that they have to allow time for new developments to mature. Since there has never been one general religion in China, I feel that a modern form of Confucianism is probably well suited to fill the ideological vacuum. After all, we Europeans do still draw on the classical Greek philosophers. Confucius is only a little older, his successor Mencius a little younger than Plato or Aristotle or the Stoics.

5)

A few Western politicians and intellectuals think to be morally entitled to reproach or even castigate the Chinese in matters of democracy and human rights. But they lack respect for a different civilization which has evolved over three thousand years. They also lack an awareness of the terrible shadows that hang over the laborious development of western civilization. In the light of former Chinese governments, of the civil war in the 20th century and of the subsequent great experiments, which have resulted in countless deaths, I do believe that the stability which the present political system provides is expedient and beneficial for the Chinese nation – and for its neighbours as well. As the market

economy is developing the authoritarian political culture is going to change. But the changes will take time. Any serious attempt from the outside to speed up this process appears as doomed to failure – and it could have grave consequences.

6)

China's modernization process does need domestic stability and as well peace vis-à-vis the outside world. Regarding the latter China has to look onto its neighbours in East- and Southeast-Asia, also to Russia and the Middle East, from where the petrol comes (and later on natural gas); and of course America's policies will have enormous weight.

I think it likely that the present cooperative relations with Russia will last. The same goes for the ASEAN nations who on balance are benefitted by the economic Chinese dynamism.

One exception is Japan. There does exist a carefully hidden guilt complex in Japan, due to its imperial behavior vis-à-vis China from the late 19th century until 1945. Many Japanese politicians are afraid of China. On the other hand the close military cooperation between America and Japan is in Chinese eyes only part and parcel of the American encirclement, reaching from Central Asia to Okinawa and Taiwan, including Hawaii and Guam and the US-fleet in the Pacific. China has over half a century taken this situation very cautiously as a fact of life. The situation is not really dangerous – except in the theoretical case of the US acknowledging the sovereignty of Taiwan.

Beijing considers Taiwan's return to the mainland as its self-evident right. In my judgement correctly so. But the rulers in China have no alternative but to be patient and rely on the mainland's growing prosperity and importance. The American leaders in turn must stick to their careful policy not to recognize Taiwanese sovereignty.

In the case of the nuclear aspirations of North Korea there is a parallelity of interests between China and America. It appears to me that for several reasons Beijing is better equipped to diplomatically influence Pyongyang than is Washington. But results appear as unpredictable. What one can predict is that a military conflict could lead to disaster for very many human beings.

7)

Until the al-Qaeda massacre in New York City the relations between China and America appeared as volatile, characterized by mutual subsurface suspicions. Since then China has prudently but cautiously cooperated with the US to some degree in their defense against islamistic terrorism. Their joint interest in safeguarding the oil supply for the world did play a positive role; after all the USA and China are the two greatest importers of foreign petrol. In future joint interests in the maintenance of a sufficiently functioning global economic fabric might again work as a moderating factor.

In any event America will over the foreseeable future decades remain to be the only military superpower on this globe. They will probably dominate the rest of us in many other fields as well. But our American friends ought to understand that any kind of hegemony over China is unrealistic. Our Chinese friends ought to bear in mind that it will take decades until their country develops into an economic global power and even longer until China will become a military superpower – and in the meantime India and also a few others will come up.

8)

The rest of the 200 so-called nation states will in the meantime hope and work for peaceful cooperation between China and America. And so will the Europeans, including us Germans.

From the bottom of my heart I wish all the best for all the three: for Europe, for America and in particular for China. I welcome our Chinese guests with great respect and in friendship.