

WORKING PAPER

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Speech at the Online Forum on Chinese and European Economy and China-Europe Cooperation in the Context of COVID-19¹

(22 September 2020, Beijing)

Xie Fuzhan

President of the Chinese Academy of Social Sciences

Dear President Renaud Dehousse,

Dear President Christoph M Schmidt,

Distinguished guests, ladies and gentlemen, good afternoon!

This year marks the 45th anniversary of the establishment of diplomatic relations between China and the EU. We originally planned to meet you face to face in China and Europe. Yet, due to the covid-19 pandemic, we can only communicate online today. First of all, on behalf of the Chinese Academy of Social Sciences, I would like to extend my warm welcome and sincere greetings to all our old and new friends, as well as all the experts and scholars attending this forum.

At present, the covid-19 pandemic is still spreading around the world, and the world economy has fallen into the most severe recession since the World War II. The economic output

¹ The Chinese Academy of Social Sciences (CASS), together with the Institute of European Studies and the China-CEE Institute, hosted a webinar on China-Europe economic cooperation in the Context of COVID-19 on September 22, 2020. This is the opening speech by XIE Fuzhan, the president of CASS.

of China and the EU accounts for about one third of the global economy. The economic outlook of China and the EU as well as China-EU cooperation are not only of concern to both sides, but also crucial for boosting the global economy. It is very timely and necessary that we are here today for an in-depth discussion on Chinese and European economy and China-Europe cooperation in the context of covid-19. I would like to share two points of views with you.

1. China will push forward a higher level of opening-up to the outside world under its new development pattern.

Under the influence of the pandemic, in the first quarter of this year, China experienced the largest negative economic growth since the launch of reform and opening-up policy in 1978. However, with effective prevention and control of the pandemic within China and steady progress in its economic and social development, Chinese economy has been gradually rebounding. Facing the new changes and new trends at home and abroad, President Xi Jinping proposed to establish a new development pattern featured with dual circulation, which takes the domestic market as the mainstay while letting domestic and foreign markets boost each other. This is an important strategic approach in response to the changing domestic and global environment and an inevitable choice to promote a higher level of opening-up policy in the new era.

Firstly, it is a basic feature of a major economy to take the domestic market as the mainstay. The growth pattern of the United States, Japan and other developed countries has shown that when an economy develops to a certain level, it becomes more reliant on domestic consumption. Currently, China's per capita GDP exceeds 10,000 US dollars, and its population of middle-income group reaches over 400 million people. China's comparative advantage has shifted from its abundant labor force in the initial stages of reform and opening-up to its huge market scale and sound industrial system. As the size of the Chinese economy continues to increase, the marginal contribution of external demand to economic growth will inevitably decline gradually. Therefore, it becomes a realistic choice for China to continuously enhance the fundamental role of domestic demand in economic growth and to keep it open regarding all aspects of domestic production, distribution, circulation and consumption.

Secondly, the new development pattern is China's response to protectionism, unilateralism and anti-globalization and is conducive to world economic growth. The world is now experiencing an unprecedented change, which has been further accelerated by the sudden outbreak of the covid-19 pandemic. Some politicians have taken the opportunity to hype up the concept of “economic decoupling” and bulldozed the relocation of industrial chains in blatant disregard of economic laws, international rules and fair order, making globalization enter a bumpy road, further increasing the uncertainty and instability in global development, and threatening the security of industrial chains. Facing these challenges, on the one hand, China has been focusing on releasing the potential of its domestic demand and strived to build a comprehensive domestic consumption system on the basis of its own advantages; on the other hand, China has been focusing on strengthening the protection of intellectual property rights, improving its independent innovation capacity and strengthening the R&D of core technologies and key equipment. China's efforts to improve its domestic consumption system, unleash the potential of its domestic demand and enhance its innovation capacity will significantly expand the demand for imports of high-quality goods and services, thus injecting new impetus into economic globalization and promoting the sustainable growth of the world economy.

Thirdly, under the new development pattern, China will unwaveringly continue to push ahead with a higher level of opening up policy to the outside world and strive to build a global community with a shared future for mankind. Over the past 40 years of reform and opening up, Chinese economy has been deeply integrated into the division system of international industrial chains. To promote reform and development through opening-up has proven to be an important tactic of China to make continuous achievements in its modernization construction. The covid-19 pandemic has further highlighted the urgency of building a global community with a shared future, and openness, cooperation, mutual benefits and win-win scenarios are the only ways for mankind to tackle common challenges and build a better world. Taking the domestic market as the mainstay does not mean secluding the country from the outside world. Instead, it is a dual circulation of internal and external markets on a basis of great openness. China will continue to adhere to its basic national policy of opening-up and strive to bring it to a higher level, with the purpose of making greater contributions to building a global community with a shared future.

2. China and the EU should promote cooperation on a basis of their strategic visions with the purpose of making breakthroughs

In a recent online meeting with German Chancellor Angela Merkel and President of European Commission Ursula von der Leyen as well as President of the European Council Charles Michel, President Xi Jinping proposed that China and the EU should abide by the principle of peaceful coexistence, stay committed to opening-up and cooperation, uphold multilateralism, and stick to dialogues and exchanges, in order to bring the China-EU relations to a higher level. The two sides have a sound basis for cooperation and more urgent need for cooperation, either with regard to restoring the economy or promoting a sound global economic order.

Firstly, enhanced cooperation between China and the EU benefits both themselves and the world at large. During the pandemic, trade between China and the EU managed to withstand the crisis. In the first half of the year, the Belgian port of Zeebrugge and the Greek port of Piraeus have seen their cargo volume rise despite the pandemic, thanks to the increase of Europe's trade in goods with China and the Far East. During the same period, China-Europe Railway Express freight trips amounted to 5,122, growing by 36% year on year, and carried 461,000 TEUs of goods, growing by 41.7% year on year, which plays an important role in stabilizing the supply chains between China and Europe as well as among countries and regions along the railway. The facts have proven that Chinese economy and European economy are highly complementary and their economic and trade cooperation benefits not only the two sides, but also their neighbors. Strengthening this cooperation would convey a positive signal to the world.

Secondly, China and the EU should view each other as partners rather than competitors. Recently, China and the EU signed a bilateral agreement on geographic indications (GI). This is the first comprehensive and high-level GI protection agreement China has signed with a trade partner, and the agreement is expected to boost the bilateral trade in the related products. Meanwhile, progress has been made on negotiations over the China-EU Comprehensive Investment Agreement, which is expected to be concluded within the year. However, Chinese enterprises in Europe have become increasingly concerned about EU's anti-monopoly investigations and its review system of foreign capital and foreign subsidies, which have raised their doubts about the friendliness of EU's business environment. Hopefully, such

concerns will be dispelled by the conclusion of the China-EU Comprehensive Investment Agreement.

Thirdly, China and the EU should take advantage of their respective mid-term plans, grasp the overall trend based on their strategic visions and eventually make breakthroughs in the bilateral cooperation. China is drawing up its 14th Five-Year Plan (2021-25), and the EU leaders agreed in July on a seven-year (2021-27) budget plan of 1.1 trillion euros and a recovery package of 750 billion euros. China and the EU should conclude the negotiation over the EU-China 2025 Strategic Agenda for Cooperation as soon as possible to enhance the connectivity regarding their mid-term development plans. In particular, green economy and digital economy will be the key development areas of both China and the EU in the next five years and beyond. As China and the EU are highly complementary in technology, capital and markets and share common grounds in formulating global standards and rules, the two sides should build partnerships in green economy and digital economy to fully tap cooperation potential and expand mutual benefits.

Ladies and gentlemen,

The China-EU relationship is defined more by cooperation than by competition, and the two sides share more common grounds than differences. The Chinese Academy of Social Sciences is ready to work with our European friends from the academic community and think tanks to strengthen research cooperation and enhance communications, and to contribute our strength and wisdom with the purpose of making new breakthroughs in China-EU cooperation.

To conclude, I wish this meeting a complete success.

Thank you!

(Translated by LI Yifan, ZHAO Yuting, edited by SUN Yanhong)