

Germany and China agree to huge expansion of trade

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The Chinese Premier Wen Jiabao arrived in Berlin at the start of this week with an unusually large government delegation consisting of 13 ministers. Initial talks began on Monday evening and continued on Tuesday, as part of a Sino-German economic forum and subsequent joint cabinet meeting.

The current Chinese delegation is the highest-ranking since the start of diplomatic relations between Berlin and Beijing in 1972. The joint cabinet meeting of both countries was unique. Germany normally has such close cooperation with just a few countries including France, Russia, Poland and Israel. Last year India joined this group.

Chancellor Angela Merkel (CDU) and Premier Wen Jiabao repeatedly stressed the importance of growing Sino-German trade, which should be further expanded. Merkel praised the great level of trust which had developed between the two countries. "One can build on this trust," said the Chancellor.

Wen Jiabao was also full of praise for the good economic relations between the two countries and the "friendly atmosphere," that had not been tarnished despite "open words" about the human rights situation in China.

The high-level meeting is a response to major changes in international trade and economic relations in the wake of the current global economic crisis. German trade with China rose sharply last year. German imports from China increased by 35 percent in 2010, while exports grew by 44 percent. German trade with China rose to €130 billion, surpassing Germany's transatlantic trade with the United States—€113.7 billion.

The German Chambers of Industry and Commerce (DIHK) expect that by as early as next year, China will be Germany's most important trading partner. This is already the case for imports. With regard to exports China still ranks behind some EU countries like France with €152.5 billion.

More than a third of Chinese exports to Germany are electronic goods, followed by textiles and clothing, while 30 percent of German exports to China are engineering products, followed by motor vehicles and auto parts (25 percent), and electrical and chemical goods.

China wants to double its trade volume with Germany within five years. "China is willing to import more top-quality German products, conversely, it wants speedy recognition as a full market economy by Germany," Wen said in Berlin. His country was also interested in more investment by German companies. To date, approximately 7,000 German companies are involved in Chinese businesses, with a total workforce of more than 200,000 people.

The Chinese government will also facilitate its access to small- and medium-size German companies. Wen announced a loan program of €2 billion to increase cooperation between German and Chinese small- and medium-size companies.

The great interest in closer economic and technological cooperation with Germany is directly bound up with the rapid development and restructuring of Chinese economy. China is seeking to shift the emphasis of its economy away from mass production of cheap goods and is investing heavily in high-tech industries. One example is the aircraft industry.

In its June 21 edition, the *Financial Times-Germany* drew attention to this development in an article headed: “Chinese spy on Boeing and Airbus”. Founded in Shanghai in May 2008, the aircraft manufacturer Comac (Commercial Aircraft Corporation of China) has announced that its medium-haul aircraft C919 would be ready to carry out its first flight in 2014. Commercial distribution of the plane is planned for 2016. The C919 will directly compete with corresponding models from Airbus and Boeing. Comac is already planning the development of larger models (C929, C939).

The Chinese corporation is considered a serious rival by US Boeing and European Airbus, which have up to now dominated the market for medium-and long-haul aircraft. "The days of the duopoly with Airbus over," declared the head of Boeing's civil division, while the Chinese are probably "faster than anyone thinks," the FTD writes.

The Chinese government has used the global economic crisis to strengthen the international influence of Chinese economy. During the crisis China has emerged as the fifth largest foreign investor and is increasing its purchases in Europe, most recently the German Medion computer company.

At the same time, Beijing has helped support the euro. China has the world's largest foreign currency reserves—more than 3 trillion dollars. The majority is invested in dollars, but increasing amounts are being invested in the euro. In the course of the European debt crisis China has purchased bonds from Greece, Ireland and the Iberian countries: now it expects something in return.

In Berlin Wen Jiabao appealed to Merkel and the German government to loosen EU export restrictions to China. China's relations with the EU were a focus of Chinese foreign policy, Wen said. Politically, there were no fundamental conflicts of interest or historical problems between the two regions. With regard to the euro crisis, the Chinese Premier declared that in his view the EU is “fully capable of mastering the current challenges.”

During their Berlin consultations, both governments signed deals worth approximately \$15 billion (€10.6 billion). It was also agreed that China be the partner country at the influential Hanover Trade Fair next year. The fair would be an opportunity to further develop and strengthen economic and trade relations.

The Chancellor declared she was “highly satisfied”, and Wen Jiabao responded by stating that the visit had been “very efficient and “results-oriented.”

At the same time, as lucrative contracts were signed and the new German-Chinese economic partnership sealed with champagne in Berlin, riot police and factory security guards attacked striking workers in the southern Chinese province of Guangdong with utmost brutality.

Textile and leather goods industry workers are subject to extreme forms of exploitation. Their average working day is twelve hours, with just two short breaks for meals and using the toilet. Their earnings usually do not exceed 1,100 yuan (about €100) per month. After four days on strike by 4,000 mostly female workers for a wage increase of up to 1,300 yuan, police intervened brutally and arrested many strikers.

The economic rise of China is bound up with unprecedented levels of exploitation and oppression.



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