

**Speech by Deputy Minister of Commerce Mr. Yu Guangzhou
to Danish-Chinese Business Forum Members on 13 September 2007
(Unofficial Translation)**

Honourable Chairman Mr. Foss,
H. E. Ambassador Mr. Xie Hangsheng,
Ladies and Gentlemen,

It gives me great pleasure to attend this meeting held by the Danish-Chinese Business Forum, and meet the entrepreneurs.

In order to help Danish entrepreneurs better understand China, and build the confidence of developing trade and investment cooperation with China, I would like to make a brief introduction to China's current commercial situation and policies.



2006 is the first year of China's eleventh Five-Year Plan on national economic and social development. The Chinese economy maintained a good momentum with high growth rates, good economic results, and a relatively low price level. Last year China's GDP surpassed 21 trillion Yuan, an increase of 11.1 per cent. The fourth consecutive year in which the growth rate exceeded 10%, the consumer price index (CPI) remained low and stable with an increase of 1.5 percent. Economic results continued to improve. Government revenue and company profits grew rapidly. At the same time, China's domestic and foreign trade and economic cooperation reached a new stage, not only pushing forward the Chinese economy, but also injecting new vigour to the world economy. In short, the Chinese economy shows the following characteristics or development trends:

Firstly, demands of the domestic market are booming. Relying on domestic demands to push economic growth is China's persistent strategic guideline. In recent years, while maintaining a suitable investment growth rate, the Chinese government adopted a series of measures, such as increasing employment, enhancing residents' income, improving social security, etc., and stimulating the rapid growth of consumption demand of the general public. In 2006, the total retail sales of consumer goods reached 7.6 trillion Yuan. This is an increase of 13.6% which represents the fastest growth rate since 1997. The total investment in fixed assets reached 10.9 trillion Yuan, up by 24%. The rapid growth of domestic demand not only laid the foundation for the national economy's fast growth, but also created conditions for expanding imports.

Secondly, foreign trade grows at a very high rate. In 2006, on the background of the rapid growth of the world economy and of international markets, the total amount of Chinese foreign trade reached US\$1.76 trillion, up by 23.8% compared to the previous year. Of the total, the value of exports was US\$969.1 billion, up by 27.2% and the value of imports was US\$791.6 billion, up by 20%. China's exports of low-priced and good quality products greatly help trading partners in controlling inflation and enhancing consumer welfare. China's large-scale imports provide great opportunities for companies all over the world, including Danish companies. In the past year, the Chinese government has worked hard to change the pattern of foreign trade growth and encourage a more balanced and coordinated development. On one hand, we tried to limit the export of products consuming too much energy or polluting the environment, on the other hand we expanded imports of new technology, modern equipment and raw material. This optimized the structure of import and export products and reduced the gap between the growth rates of imports and exports. The growth rate of export decreased 1.2 percent compared to that of last year. The growth rate of import was up 2.4 percent, so that the gap between the two growth rates narrowed to 3.6 percent.

Thirdly, attracting foreign investment has developed steadily. In recent years, China has become an attractive place for overseas investments due to its huge market, diverse industries, well-developed infrastructure, low-cost and high quality human resources, etc. and the absorption of foreign investment has been increasing steadily. In 2006, China's absorption of non-financial foreign capital amounted to US\$63 billion, up by 4.5%, continuously holding the first place among developing countries for the 15th year. During the steady growth, the foreign investment structure has improved. The foreign investment in the service sector grew by 25.8%, accounting for 23.3% of the total, compared to 19.4% last year. Foreign investment in the manufacturing industry dropped 5.6%, and its proportion out of the total dropped from 70.4% to 63.6%. The western areas of China did not absorb much foreign capital, but the volume grew quickly, with a growth rate of 12.2%, the proportion of the total also increased from 3.2% to 3.5%.

Fourthly, foreign economic cooperation performs well. In recent years, Chinese government positively encouraged qualified companies to go abroad to develop economic cooperation with other countries and regions. Foreign investment, project contracting, and labour service cooperation etc. developed well. In 2006, the Chinese non-financial, foreign direct investment reached US\$16.1 billion, an increase of 31.6%. The foreign contracting projects received turnover of US\$30 billion, an increase of 37.8%. The labour service cooperation hit a turnover of US\$5.4 billion (an increase of 12.1%). In the meantime the scope and areas of foreign economic cooperation have also broadened. Foreign investment gradually switches from restaurants and dining, simple processing etc. to marketing network, manufacturing, designs, and R&D. The geographical region where investments are made also spreads

from Europe, USA, Hong Kong and Macao to Asia, Africa, Latin America and so on. Foreign project contracting is developing from basic constructions to high level, turn-key, general contracting business, BOT (construction - management - transfer), etc., with more large projects and enhanced technical contents. The same applies for foreign labour service cooperation.

Fifthly, more attention has been paid to the protection of Intellectual Property Rights. IPR protection is not only the requirement for fulfilling international obligations, but it is also a prerequisite for China's self-development and the enhancement of its innovative abilities. The Chinese government has a clear attitude and strong determination to protect IPR. China has formulated "Copyright Law", "Patent Law", "Trademark law" and other IPR laws. It has joined the main international treaties on IPR protection, and signed bilateral IPR agreements. In addition a 'conversation mechanism' has been established with many countries including EU members. In 2006, we have comprehensively implemented "the IPR protection network project". We have established 50 IPR complaints centres throughout the country, and designated a special phone number 12312 for where IPR related complaints can be made. In future, the Chinese government will continue to strengthen IPR protection in a responsible manner, seriously fulfil its international obligations on IPR protection, strengthen cooperation with other countries and international organizations, and push to establish a better mechanism and environment for IPR protection.

While great success has been achieved in China's economic and social development, there are still some main contradictions and problems. For example, the relationship between investment and consumption is still uncoordinated. Investment grows excessively fast while demand is relatively insufficient. The trade structure is not ideal due to the widening gap between import and export. The structure of industries and regions using FDI (Foreign Direct Investment) need to be further improved. And the foreign economic cooperation as a whole also remains at an early stage.

In the near future, the Chinese government will adhere to the scientific approach to development in order to guide the economic and social development, making efforts to reach the balance between speed, quality, and benefit; the balance between consumption, investment, and export; and the balance between the population, resources, and environment. China will also persist with a peaceful development path. It will implement the opening to the outside world policy on a win-win basis, expand the mutually beneficial cooperation with other countries, and promote the construction of a harmonious world.

Ladies and Gentlemen,

The fast and healthy development of China's economy, the continuously expanding market size, constantly improving investment environment and IPR protection system, have offered great business opportunities for entrepreneurs all over the world including Denmark. Denmark is a competitive country in the world with advantages



in its high-tech industry, innovative ability and other aspects like energy, environment protection, bio-pharmaceutical, etc. With these advantages Denmark can obtain a large market share in China. I really hope that Danish companies will be successful in the Chinese market, and achieve a win-win situation when cooperating with Chinese partners.

Thus, I would like to put forward the following suggestions:

First of all, cooperation on energy and environmental protection should be enhanced. The Chinese government attaches a lot of importance to energy saving, adhering to a policy of paying equal attention to energy exploitation and energy saving. According to “the 11th Five-Year Plan”, the energy consumption per GDP unit in 2010 shall decrease by 20% compared to 2005, while the total emission of main pollutants including sulphur dioxide should decrease by 10%. Denmark has successful experience in energy development and environmental protection, having advanced technologies in wind energy, bio-energy, power and heat co-generation, etc.. On the Chinese side we are willing to strengthen the cooperation with Denmark in the above-mentioned sectors in different ways; such as a transfer of technology or localized manufacturing.

Secondly, we invite Denmark to participate actively in China’s regional development strategy. The Chinese government is implementing the Strategy on Revitalization of the Old Industrial Bases in Northeast China and the Strategy of Great Development of Western China and Rising Strategy of Central Regions. These strategies provide great opportunities for European companies wishing to have investment and trade cooperation with China. I highly appreciate Carlsberg’s positive response to China’s west development strategy. Since 2003 Carlsberg has successively invested in 10 beer production plants in the western regions, which has contributed tremendously to the local economic development. I hope more companies within the network of Danish-Chinese Business Forum will be able to seize the opportunities provided through the Chinese regional development strategies and thus find great business opportunities.

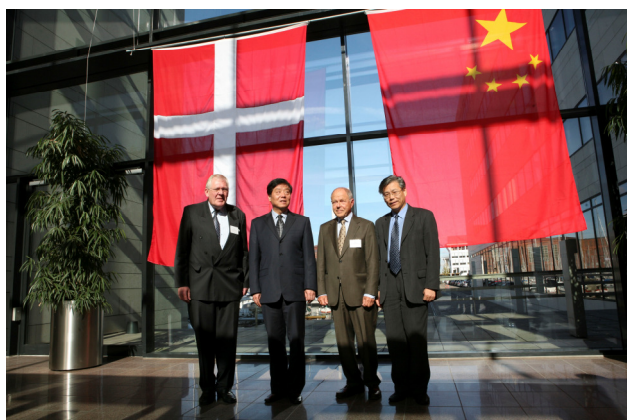
Thirdly, cooperation in high-tech areas should be encouraged. Compared with developed countries, the technology level of China remains relatively low. Therefore it is necessary for China to introduce advanced technologies, modern management expertise, and relevant personnel. As one of the developed industrialized countries in Europe, Denmark has a dominant position in wind power generation, instruments, food processing, logistics, shipbuilding equipment, electronics, medicine, chemical industry etc., and high quality personnel. It is exactly the development of these areas

that China sees as a high priority. So it quite clear that there is large scope for cooperation between our two countries. I am happy to know that the Danish government will set up the second overseas innovation centre in Shanghai. It is believed that this will create more convenience for our bilateral cooperation.

Fourthly, the cooperation between small and medium-sized enterprises should be promoted. There are many small and medium-sized enterprises with modern technology and professionalism in Denmark, so there is a large scope for cooperation at this level. In 2006, Denmark and China signed a Memorandum of Understanding on Strengthening Cooperation between Chinese and Danish Enterprises. During the 19th Joint Committee, the Trade

Development Bureau and the Investment Promotion Agency of MOFCOM have separately signed cooperation agreements with the Danish Trade Council. Through these agreements we hope to build more cooperation platforms for small and medium-sized enterprises and provide more opportunities for cooperation. I also would like to take this opportunity to invite Danish companies to attend high-level fairs in China; such as China Import and Export Fair, China International Fair for Investment and Trade and China International Small and Medium-sized Enterprises Fair etc. Here you will no doubt be able to find the appropriate partners and commercial opportunities.

Ladies and Gentlemen,



Since the establishment of Danish-Chinese Business Forum in 2005, the number of member companies has been increasing constantly and its influence has become stronger and stronger. Chairman Mr. Foss and General Secretary Mr. Tom Jensen have dedicated themselves to promoting the development of economic and trade ties between our two

countries and they have made many efforts to promote bilateral trade and investment cooperation. I would like to express my deep appreciation.

I believe, with the importance paid by our two governments and the efforts made by business communities of both sides, our bilateral cooperation in every fields including trade, investment and technology will develop more rapidly.

Thank you.