

Speech at the 11th World Export Development Forum (WEDF)

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Distinguished Guests, Ladies and Gentlemen,

Good morning!

I am very honoured to come to Chongqing in this golden autumn time to participate in WEDF 2010.

Since the United Nation's International Trade Centre has launched this Forum, we have been pleased to see that the Forum has made great achievements in promoting global trade, and especially in its outstandingly successful efforts in extensively helping developing countries with the development of their trade promotion. For this we have the greatest appreciation. This time the Forum is being held in Chongqing, for the first time in China. I believe this will help the world to get a better understanding of China and Chongqing, and it will be to everyone's benefit to share the 'Chongqing experience' and the 'Chongqing opportunity'. In the name of the CCIEE I would like to express our best wishes for the opening of this conference. As I used to work for many years for China's Ministry of Commerce, I would like to talk about several points concerning the situation of China's foreign trade development, to share them with everybody and to present them for discussion.

- 1. Foreign trade has advanced the economic development of China and the world.** Modern history has shown that foreign trade can promote the modernisation of a nation's economy. In the case of developing countries in particular, when the economy takes off, the increase in labour productivity and national income is accelerated with the help of the introduction of foreign technology and equipment.

China's economic development entirely proves this point. At the beginning of reform and opening up of the economy in 1980 China's total import and export only amounted to 38.14bn USD, by 2009 the total amount of China's import and export of goods alone had increased to 2.2 trillion USD. Foreign exchange reserves increased substantially, from 167 million USD in 1978 to 2.3 trillion USD in 2009, powerfully enabling China's economic construction. Following the development of foreign trade China's economy realised continued steady and relatively fast growth, making it one of the largest economies in the world. By simultaneously promoting the growth of the domestic economy, China's foreign trade also benefited the world, providing other countries with trade opportunities and markets. Since her accession to the WTO in 2001 China has on average realised imports of products worth 6.87 trillion USD, thereby creating over 14 million jobs in related countries and regions. According to statistics, for every 1% of additional growth of the Chinese economy the economy of middle-income countries will grow by an additional 0.34% and that of low-income countries by 2%.
- 2. The dependency on foreign trade has also produced some contradictions and risks for the Chinese economy.** Foreign trade has advanced China's economic development but has, at the same time, brought contradictions and risks with it. Especially after the financial crisis the international economic and trade environment changed and the demand side on international markets has shrunk. Hit by this shock China's foreign trade has also

experienced the longest and largest contraction since the reform and opening up of the economy. Between November 2008 and October 2009, China's total imports and exports declined by around 20%. Because of the substantial decline in exports a great number of businesses producing for export are facing difficulties or have even had to stop production and had to close down. A lot of farmers have lost their work and a substantial part of the production capability is lying idle. This has caused a big loss for the society's wealth and has brought difficulties and crises to the economy.

In response to the shock of the crisis the Chinese government has issued an economic stimulus plan entitled 'Expanding domestic demand to ensure growth', which has since led to significant achievements. In 2009 the Chinese economy grew by 8.7% and thereby reached the target as defined in the stimulus plan. This has shown us that the dependency of a national economy on exports can cause not only waste of domestic resources and negative impacts on the natural environment, but also a worsening of the international business environment, thereby very possibly putting at risk a steady development of the domestic economy. Among the key points for guaranteeing a continued healthy development of an economy are to balance the economy's domestic and foreign demand, to change the methods of increasing foreign trade, and to promote the transition to high-end foreign trade.

3. **China needs to push forward economic restructuring in order to realise the transition to high-end foreign trade.** Following an improvement in the global economic situation China's foreign trade recovered in the first six months of 2010. In July the trade surplus grew substantially, leading to renewed concerns and discussions due to the realisation that China might revert to the traditional export-led development model. I believe that China's economy and trade in 'a post-crisis era' will not go back to their old ways.

First of all, we are very clear about that fact that the traditional development method is not sustainable. Under the previous process of achieving fast growth of China's foreign trade the trade surplus would continue to expand, thereby raising the pressure on the RMB to appreciate, and exacerbating trade conflicts. Financial and natural resources are being exhausted, the benefits of low costs have progressively decreased; and other problems have already appeared one by one. After the breakout of the financial crisis, changes in the environment of both domestic and external economy have occurred. Problems are interrelated and tend to intensify each other. This has made us realise that China has already entered a period in which sustainable development cannot be reached if the development method is not changed and restructuring measures are not taken. The Chinese government has therefore already come up with a schedule to change the approach towards achieving economic development.

Secondly, the international situation has changed after the financial crisis, putting pressure on China's trade development. After the crisis the global economic growth has slowed down, demand on international markets has dropped, and it will be very difficult to realise an environment of fast expansion of foreign demand as before. During the economic recovery all countries will vigorously compete for the markets, and protectionism will be on

the rise. In the future, some countries will most probably use climate change and CO² emission caps to impose new trade barriers, leading to a less than ideal trade environment. In global innovation in science and technology lay the seeds for new breakthroughs, production upgrading happens ever faster. The value chain of China's export production is relatively short, the export products value-added is not high, and new demands from the markets can therefore not easily be satisfied. These factors have all put pressure on the traditional space for export development.

Furthermore, China's domestic economy cannot continue to follow the traditional trade development model. Due to many years of fast development China's import and export levels are already very high, and the problems related to a continuously fast increase are getting bigger and bigger. At the same time, China's financial and natural resources are scarce and environmental sustainability has its limits, thereby intensifying the restrictions to the development of China's economy and trade. Labour costs and other decisive costs are continuously going up. The original method of depending on a combination of low cost and volume cannot be followed easily anymore. Without a transition to higher-end foreign trade the path towards further developing trade will become increasingly narrow.

Therefore China will continue to advocate free trade and, at the same time, focus even more on organisational restructuring as well as the transition to higher-end foreign trade – in order to improve conditions for people's welfare.

Ladies and Gentlemen,

Free trade is an important way to promote global economic growth and to improve people's welfare. Today, the world's economic situation is still relatively complex, and every sudden change can still cause complications for the global economy. Under these circumstances we need to be even more committed to continuity and stability in our macroeconomic policy, especially when it comes to creating a policy environment to promote free trade. I would like to take this opportunity to make the following three suggestions:

1. By continuing to uphold the concept of free and open development actively promoting the liberalisation of trade and investment will be even more beneficial. Strongly oppose any notion of protectionism, consolidate the positive trend of the global economic recovery.
2. Speed up the progress at the DOHA Round negotiations in order to establish a reasonable international economic order. Both developed and developing economies have to go about this with even more sincerity and determination and with an eye on long-term benefits.
3. Emphasize cooperation and thereby help developing countries to realise full development. This is crucial for really achieving balanced global economic development and also for safeguarding a consolidation of world peace. Effective measures have to be conscientiously adopted in order to ensure the realization of the UN's millennium development goals.

Finally, I would like to wish this forum every success, and wish everyone in Chongqing a fulfilled work and life. Also in the name of Mr. Zeng Peiyan, the Chairman of the CCIEE, I would like to invite you to visit the CCIEE at your convenience. Thank you.