



“The Hamburg Summit: China meets Europe”

Keynote speech

by

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- Check Against Delivery –

Hamburg Chamber of Commerce

November 24, 2016

**Innovation and Win-Win Progress:
A New Voyage of China-Europe Cooperation**

**Keynote Speech by H.E. Liu Yandong
Vice Premier of the State Council of the People's Republic of China
At the Closing Lunch of the 7th Hamburg Summit of China-Europe Forum**

Hamburg, Germany, 24 November 2016

Your Excellency Vice President Jyrki Katainen,
Your Excellency Foreign Minister Frank-Walter Steinmeier, Your
Excellency First Mayor Olaf Scholz,
Ladies and Gentlemen,

It gives me great pleasure to attend the closing lunch of the Hamburg Summit of China-Europe Forum. Since its initiation in 2004, the Hamburg Summit, which is focused on China's development and China-Europe cooperation, has established itself as an important platform for the political and business communities of the two sides to get to know each other and explore cooperation. In the past two days, over 400 representatives from China, Germany and other European countries gathered here in Hamburg for in-depth discussions on new opportunities for China-Germany and China-Europe cooperation brought about by China's economic restructuring and the "Belt and Road" initiative. Your candid and practical exchanges have yielded fruitful results. I wish to offer my congratulations on the success of this Summit.

First Mayor Scholz just told me Hamburg has set about preparing for next year's G20 Summit, which is undoubtedly a global highlight. China had the honor of hosting the G20 Summit in Hangzhou last September, which was a great success thanks to the joint efforts of all parties. Under the theme "towards an innovative, invigorated, interconnected and inclusive world economy", G20 leaders reached the Hangzhou Consensus regarding strengthening policy coordination, breaking a new path for growth, improving global economic and financial governance, boosting robust international trade and investment and promoting inclusive and interconnected development. The summit conveyed confidence in the prospect of world economic growth, injected fresh impetus and charted a way forward for the world economy, which reflected China's vision and efforts for the development of the global economy.

The success of the Hangzhou Summit would not have been possible without the generous support from Germany and other G20 members. It also laid a solid foundation for next year's Summit to be hosted by Germany. In a few days' time, Germany will officially take over the G20 presidency from China. We look forward to continuing our close cooperation to facilitate the implementation of the outcomes of the Hangzhou Summit, maintain the continuity of core agenda items and enhance the cooperation between China and Germany and Europe on global governance. We hope to make joint efforts to introduce new ideas to tackle the current world economic difficulties and boost confidence in world economic recovery, and bring about new opportunities for the development of both China and Europe. I have every reason to believe that next year, Hamburg will present the world another remarkable and successful G20 Summit.

Friends,

I assume that friends from Europe, especially from the business community, are very much interested in the direction and prospects of China's economy, which is now the second largest in the world. Hereby, I wish to offer you some of my observations.

After 38 years of rapid development since the reform and opening-up, China's economy has now entered a "new normal" featuring medium-high growth rate. China's economic aggregates have exceeded US\$10 trillion, yet the country is faced with long and deep-rooted imbalances. The development model of the past, which was hugely dependent on the input of resources, capital and labor, is no longer sustainable. Despite the daunting challenges from both within and outside the country and the downward economic pressure, the Chinese government did not resort to pump-priming. Rather, we sought to improve macro policies with creative utilization of the policy tools-kit, including implementing proactive fiscal policies with more emphasis on effect and efficiency and substantial reduction of taxes and fees to lower the burden of businesses. These measures have helped to ensure stable and sound economic operations.

As a result, the economy is posting stable performance with various indicators lying within an appropriate range. The growth rates of the first three quarters of this year all stood at 6.7%, one of the highest among major economies. Ten million new jobs have been created this year, fulfilling the set target ahead of schedule. Commodity prices have been kept basically stable. With a contribution rate of 71%, domestic consumption has replaced investment as the largest contributor of economic growth. The service industry has generated 52.8% of the country's GDP. New economic models represented by the "Internet Plus" have enjoyed fast development. The one-day sales of T-mall, the online retail website of Alibaba Group, from its annual "Nov 11 Shopping Festival", reached a record high of RMB120.7 billion yuan, up by 32% from that of last year, showcasing the great vitality and prospects of e-commerce in China.

Second, new changes are being brought about by the supply-side structural reform. We continued to push ahead reforms to streamline administration, delegate more powers, improve regulation and provide better services, and this has greatly ignited mass entrepreneurship. While last year, an average of 12,000 new companies got registered in China every day, the number in the first three quarters of this year reached nearly 15,000. By September this year, large-scale steel companies in China had phased out 40.75 million

tonnes of production capacity, completing 90.6% of the 45-million-tonne target of capacity reduction for the whole year. The reform to replace business tax with VAT is also producing tangible results with a total of RMB326.7 billion yuan saved for the companies in the first nine months of this year.

Third, innovation is generating new drivers of growth at a faster pace. Mass entrepreneurship and innovation has become a major source of new growth drivers to replace old ones. There have been more than 2,300 makerspaces nationwide, providing services to 120,000 start-up teams and companies. The added value of the hi-tech industry has increased 10.6% year on year. Hi-tech products keep emerging, and remarkable breakthroughs have been made in hi-tech projects, such as the world's fastest supercomputer, quantum satellite, and the world's largest single-aperture radio telescope. The "Made in China 2025" Strategy is moving forward, marked by significant increases in the output of new energy vehicles, industrial robots, integrated circuits and smartphones.

We remain optimistic about the prospect of China's economy. Our economy enjoys great resilience, broad space and huge potential. Most notably, there are three major sources of strength to sustain China's economic growth, namely, an over-900-million workforce, 170 million workers having received higher education or professionally trained, and an expanding middle-income group of hundreds of millions of people. Earlier this year, China introduced the Outline of the 13th Five-Year Plan for Economic and Social Development which places emphasis on the new concept of innovative, coordinated, green, open and shared development, and most importantly, puts innovation at a more prominent place, setting the direction for China's development in the coming years.

China's development brings opportunities to the world. The increment of China's economy in 2015 alone was equivalent to the total GDP of a medium-sized economy and contributed 25% to global growth. Over the next five years, China is projected to import US\$8 trillion of goods and services, receive US\$600 billion of foreign investment, invest US\$750 billion overseas and make 700 million visits abroad. China's market, made-in-China products, China's service sector, and consumption capacity of Chinese tourists will provide enduring driving forces for world economic development. The Belt and Road initiative of China is aimed at converting China's development into the world's opportunities and the world's development into China's opportunities, with a view to realizing common development through win-win cooperation. The Belt and Road initiative closely connects the vibrant economic circle in East Asia with the developed economic circle in Europe, opening up new windows of opportunity for China-Europe and China-Germany cooperation.

Ladies and Gentlemen,

Thanks to the concerted efforts of the two sides, China-EU trade has increased by over 250 folds in the past 40 years and more, amounting to US\$564.9 billion last year and US\$405.2 billion from January to September this year. Two-way investment kept growing. By September, direct investment made by EU countries in China had exceeded US\$110 billion in cumulative terms, and Chinese investment in the EU had reached about US\$70 billion. It is the extensive consensus between the two sides to develop a comprehensive strategic partnership for mutual benefit. Inspired by the commitment to building four partnerships for

peace, growth, reform and civilization, China and the EU are developing an all-round relationship at a higher level.

The Chinese government consistently backs a multi-polar world and economic globalization and firmly supports the European integration process. This policy will not be changed because of the flux of events. Today, while both China and Europe are going through a crucial stage of reform, China-Europe cooperation is speeding up and upgrading. It is an important time for us to enhance mutual trust, connectivity and complementarity to accumulate positive energy for our win-win cooperation. We should bear in mind our strategic and long-term interests, commit to dialogue and cooperation, properly address differences and make sure that the giant ship of China-Europe cooperation keeps to the right course. On the future of China's cooperation with Europe and Germany, I suggest that we make efforts in the following four aspects:

First, we need to increase complementarity as we make development strategies and broaden the space for shared interests. "A big vessel needs to sail on a broad waterway." So does the giant ship of our cooperation. China and Europe are located on the two ends of the Eurasian continent. Europe, important on the routes of the Belt and Road initiative, has a major part to play. By enlarging complementarity between the Belt and Road initiative and the Investment Plan for Europe, China and the EU have already made solid progress in establishing investment funds, creating connectivity platforms, deepening cooperation in digitization, conducting dialogue on legal affairs and facilitating personnel exchanges. Among the European countries, 18 have become the founding members of the Asian Infrastructure Investment Bank, and seven have signed MOUs on cooperation with China on the Belt and Road initiative. China has joined the European Bank for Reconstruction and Development, and established with Germany a coordination mechanism between "Made in China 2025" and Germany's "Industry 4.0". By the end of 2015, 16 freight train lines linking China and Europe across the Eurasian continent had been put into operation. With over 1,260 runs on these lines, goods worth nearly US\$5 billion were transported every year. Increased complementarities between Chinese and European development strategies have widened the waterways for the giant ship of China-Europe cooperation and offered new opportunities for Chinese, German and other European businesses.

Second, we need to join hands to make innovation with a more open mind and create more paths for win-win cooperation. Innovation is a golden key to the door of world growth and the path for China and Europe to realize their development. With respective advantages in industrial and scientific innovation, complementarity far outweighs competition between China and Europe or China and Germany. China and the EU have decided to designate 2017 a "blue year" to deepen cooperation in oceanic research. Our joint efforts to explore new technologies, industries and fields will create new opportunities for China-Europe cooperation. And cooperation between Chinese and European enterprises in scientific innovation, green economy, digital economy, infrastructure construction, investment and financing cooperation and third-party market will surely make the pie of shared interests bigger.

Third, we need to properly handle our differences in business cooperation and jointly foster a sound business environment. In recent years, two-way trade and investment between China and Europe and between China and Germany has become more balanced and diversified. An increasing number of two-way investment projects have produced good profits and social effects. However, we have also noticed some negative views towards Chinese investment in some European countries. I wish to stress that to maintain free trade and expand two-way investment serves the fundamental interests of China, Germany and Europe. Protectionism will only lead to a lose-lose situation and is certainly not the right way out for the global economy. China hopes that the EU will timely, comprehensively and thoroughly implement the obligations of Article 15 of the Protocol on China's Accession to WTO, that the new trade regulations to be released by the EU will adhere to the open and non-discriminatory principles and that the EU will continue to view the investment made by Chinese companies with a positive and open mind. China will further open its economy and create an enabling legal, policy and market environment to provide more investment opportunities for European and other foreign enterprises. China is ready to strengthen dialogue with the EU and properly handle trade issues including iron and steel. We are also committed to accelerating investment treaty negotiations with the EU to offer stronger guarantee for deeper trade and investment cooperation.

Fourth, we need to build a more closely-knit network for cultural and people-to-people exchanges to boost popular support for China-Europe relations. Heart-to-heart understanding is the social foundation for the China-Europe and China-Germany relations, and also an inexhaustible driving force for the growth of our relations. My experience as the Chinese co-chair of the high-level mechanisms on cultural and people-to-people exchanges between China and the EU, the UK and France makes me feel keenly about this. Hamburg not only plays an important role in China-Europe business exchanges and, as a forerunner in the German Enlightenment Movement, it has an open and inclusive tradition of humanism that has been an inspiration for China-Europe interactions. My visit to Germany this time is also meant for promoting our cultural and people-to-people exchanges in science and technology, education, football and other fields and between our young people. Later, Foreign Minister Steinmeier and I will attend the closing ceremony for China-Germany Youth Exchanges Year. Our two countries will explore a high-level mechanism for cultural and people-to-people exchanges. Last year, there were nearly 6.5 million two-way visits between China and the EU. To build on this, the two sides have designated 2018 as the China-EU tourism year and decided to expand facilitation arrangements for personnel exchanges so as to open up a broader channel for cultural and people-to-people exchanges.

Ladies and Gentlemen, Friends,

Today's gathering of people from various sectors of China and Europe has increased mutual understanding through intellectual exchanges and produced new sparks for cooperation. I am sure that with our fruitful cooperation in the past as the foundation, increasing mutual needs as the driving force and our joint efforts as the guarantee, China and Europe will enjoy even broader prospects for cooperation. As an ancient Chinese saying goes, "it is right time to set sail as there is a strong wind as the driving force." With opportunities at hand and consensus pooled by the Alster Lake, let's board the giant ship of China-Europe cooperation, ride the wind, cleave the waves and set out for an even better and brighter future.

Thank you.