

German business demands further opening of Chinese market

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Confronted with declining exports to European Union (EU) nations and reduced exports to Russia due to sanctions, the German government is pushing for an expansion of trade with China. The demand for further market liberalisation is at the center of this drive.

On October 10, the third round of German-Chinese government consultations took place in Berlin. Chinese President Li Keqiang attended alongside 14 government department heads and 130 businesspeople. He held discussions with Angela Merkel's government, including 12 ministers.

At the same time, the German-Chinese forum for economic and technological cooperation met in Berlin. Some 500 executives from the two countries' industrial, trade and banking sectors participated. The following day, the Chinese delegation met with some 600 economists, politicians and representatives from academia at the "Hamburg Summit: China Meets Europe," where economic relations between the two regions were discussed.

Since 2009, China has risen to become Germany's third largest trading partner, behind France and the Netherlands and ahead of the US and Britain. Trade between Germany and China has increased five-fold since 2000. In 2013, it reached €141 billion, and in 2015 it is expected to increase by a further 43 percent and reach €200 billion. China could become Germany's most important trading partner as a result.

In contrast to the US, which exported goods totaling \$122 billion to China in 2013, German exports to China totaled roughly \$198 billion. The figure shows the significance of trade for German industry. Investment by German business also doubled in China between 2009 and 2012 to €45 billion.

The EU is China's largest trading partner, and Germany plays the leading role. At the Berlin meeting,

trade deals worth €2.3 billion were signed, including investments in the German auto industry (Volkswagen and Daimler) as well as in telecom and air travel.

Guidelines for over 110 cooperation agreements over the next five-to-ten years in the areas of agriculture, science, environmental protection and health were signed. "The largest agreement of its kind China has ever signed with another country," *China Daily* reported.

The head of the Chinese industrial and economic association, Yizhong, noted at the Hamburg Summit that China needed Europe's quality and technology, while Europe desired the Chinese market and tempo.

However, the pace of growth in trade between Germany and China between 2009 and 2011 has not been matched in subsequent years. Calls for a further opening of the Chinese market have thus been getting louder.

At the Berlin and Hamburg meetings, business representatives demanded equal treatment for European firms tendering for state contracts. Until now, Chinese producers have received preferential treatment for public contracts.

They also demanded equal treatment for European and Chinese producers in regard to the issuing of licenses, the opening of certain areas of public services to European companies, the protection of creative property rights, and the protection of European investments in China, including guarantees against nationalisation.

The slowing global economy and the struggle for new markets are intensifying competition between states. Chinese firms, which have developed technologically over the past decade, are emerging increasingly as competitors of their foreign rivals. Trade relations have been soured by accusations on both sides. China has

imposed sanctions against foreign auto manufacturers for price-fixing, and the European solar industry has complained of price-cutting by China.

The owners of Chinese firms, who are well connected politically, are demanding transfers of technology rights to Chinese companies in larger joint ventures. In the past, this led to the founding of new Chinese-controlled firms that made the technology their own and competed with the joint ventures.

President Li hailed the cooperation between China and Germany, saying it was running like “two cogs in the same wheel.” However, growing competition will throw a spanner in the works and turn talk of harmony into a pipe dream.



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