

## **Chinese Premier Li Keqiang's speech at 9th China-CEEC Business Forum**

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Speech by H.E. Li Keqiang

Premier of the State Council of the People's Republic of China at the Ninth China-CEEC Business Forum

Dubrovnik, 12 April 2019

Prime Minister Andrej Plenkovic,

Ladies and gentlemen,

It gives me great pleasure to join friends old and new at the ninth China-CEEC Business Forum in the seaport city of Dubrovnik in the beautiful season of spring. On behalf of the Chinese government, I wish to extend warm congratulations on the opening of the Forum and pay high tribute to all those who are committed to the friendly relations and cooperation between China and the Central and Eastern European countries.

In recent years, China-CEEC (16+1) cooperation has been growing with a strong momentum. This is largely attributed to our strong and expanding business ties, which have seen new progress every year thanks to the concerted efforts of all parties. In 2018, China's trade

with the CEE countries increased by 21 percent, hitting a record high of 82.2 billion U.S. dollars. In particular, growth in China's imports from the CEE countries outstripped that of exports by five percentage points. As FDI (foreign direct investment) plunges worldwide, China's investment in the CEE countries has bucked the trend and soared by 67 percent, most notably in major projects in the energy, mining and home appliance sectors and with new steps taken in cooperation in third-party markets.

China-CEEC cooperation on the Belt and Road Initiative (BRI) has made new strides, as seen in greater headway in infrastructure connectivity, smooth progress in projects from the Budapest-Belgrade railway and the E763 highway in Serbia to the MS and KO highways in North Macedonia and the South-North expressway in Montenegro, and growing cooperation in new areas like information and communications and smart cities. With over 6,000 new freight train services opened between China and Europe last year and the steady development of China-Europe Land Sea Express Line, CEE countries are poised to play a bigger role as gateways between Asia and Europe.

Subnational cooperation continues to deepen, marked by the launching of the Ningbo 16+1 Demonstration Zone for Economic Cooperation and Trade and the China (Liaoning) CEEC Pavilion. There have been more frequent people-to-people and cultural exchanges, as evidenced by over 1.4 million tourist arrivals from China to CEE countries and 350,000 visits from CEE countries to China in 2018. Our two sides also run collaboration programs in the performing arts, animation, film and other cultural and creative industries. While strong support from governments has been indispensable, all this progress would not have been possible without the hard work from our business communities.

Ladies and gentlemen,

We meet at a crucial moment in world economic development. Global growth has been weighed down by factors such as sluggish international trade and investment and rising protectionism. New uncertainties and destabilizing factors are mounting, shaking market expectations and confidence in development. That said, on the bright side, the global economy is increasingly propelled by the new round of technological and industrial revolution. The growing complexities in the

international landscape make it all the more imperative for all parties to work together to seize opportunities and tackle challenges. President Xi Jinping's recent visit to three European countries has injected fresh impetus to China-EU comprehensive strategic partnership. The 16+1 cooperation is an important part of China-Europe relations. Guided by the principles of peace, cooperation, openness, inclusiveness, mutual learning and mutual benefit, China will foster a stronger synergy between the BRI and development strategies of CEE countries on the basis of consultation and collaboration for shared benefits, with a view to taking our business cooperation to greater depth and breadth.

- We need to promote trade facilitation. China's trade with the 16 CEE countries has enjoyed fast growth, yet there remains a big potential to tap. China will work with the CEE countries to open markets wider to each other. Customs cooperation needs to be strengthened by streamlining procedures for greater efficiency in the clearance of goods. We will improve the communication and coordination mechanism for inspection and quarantine, speed up the negotiation of relevant protocols, and better coordinate our safety inspection

efforts. China will support CEE countries in participating in the China International Import Expo, the China-CEEC Expo and other trade promotion platforms, and provide a green channel for exports by CEE countries to China. We will continue to develop the China-Europe freight train service and multi-modal transport, enhance services facilitation cooperation on China-Europe Land Sea Express Line, harmonize rules and standards at a faster pace, and establish logistics hubs to speed up cross-border flow of goods.

- We need to foster new growth areas in trade. China and CEE countries each have comparative advantages and our economies are highly complementary. We need to further unlock the trade potential, improve the trade mix, and expand areas in trade cooperation. Trade in agricultural products will be increased. China will continue to create conditions to import more honey, fruit, dairy and meat products and other farm produce from CEE countries to meet the diverse needs of Chinese consumers. We will continue to scale up trade in mechanical and electrical products and quality consumer goods such as automobiles and home appliances, and

grow trade in high-quality, high-tech and high value-added products such as manufactured equipment.

We need to step up cooperation on new business forms and models, encourage large cross-border e-commerce companies to set up more overseas warehouses and exhibition and sales centers in CEE countries to explore more trading channels. Trade in services will be expanded. There is a big potential in tourism cooperation as the number of overseas trips by Chinese tourists reached 150 million last year. Companies from CEE countries are welcome to hold tourism expos in China to intensify the promotion of tourism resources and attractive tourist products. We look forward to more facilitation provided to Chinese tourists in terms of border control in CEE countries. Our two sides need to support civil aviation cooperation, encourage communication between airline companies, and look into the feasibility of opening more direct flights when conditions are in place.

- We need to deepen investment and industrial capacity cooperation. The Chinese government supports Chinese companies in investing in CEE countries in keeping with commercial principles and on their own decisions,

particularly in such areas as agriculture, manufacturing, information and communications, and R&D. Joint efforts will be made to build industrial clusters and logistics parks and improve industrial chain cooperation. We hope that the lawful rights and interests of Chinese companies will be effectively protected in relevant countries in accordance with the principles of equity, fairness and non-discrimination. During this year's summit, we will launch the 16+1 Global Partnership Center and the website for the China-CEEC SME Coordination Mechanism, which are designed to provide more convenient, thoughtful and professional services for companies to broaden investment cooperation.

- We need to make concrete progress in connectivity. Achieving infrastructure connectivity at a faster pace is high on the development agenda of many CEE countries, and is an important means for delivering win-win outcomes of 16+1 cooperation. A good example is the China-Croatia cooperation on the Peljesac Bridge project. China will continue to encourage companies to take part in infrastructure development of CEE countries, and work with relevant parties to steadily advance the construction of the Serbian section and the tendering of

the Hungarian section of the Budapest-Belgrade railway. We will foster synergy among the Belt and Road Initiative, the Three Seas Initiative, the EU strategy on connecting Europe and Asia, the Trans-European Transport Networks and other plans, and implement the projects with earnest efforts.

We will improve the financing conditions for projects, make full use of the Asian Infrastructure Investment Bank, the Silk Road Fund, the China-CEEC Inter-Bank Association and other financial platforms, encourage commercial banks to develop more innovative financial products and diversify financing models. We will develop new ways in implementing cooperation projects, properly address issues concerning mutual recognition of standards and returns on investment, and actively explore cooperation modalities in third-party markets, joint bidding and public-private partnership. The Chinese government supports relevant countries in conducting rules-based public tendering where Chinese companies can compete on a level playing field.

Ladies and gentlemen,



I would also like to take this opportunity to briefly talk about the Chinese economy and our policy orientation as they may be topics of interest to you. In 2018, despite difficulties and challenges, China's economy grew by 6.6 percent and exceeded 90 trillion yuan, or 13.6 trillion U.S. dollars. A total of 13.61 million new urban jobs were created and the surveyed urban unemployment rate was 4.9 percent at the end of last year, which means we have achieved fairly full employment. This year, China faces a more complex and challenging development environment. In the Report on the Work of the Government adopted at last month's annual session of the National People's Congress, we made a comprehensive analysis of the situation and laid out a series of major policies and measures.

The Chinese economy has maintained a stable performance on the whole this year. In particular, we have seen quite a number of positive changes since March: the manufacturing Purchasing Managers' Index and its sub-indices on production and new orders rebounded to the highest point in months; fixed-asset investment, imports and exports, freight volume and electricity generation grew at a faster pace; consumption

remained stable; and trading in the capital market was vibrant. As things stand now, we are seeing a notable improvement in market expectations, better performance of the business sector, especially SMEs, and growing dynamism for internally driven development.

We are confident that the main targets for this year, including a 6-6.5 percent GDP growth, can be achieved. We will maintain the current macro policy orientations, and avoid adopting strong stimulus policies, such as quantitative easing and excessive money supply. Instead, we will keep to the central task of supply-side structural reform and create conditions for steady economic performance by further advancing reform and introducing measures in accordance with market principles and the rule of law. Going forward, we will concentrate our efforts in the following three areas.

First, we will take steps to energize market entities and improve the business environment. Robust market entities provide a strong driving force for economic growth. China has more than 100 million market entities, including over 34 million enterprises. On average, 18,000 new enterprises are established each day. If more and more market entities can be in vibrant operation, we will

acquire a solid bulwark against the downward pressure on the economy.

This year, we will cut taxes and fees on a larger scale, which is expected to reduce the tax burden and social insurance contributions of companies by nearly two trillion yuan. Tax cuts for enterprises will lead to lower fiscal revenues, yet the spending in key areas such as people's livelihood must be maintained. Then what is our solution? Instead of substantially raising the deficit-to-GDP ratio, we are asking governments at all levels to tighten their belts, explore every possible means to expand revenue and reduce spending, and follow a new approach of putting idle assets and funds to better use while notably cutting general expenditures. We will make the negative list on market access shorter, streamline administrative approval procedures, strengthen impartial regulation, and improve the efficiency of government services, with a view to creating a level playing field for market entities of all types.

Second, we will take steps to pursue innovation-driven development and strengthen new growth drivers.

Innovation is the primary driving force for development. China has more than 170 million people in its workforce with higher educational background or professional skills. China also has the largest pool of scientific and technological personnel in the world, and a big internal market. Such conditions have given a strong boost to technological innovation and industrial application from both the supply and demand sides. To foster new growth drivers, we are developing emerging industries and promoting the transformation and upgrading of traditional industries at the same time. China is the largest manufacturer in the world. We will strengthen the industrial foundation and the capacity for technological innovation, build industrial internet platforms, and empower the manufacturing industry with digital, internet, smart and green technologies.

E-commerce, mobile payment, sharing economy and other new business forms and models are booming. These are the results of innovation by Chinese companies that are encouraged by the accommodative and prudential regulatory approach taken by the Chinese government. Going forward, we will step up the R&D (research and development) and application of big data

and artificial intelligence, foster clusters of emerging industries and strengthen the digital economy. New growth drivers now contribute more than one third of China's economic growth and more than two thirds of new urban jobs. They are giving China new strengths to pursue development.

Third, we will take steps to promote all-round opening-up and build an open economy at a higher level. The National People's Congress of China adopted the Foreign Investment Law a few weeks ago. We are bringing forward the formulation of matching regulations so that they can enter into force together with the law on 1 January next year. This will help build an enabling business environment based on the rule of law and up to international standards. We are expediting the implementation of the measures announced, including shortening the negative list on market access for foreign investors, further opening up the financial and other sectors, and strengthening the protection of intellectual property rights.

China has grown into a major international investor. We will encourage credible and capable Chinese enterprises to invest overseas in an orderly fashion. China has

actively expanded import from other countries. Since last year, we have voluntarily cut tariffs four times, bringing the overall tariff level down to 7.5 percent, a lower middle level in the world. We will also further improve the facilitation of customs clearance to significantly reduce cost and improve efficiency. As China continues to develop an open economy, it will create greater opportunities for companies of CEE countries.

Ladies and gentlemen,

As a saying goes, "When the wind is at our back, lose no time in setting sail." In the face of a great opportunity to deepen China-CEEC cooperation, I hope business leaders from both China and CEE countries will work in concert to open up new prospects for China-CEEC economic and business cooperation.

Thank you.