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Economic issues dominate the German-Chinese intergovernmental consultations

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The second German-Chinese intergovernmental consultations took place on 30 August. Chancellor Angela Merkel was accompanied in Beijing by a delegation of more than one hundred people, including seven ministers, two secretaries of state and around twenty heads of German corporations. In the Chinese representation there were eight ministers and five deputy ministers at the joint session of the cabinets.During the talks, as usual, such issues as the protection of intellectual property rights, access to the Chinese market, human rights and the Eurozone crisis were raised. Thirteen intergovernmental agreements were signed, some of which concerned healthcare, the protection of the natural environment and scientific research. German-Chinese economic relations were the main topic of the consultations. In effect, in addition to intergovernmental agreements, contracts worth approximately US$7 billion were signed. China undertook to buy fifty new A320 airplanes from the European airplane manufacturer, Airbus. This transaction is worth approximately US$3.5 billion. China's consent to Airbus for further assembly of planes in Tianjin after 2016 will yield an additional income of US$1.6 billion. The contract with China's telecommunication giant, ZTE, for improving the broadband Internet network is worth US$1.3 billion. Two contracts concern the construction of gearbox factories by Germany's Volkswagen and a helicopter assembly line by Eurocopter.

Commentary

- This two-day visit by Chancellor Angela Merkel was clearly distinct from her previous visit (in February this year) in terms of both the formal setting and its effects. More than half a year ago, she visited China as an informal leader of the European Union in order to ask for assistance for the Eurozone. However, she was offered nothing but words of support. This time, the German chancellor came as a representative of the interests of German corporations – with a visibly better effect. This indicates that bilateral economic co-operation is an issue of high priority for both Beijing and Berlin.

- Germany also wants to be seen in China as the main 'window to Europe' for Chinese investors because it fears uncontrolled expansion of Asian firms on the common market, unfair competition and price dumping. Proof for this could be for example the unfavourable comments in the German press in connection with the China-Central

Europe summit held in Warsaw in April this year. Germany is vigilant of any Chinese attempts to enter the EU market via the 'new' EU member states, fearing unfair competition. In July this year, a German company, Solarworld, brought a complaint to the European Commission against Chinese manufacturers of solar panels, who in their opinion were price dumping. Similarly, German construction firms are lobbying in Brussels for restricting access for Chinese firms to contracts in the EU.

- The fact that contracts worth billions of dollars were signed and that the German delegation was received warmly has not removed the serious controversies existing between the two countries. German companies from the 'green technology' sector are accusing Chinese firms of using price dumping practices. The same allegations have been made by German construction firms. Additionally, Germany is still criticising the restrictions on exports of rare earth metals (90% of these originate from China), which are necessary for example to put into practice the German concept of energy transformation.