

# Address by Prime Minister Lars Løkke Rasmussen at Danish-Chinese Business Forum Annual General Meeting on 28 April 2009

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Excellency, Ladies and Gentlemen,

I am very pleased to have this opportunity to address the members of the Danish-Chinese Business Forum. As the only Danish business network focusing on China, you are key players in an important, interesting and stronger relationship between China and Denmark.

During the past years Danish-Chinese cooperation has developed strongly. The latest figures from 2008 show that Denmark's trade volume with China (including Hong Kong) surpassed our trade volume with the United States. China has become our most important commercial partner outside Europe. China has overall grown to become Denmark's sixth largest commercial partner in terms of exports.

China is of crucial importance to Denmark. As all of you here today very well know, China has already developed into the perhaps greatest opportunity for Danish companies. As the Chinese saying goes: "China is the place where nothing is easy but everything is possible".

In the political field, we have seen the same positive development. In October last year Denmark and China entered into a Comprehensive Strategic Partnership. The Strategic Partnership is an expression of the mature relationship between China and Denmark. A relationship, where we can discuss all issues – also the issues where we do not necessarily agree.

To underpin the Strategic Partnership the Danish Government launched, also in October 2008, its first ever Denmark-China Action Plan. The key focus of the Action Plan is on research, innovation and education, as well as on climate, energy and environment.

I believe these are areas where closer Danish-Chinese cooperation has a lot to offer – also during these more turbulent economic times.

## **1. The global financial crisis can be an opportunity for China**

The global financial crisis has clearly demonstrated that we live in an interconnected world. China's export oriented manufacturing industry is seriously affected by the falling demand in overseas and domestic market.

The Chinese Government reports that in the short span of the financial crisis 35 million people including 20 million migrant workers have lost their jobs in China. These are disturbing figures. Even in a country with a work force of 800 million people.

Another tremendous figure is the Chinese Governments massive stimulus package. A package amounting to 3 trillion Danish kroner! aimed at stimulating consumption and employment.

The massive Government intervention is part of the explanation why China is expected to have an economic growth rate in 2009 that in any other country would be considered a boom. The Chinese Government has set 8 per cent as the target.

Even if the figure is not fully met, the Chinese growth rates show that, despite the economic crisis, China is in the league of heavyweight economies. And that the recovery from the effects of the global financial crisis may very well give China an even stronger role in the global economy.

## **2. The Danish Government promotes a close relationship with China**

Denmark is doing its utmost to be part of this development. And we engage strongly with China. The bilateral exchanges between Denmark and China have increased in all spheres over the past years.

That is the case both at the governmental level, commercially, people-to-people and within research and education. This provides both Denmark and China with an opportunity for mutual benefits.

From the Danish side we can contribute with our involvement of citizens and our welfare society. We can share best practices in for example the labour market with our flexicurity model and corporate social responsibility. And with expertise on energy and the environment.

Let me give you some concrete example of our engagement:

In no other country has Denmark posted more staff than in China and Denmark has more than a handful diplomatic missions in China. More than any other country we normally compare ourselves with.

Within the area of export and investment promotion no less than 12 per cent of the Trade Council of Denmark's total resources are actually allocated to co-operation with China.

Another focus area is building strong relations in the field of research, sending Danish students to China and recruiting talented Chinese students and researchers to Denmark.

Today, we are witnessing a large number of new initiatives of cooperation. These include increased research collaboration, easier access to recruitment of talented Chinese researchers, establishment of a Danish university centre in Beijing and Danish educational centres in other parts of China.

Last year we launched the ambitious 'Green China' campaign, which has succeeded in establishing a strategic partnership on energy and environment with a number of key provinces in China. And with a number of Danish companies within energy and environment solutions.

This year we initiated a broader renewable energy programme with the Chinese Government including a Danish contribution of 100 million Danish kroner.

The ongoing Wind Energy Development programme addresses the important issue of connecting wind power to the national grid. As an example, the programme has assisted China in solving the technical difficulties in connecting a large wind farm in Inner Mongolia to the grid by fielding technical expertise from a Danish power utility.

This programme is important because it shows that our commercial and environmental objectives can be joined. I believe by showing how green technology can promote growth we are also putting forward the strongest argument for reaching a new comprehensive global climate change agreement in Copenhagen in December 2009. An agreement we need China, the US and other major economies to be part of.

Those who invest in green technology today will be the winners of tomorrow. There is a potential for future growth, employment and wealth within the market for green technology. And we should not hesitate to use this opportunity. Without private sector investments we will get no where.

We need to engage business communities to create a common understanding of what is required of a new climate change agreement. I therefore look very much forward to the World Business Summit on Climate Change in Copenhagen 24-26 May which is a unique opportunity for the business community to send a common and clear message to the political leaders ahead of COP15.

### **3. Danish enterprises must grab the possibilities and be part of Chinese progress**

For many years China was thought of as primarily a market for production and sourcing. This is still true, in the sense that China is still the most important sourcing market in the world, and will remain so for years to come.

But China today is so much more.

A lot of my children's toys have a "made in China" label written on the back. But today I can also buy a mobile phone, which is not only made, but also created, innovated and designed in China.

China is developing from the world's factory to the world's high tech innovation lab.

I believe Denmark is in a unique position to help China realise her potential as a knowledge based society. As a country without natural resources, wealth in Denmark is based on the knowledge and innovative force of our people. China – I believe - has a strong wish and interest to learn from that experience.

The rapid growth of the Chinese market is a development which is not limited to one specific area. It is widespread. And it creates opportunities for a growing number of Danish companies. This potential is vast and yet to be fully realised.

An area with almost endless potential is products and solutions related to China's ongoing urbanisation. China already has close to 100 cities with 1 million inhabitants or more. By 2030 the number will increase to more than 220. To put things in perspective: Europe has 34.

This development will increase the already strong demand for solutions related to energy and environment. These are areas which the Chinese government prioritises and where Denmark is a world leader.

The dual growth of wealth and urbanisation will lead to more than a doubling of China's energy consumption over the next 10 years. To be precise: During the next decade China is expected to add around 1.300 gigawatt. This is an increase which in itself is higher than the current energy consumption in the United States. A substantial part of this increase will be renewable energy: One third of the entire global wind energy capacity to be installed in 2009, will be in China.

A different area with huge possibilities for Danish companies is within fashion and design. China has already developed into the world's largest market for luxury consumer goods.

The health care sector is another area with more recent – but nonetheless very substantial – potential. Earlier this month the Chinese government revealed its first comprehensive health care reform. The long term goal of a health care network is to cover all urban and rural residents by 2020. In the short term this includes spending of approximately 700 billion DKK to upgrade the existing services.

I would also like to stress the opportunities related to IT, research, development and innovation. These are parts of the value-chain which until recently were firmly placed in the West. But also in this area things are changing – and changing fast.

Today, China has surpassed Japan and is second only to the US in terms of national investments into Research and Development. More than 15 million students are enrolled in universities – an increase of no less than 500 per cent over the past 8 years. And in 2008, the Chinese Information Technology firm "Huawei" was the company that filed most patent applications – world wide!

## **Closing**

Let me conclude by emphasising that I am confident that the importance of the Chinese market for Danish companies will continue to increase. We see a new economic order evolving, and Denmark should be part of this. We have a lot to offer. Not least within the area of green growth.

The Danish business community and the Danish Government have a common project: To continue to make use of the opportunities in China. To this end our important network of representations in China stands ready with their outstanding services to assist you to strengthen your position on the Chinese market.

And also in the Danish-Chinese Business Forum you are doing your part of the job, setting an example for Danish enterprises.

A Chinese proverb says: "If you think too long on your next step, you will end up in life standing on one leg".

To this I would say that Denmark is ready to take fast steps ahead to keep pace with the political and economic developments in China, which are already shaping the world.

Thank you.