

<http://www.manufacturing.net/China-Growth-Threat-To-EU.aspx?menuid=36>

EU Chief: China Growth Economic Threat

Manufacturing.Net - November 27, 2007

BEIJING (Kyodo) — The head of the European Commission warned Tuesday there is the risk that Europeans will view China's economic growth as a threat if it does not take action to reduce its huge trade surplus with the rest of the world.

Jose Manuel Barroso said the current trade imbalance is "unsustainable" and is becoming an increasingly important political issue in Europe, adding to people's anxieties about globalization and economic competition from overseas.

Barroso's comments came on the eve of a China-EU leaders summit to be held in Beijing on Wednesday.

French President Nicolas Sarkozy also voiced concerns about Europe's trade deficit with China on Monday after holding talks in Beijing with senior Chinese leaders.

European leaders argue that China is keeping the value of the yuan artificially low, giving its manufacturers and exporters a huge advantage over foreign competitors. They also argue that European firms are given only limited access to some Chinese markets.

China's trade surplus with the European Union was 128 billion euros (\$190 billion) in 2006 and that increased by 50 percent in the first half of this year.

Barroso said in a speech given at a Communist Party officials training school in Beijing, "There is a risk that the economic emergence of China is seen by Europeans as a threat. That is why we need to deal with this question responsibly to avoid protectionist pressures which would be very difficult to contain."

"We need to keep public opinion on both sides favorable to the further deepening of our cooperation," he added.

Another senior EU official in Beijing for the summit, Trade Commissioner Peter Mandelson, said in a speech at a business summit Tuesday that Europe is becoming frustrated by what it sees as a lack of progress by China in some economic areas, such as the trade surplus, access to Chinese markets and protection of intellectual property rights.

"Sometimes people in Europe say to me, 'If China grows any more and fills our markets, our jobs are going to be finished.' I understand the concern and we need reciprocal openness to meet that concern," he said.

"China needs to do its bit to sustain that openness by opening more to Europe's goods and service and to our investment."

Liu Jianchao, a Foreign Ministry spokesman, indicated Monday that China is unlikely to change its stance currency reform, despite the pleas from Europe.

"We will continue to increase the flexibility of our exchange rate in a step-by-step manner, but any reform will be gradual and will be dictated by the market," he said.

Liu added that the Chinese currency has steadily increased in value against other major currencies since China scrapped the peg with the dollar two years ago and allowed the yuan to float on currency markets within a restricted band.

The government has previously said it is taking a series of measures to increase economic demand within China, which will stimulate the purchase of overseas goods and reduce the trade imbalance.

It also argues that a rapid appreciation in the value of the yuan could cause instability in the Chinese economy.

China's total trade surplus with the rest of the world had reached \$212.36 billion as of the end of October, an increase of 59 percent from the same period in 2006.

The European Union is China's second largest trade partner behind the United States, with an overall trade volume of 255 billion euros last year.