

# Cover story

## XI'S VISIT

### THE NETHERLANDS 1

**March 22:** Met King Willem-Alexander and his wife Maxima.  
**March 23:** Witnessed signing of several trade agreements with Dutch Prime Minister **Mark Rutte** (right); attended the opening ceremony of a trade and investment forum  
**March 24:** Met US President Barack Obama in The Hague; attended the Third Nuclear Security Summit, pledging that China remains firmly committed to building an international nuclear security system and supporting global cooperation.



### FRANCE 2

**March 26:** Met French President **Francois Hollande** (right). The two presidents witnessed the signing of major business agreements and issued a joint statement, vowing to boost cooperation in financial and nuclear sectors.  
**March 27:** Visited UNESCO headquarters in Paris, where he delivered a speech.



### GERMANY 3

**March 28:** Arrive in Berlin; joint news conference with German Chancellor **Angela Merkel** (right).  
**March 29:** Visit North Rhine-Westphalia



### BELGIUM 4

**March 30:** Arrive in Brussels; visit with **King Philippe** (right) and his wife, Chinese pandas in Pairi Daiza Zoo  
**March 31:** Visit EU headquarters  
**April 1:** Fly back to China



TIAN CHI / CHINA DAILY

# Ties: With some fine-tuning, a perfect match

FROM PAGE 1

Germany is a particularly important partner for China, given that it is the economic locomotive of the European Union and bears onerous responsibilities in regional and multilateral affairs.

Shi Mingde, China's ambassador to Germany, whose diplomatic duties in the country date back 38 years, is sanguine about the relationship.

"Looking back over more than 40 years of diplomatic relations and how they have developed, there have been difficulties, and twists and turns, but overall they have been sound and stable, and the momentum has been good. History has bequeathed us no problems, and we are unhindered by conflicts of interest."

In fact the leaders of both countries have achieved a remarkable degree of consensus on how they assess the relationship and on how they see it progressing, he says.

Analysts say that thanks to efforts on both sides, the number of exchanges between the two countries has never been higher, and the degree of collaboration between them has never been better.

When Premier Li Keqiang visited Germany last May, the two countries issued a joint communique announcing that they had reached agreement on 20 issues, and signed 17 inter-governmental agreements and economic and trade contracts with a total value of \$8.87 billion (6.4 billion euros).

"Economic cooperation between Germany and China is a remarkable success story," says Alexandra Voss, executive director of the German

Chamber of Commerce in China, adding that this is reflected in more than just the impressive trade between the two countries.

China and Germany are the largest trading partners to each other in their respective regions, and trade between the two accounts for nearly one-third of China-Europe trade, which is equivalent to the total of China-UK, China-France and China-Italy trade. Last year trade between China and Germany was worth more than \$161.6 billion, 580 times that of 1972, when the two countries established diplomatic relations, the Chinese embassy in Berlin says.

China is Germany's third-largest trading partner, the fifth largest-destination country of exports, and the second-largest source of imports in the world.

Cord Eberspaecher, director of the Confucius Institute Dusseldorf, says Xi's visit comes at an important time.

"Good and close relations between China and Germany are more important than ever. Economically, both sides have profited from the growing exchanges and they will continue to do so."

For Gu Junli, a German studies researcher at the Chinese Academy of Social Sciences, how they consolidate and expand their collaboration will be an important matter of discussion for the countries in the future.

In the meantime, German investment in China is growing, the country being Europe's largest investor in China. Investment grew 43 percent, or \$2.08 billion, last year. More than 7,500 German companies operate in China, 71 percent of them making a profit.

"We are confident about bilateral cooperation," says Duan Wei, CEO of the China Chamber of Commerce in Germany.

In all kinds of spheres, Germany and its markets hold many attractions for Chinese companies, he says.

However, one difficulty needing attention is that it takes too long for applications for German work permits to be processed, Duan says.

Bureaucratic difficulties notwithstanding, investment by Chinese businesses in Germany through mergers and acquisitions and equity holdings has grown rapidly in recent years, and more than 2,000 such businesses now operate in the country. Last year Chinese businesses invested \$830 million, 29 percent more than the year before.

Stefan Fischer, founder of Cisema GmbH, which advises those wanting to gain access to the Chinese market, says the flourishing relationship between the two countries that is being enjoyed by so many has been achieved only after decades of conscientious, concerted effort.

"Both countries developed a mutual understanding and approached each other on technical, social and legal questions. There are not many other countries like Germany with which China has such strong ties."

Be that as it may, strengthening of economic cooperation between the two is unlikely to be spectacular, he says. That is because the process of deregulation in China will chiefly affect areas in which Germany is not a market leader, such as financial services and IT and Internet services. However, that does not mean Germany will not benefit from China's further

opening up, he says.

"Instead I think economic cooperation between the two will grow steadily, but slowly."

Neither should anyone think that a free trade agreement between China and the EU is just around the corner, says Claudia Schmucker, head of the Globalization and World Economy Program of the German Council on Foreign Relations.

"There will be no free trade agreement between the EU and China in the near future, but the economic ties will increase on a large scale."

Of all European countries, Germany provides the most technology transfer to China. Observers say the economic collaboration between Germany and China will increase and consolidate, the two being strong export-oriented countries that complement one another extremely well.

"Especially important are the increasing mutual direct investments as they can help the economies of both countries achieve new synergy," says Mechthild Leutner, a professor for Sinology at the Freie Universitaet Berlin.

At present, China is in a critical period of transforming and upgrading, she says, while Germany boasts advanced technologies and management experience as well as outstanding advantages in fields of China's priority of development such as high-end manufacturing, energy saving, environmental protection and green economy.

Germany and China can reinforce their collaboration in the automotive and mechanical engineering industry, in which Germany is preeminent, Fischer says.

A survey by the industry group

Verband der Automobilindustrie last year found that China is one of the most important markets for German mechanical engineering, so there is a lot of scope for more collaboration, he says.

"With high-end machinery, China still needs a lot of time before it reaches Germany's level. However, the Chinese mechanical engineering industry controls much of the lower price segment markets and has become a strong export-oriented sector. Germany controls much of the high-end price segment markets."

In both countries the industries aim to move into the space between the high-end and low-end markets, he says. This means that if the German mechanical engineering industry is to grow it must move toward the center. The Chinese industry must do likewise, improving incrementally.

"Both countries will meet in the middle segment market in the coming years, where competition will then take place. But I don't think that this increased competition in the middle price segment market will result in less cooperation between China and Germany."

"Of course, some companies on both sides will experience losses and will probably be unable to (survive), but this is the nature of market competition."

Underlying China's economic relations with Germany, as with other countries, is the plan adopted at the Third Plenary Session of the 18th CPC Central Committee last November for comprehensively deepening reforms, which will not only gradually change the face of China, but also offer tremendous opportunities for it and the rest of the world to work together.

Other initiatives China has taken over the past year have included giving greater access to investment, establishing the Shanghai free trade zone and constantly opening up more, providing German business with huge new opportunities.

When Premier Li was in Germany last year he said the growing "Made in China" and the mature and reliable "Made in Germany" were a perfect match.

Voss of the German Chamber of Commerce in China says areas of particular interest include sustainable growth, protecting natural resources, fostering domestic innovation and improving infrastructure in rural areas.

"German companies want to play a key role in achieving these goals and have the know-how and experience to execute respective projects with their Chinese partners," she says.

Research collaboration and the development of new technologies that can guarantee sustainable development related to climate and environmental protection are important, Leutner says.

This has implications not only for bilateral economic relationships but also for using resources with a clear eye to the future as well as guaranteeing a satisfactory quality of life for everyone, she says.

"There is a lot of potential to cooperate in green technology," Schmucker of the Globalization and World Economy Program of the German Council on Foreign Relations says.

"Germany has the *Energiewende* (transitions in energy) and German business plays a strong role and has a strong research and development focus on green technology. This issue

&gt;&gt; PAGE 7