



“The Hamburg Summit: China meets Europe”

Keynote speech

China and Europe: Towards Win-Win Development through Mutual Accommodation

by

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- Check Against Delivery -

Hamburg Chamber of Commerce

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Honorable Margrethe Vestager, European Commissioner for Competition,
Honorable Andreas Scheuer, Federal Minister of Transport and Digital Infrastructure,
Honorable Peter Tschentscher, First Mayor of Hamburg,
Honorable Tobias Bergmann, President of the Hamburg Chamber of Commerce,
Distinguished Guests,
Ladies and Gentlemen,
Friends,

Good afternoon. It is indeed a great pleasure to come to the beautiful city of Hamburg at the invitation of Mayor Tschentscher and President Bergmann, and join you at the closing session of the 8th Hamburg Summit: China Meets Europe.

I have been to Hamburg several times before. This modern city with a long history has left a deep impression on me. Hamburg had become an important port and trading hub in northern Europe as early as in the Middle Ages. It has since played a significant role in international trade and has evolved into a cosmopolitan excelling in many areas ranging from trade, manufacturing, and media to R&D in science and technology. It is also the hometown of many influential figures, including famous composers Felix Mendelssohn and Johannes Brahms, physicist Johannes Hertz, former Chancellor Helmut Schmidt and Chancellor Angela Merkel.

The Hamburg Summit: China meets Europe, has followed the principles of diversity, openness and inclusiveness since its inception 14 years ago. With a focus on China's development, China-Germany and China-Europe cooperation, it has gone a long way to promote China's relations with Germany and with Europe as a whole. Here at this Summit, I wish to share with you some thoughts on the Chinese economy, our efforts for greater openness, and China's cooperation with Germany and Europe.

At the beginning, please allow me to briefly talk about the state of affairs and outlook of the Chinese economy. In the first three quarters, China's GDP grew by 6.7 percent and is on track to meet the 6.5 percent target for the whole year as expected. 11.07 million new urban jobs have been created, meeting the target for the year ahead of schedule. Prices remain stable in general, with a CPI increase of 2.1 percent. Export was up by 6.5 percent and import by 14.1 percent, and there is basic balance under the current account. Per capita disposable income of households was up by 6.6 percent in real terms, basically in sync with GDP growth. All the above indicators point to the overall stability of the Chinese economy.

China's economy is in the midst of restructuring as evidenced by the following features. First, consumption is making significantly more contribution to economic growth. After years of development, China now boasts a middle income group of over 400 million and a continuously expanding domestic market. The contribution of consumption to economic growth has risen to 78 percent from 45.3 percent before the international financial crisis. We are witnessing an accelerated shift from investment- and exports-led growth to one that is driven more by consumption.

Second, innovation is playing an increasingly important role in boosting growth. In recent years, given the rising labour costs and fast changing consumption pattern, the Chinese economy faces the need to raise the quality of its development. We are striving to upgrade traditional industries to make them smarter, greener and low-carbon. We have paid a lot of attention to emerging industries such as energy-efficient buildings, smart transport, new energies, new materials, high-end equipment manufacturing and bio-medicine. We are providing more incentives for innovation to entrepreneurs and scientists, so as to make the economy driven more by innovation than by factors of production.

Third, the new type of urbanization has become an important engine for economic growth. Large city clusters are prominent drivers of economic growth. With urbanization rate at only 58.5 percent, China still has enormous potential. Our strategy of developing city clusters is geared to pool human resources and innovation factors. Despite the overall aging of population across China, these city clusters are actually experiencing net population inflows, mostly energetic and well-educated young people. They are on their way to become the engine and propeller of future growth.

Fourth, a new rules-based economic system is becoming more firmly established. Reform and opening-up represents the greatest consensus in the Chinese society. We have basically realized the transformation from a traditional planned economy to a socialist market economy. What's next is to make it more mature and more institutionalized through enhanced rule of law.

On the one hand, we emphasize the decisive role of the market in allocating resources. We will speed up the mixed ownership reform of state-owned enterprises, vigorously develop the private economy, deepen reform of the financial sector and strengthen IPR protection. On the other hand, we are mindful that the market is not perfect. In particular, with accelerating technological progress and a relatively large income gap, the government has an indispensable role to play in dealing with market failures through providing better public services and oversight.

In short, China is advancing economic transformation, replacing old growth drivers with new ones, and gradually addressing risks in the financial sector. This is a painstaking process like a phoenix being reborn. There are many challenges, but the future is very bright.

Ladies and Gentlemen,

Friends,

This year marks the 40th anniversary of China's reform and opening-up. President Xi Jinping has stressed on many occasions that China's economic growth over the past 40 years has been achieved thanks to the commitment to opening-up. In the same vein, high-quality development of China's economy in the future can only be guaranteed with a commitment on even greater openness. With intensified efforts, China's door of opening-up will open even wider. Last April, the President announced a host of major steps of opening-up at the Boao Forum for Asia. We are implementing each and every one of these measures.

On broadening market access, restrictions in the financial sector have been basically lifted. We have removed the foreign ownership cap for banks, asset management companies, and financial asset investment companies and wealth management companies newly established by commercial banks. Permissions have been granted to foreign banks to set up branches and subsidiaries in China at the same time. We have lifted restrictions on the business scope of foreign-invested insurance brokerage companies and jointly-funded securities companies.

In the manufacturing sector, the remaining foreign equity restrictions on a small number of industries, including automobiles, ships and aircraft, have been eased. So far, Allianz has got the green light to set up its wholly-owned insurance firm, while BASF will also have its wholly-owned company in China. The BMW Group will raise its stake in its joint venture in China to 75 percent as it has applied for.

Not long ago, President Xi announced at the opening ceremony of the first China International Import Expo that we will speed up the opening of telecommunications, education, medical services and culture sectors. In the next step, we will put these measures into place as fast and as early as possible, as this conforms to our own interests.

On improving investment environment, we have completed the revision of the negative list on foreign investment. We are improving the management system based on the pre-establishment national treatment and negative list approach. China will introduce the law on foreign investment at a faster pace, and institute an open and transparent system of foreign-related laws.

On strengthening IPR protection, given the stage of China's economic development, IPR protection is considered as our core interests. We have re-instituted the State Intellectual Property Office and made it a part of the State Administration for Market Regulation to enhance law enforcement. We have revised the Patent Law and established courts and cross-region tribunals specializing in IPR cases.

We will enhance the credibility and efficiency of IPR review, and put in place a punitive system to significantly raise the cost for offenders. These measures are expected to greatly improve IPR protection.

On proactively increasing imports, we have already substantially cut tariffs on 1,500 consumer products, including lowering tariffs on imported automobiles from 25 percent to 15 percent. Our trade-weighted average tariff stands at a mere 3.5 percent, close to the average of major advanced economies.

Protectionist or unilateral approaches do not offer solutions to the problems on trade between major countries. On the contrary, they would only bring about more economic uncertainties to the world. The history of economic development has proven time and again that raising tariffs would only lead to economic recession and no one ever emerged as a winner from a trade war. Our approach, therefore, is to seek a negotiated solution to the problems we have on the basis of equality and mutual respect.

Ladies and Gentlemen,

Friends,

China and Europe, both as staunch supporters of the rules of free trade and the multilateral system, share enormous common interests. We have to make concerted efforts to deepen our cooperation.

In 2014, during his visit to the headquarters of the European Union in Brussels, President Xi called on China and the EU to build four bridges for peace, growth, reform and progress of civilization, so that the China-EU comprehensive strategic partnership will take on even greater global significance. That charted the course for the future of China-EU relationship.

In July this year, Premier Li Keqiang, together with President Donald Tusk of the European Council and President Jean-Claude Juncker of the European Commission, co-chaired the 20th China-EU Summit, and the two sides issued a joint statement with productive outcomes.

In June this year, Vice President Jyrki Katainen and I co-chaired the seventh China-EU High-Level Economic and Trade Dialogue. Both sides acknowledged the importance of jointly upholding the rules-based multilateral trading regime with the WTO at its centre and advancing WTO reforms. We agreed to strengthen cooperation in digital economy, circular

economy, plastic pollution, climate change and agriculture. We agreed to speed up the Investment Agreement negotiations and continue to forge synergies between the Belt and Road Initiative and the EU's initiatives.

China and Germany have established an all-round strategic partnership. Our two countries enjoy a high degree of economic complementarity and deepening political mutual trust. Yesterday, Chancellor Merkel met with me in Berlin. We exchanged views on the development of bilateral economic relations and trade and issues of shared interest. I also discussed with Vice Chancellor Olaf Scholz and Minister Peter Altmaier on further deepening our cooperation. We all agreed that our two countries will speed up all-round practical cooperation. In particular, we will endeavor to make new progress in cooperation in the financial and manufacturing sectors, and on the digital economy, two-way investment, SMEs and the Belt and Road Initiative.

Ladies and Gentlemen,

Friends,

The differences between our social systems and development models make it all the more important for us to promote mutual understanding and mutual accommodation, which serves as the very foundation for cooperation between us. Recognition of our differences and respect for each other hold the key to such mutual understanding and accommodation.

Biogenetic studies show that variation between individuals is inherent in all beings. Take human beings as an example, polymorphism exists at about 2,000 chromosomal loci. In other words, there could be as many as two to the power of 2,000 genetic distinctions between any two individuals. This is an astronomical figure. There are no two completely identical individuals on earth, nor have they ever existed in history.

Given the differences in history, culture, tradition, geography and many other conditions, countries are even less likely to be the same. As President Xi once said, "We live on the same planet. It is home to more than 200 countries and regions, 2,500-plus ethnic groups and over 7 billion people. Trying to erase their differences will not work."

Europe has its own long-term cultural traditions. China, on its part, also boasts of a time-honoured civilization of thousands of years. While we have many similarities, we also have as many differences. Profound cultural, historical, geographical and political reasons underlie such differences.

We have embarked on different paths and each follows a system that suits our respective conditions. This is a result of the choice made by our people and the inevitable trend of history. But it does not make it impossible for us to treat each other as equals. Therefore, countries must come to terms and respect their differences, and do everything they can to prevent such differences from turning into a source for ideological confrontation.

According to the German philosopher Immanuel Kant, the ultimate goal of politics is to achieve a just order for perpetual peace. The practical reason of men dictates that countries should work together to build peace. The Kantian theory of peace remains highly relevant even today. We live in a new era where men are faced with numerous common challenges — climate change, aging society, major diseases, natural disasters, cyber security, terrorism, disruptive technologies — challenges that no country can deal with single-handedly.

It is therefore crucial for us to join hands in meeting both the known and unknown challenges together. Let us work in unison, as President Xi proposed, to build a community with a shared future for mankind and ensure lasting peace and common prosperity. I sincerely hope that China, Germany and Europe as a whole will jointly set a fine example of mutual accommodation, mutual respect, mutual learning and win-win development.

To conclude, I wish to extend, on behalf of the Chinese government, congratulations on this successful Hamburg Summit, and appreciation to the municipal government of Hamburg and the Hamburg Chamber of Commerce for the enormous work they have put into hosting this event.

Thank you.