

Chinese-German Economic Advisory Committee

Joint Recommendations of the Inaugural Meeting

Beijing, 7 July 2014

The Chinese-German Economic Advisory Committee was initiated during the 2nd Chinese-German intergovernmental consultations in August 2012 and was announced as the second track to the intergovernmental consultations during Chinese Premier Li Keqiang's visit to Germany in May 2013. The Committee offers a platform for business from both countries in order to intensify economic cooperation and aims to become a forum to voice concerns of business to the heads of government. At the Inaugural Meeting of the Committee, Chinese and German business (herein referred to as 'business' or 'we') have discussed four key issues: 1. Innovation and Research & Development, 2. Finance and Internationalization of the RMB, 3. Investment and Business Framework and 4. Development of Chinese Enterprises in Germany.

Topic 1 – Innovation and Research & Development

1. Business leaders suggest to establish a Chinese-German innovation fund, which should be financed by public and private means and promote projects in the field of research and development. It can be carried out jointly by Chinese and German research institutes and companies. In the early stage these projects should support the cooperation in the fields of energy production, storage and distribution, big infrastructure projects, improvement of environmental situation (e. g. air quality).
2. We suggest that German and Chinese companies should be able to fully and equally participate in the research and innovation capacities. The same conditions and finance regulations should apply to companies from both countries, including the transparency for the criteria and legal conditions regarding tenders of public research funds.
3. Business recommends to develop common standards in innovation agreed by both countries, identify areas of innovation cooperation and then jointly develop cooperation projects. One of these fields could be the standardization of the charging systems for electric vehicles (including hybrids). The platform for the development on common standards should be based on the international standards of ISO and IEC in which China and Germany could take a joint lead in single projects. Furthermore, a joint working group for digitalization of production should be established to improve their integration and cooperation regarding the effects of digitalization on global production/value chains.
4. Both governments should support the cooperation of selected universities or research institutions to establish innovation and R&D incubators. Furthermore, the incubators should support the companies from both countries to identify and

evaluate suitable partners in German and Chinese universities and research institutions for R&D projects.

Topic 2 – Finance and Internationalization of the Renminbi

1. RMB internationalization is a main trend of RMB development in the global financial market. Taking on the tide and the opportunity of establishing a Chinese clearing bank in Frankfurt, China and Germany should boost the RMB market in Germany together, in terms of the high trade volume and the active financial exchange between the two countries, facilitate international trade denominated and settled in RMB, encourage offshore RMB service centers to develop offshore RMB-denominated financial products, encourage central banks to hold RMB assets as part of their foreign exchange reserves, and allow mutual cross-border investment in assets in China and Germany.
2. Chinese and German business leaders encourage the increasing usage of RMB products at the German financial marketplace to match the growing market demands. For example, issuance and listing of RMB bonds at the offshore financial center of Frankfurt would work towards this goal as would a further increase in the use of both RMB and Euro as transaction currencies.
3. Chinese and German business leaders ask their regulatory authorities to consider providing more flexibility with regard to certain regulatory limits in order to facilitate banking and investment activities of Chinese and German banks and companies in the respective host jurisdiction.

Topic 3 – Investment and Business Framework

1. Business leaders call on both governments to conclude a comprehensive EU-China Investment Agreement. A mutually beneficial and win-win investment agreement will be a good step forward to an open and transparent investment framework in both the EU and China.
2. German business calls on unrestricted market access in China for trade and investment. The number of sectors closed/restricted to foreign FDI should be reduced and JV regulatory restrictions for international companies should be eased.
3. Business Leaders call on both governments to strengthen the joint dialogue in the Chinese-German Standardization Committee and create a new platform to cooperate towards the vision of “Industry 4.0” to promote technology cooperation between the two countries in this area of new manufacturing processes.
4. German business leaders recommend to encourage fair competition by reducing local protection and ensure equal approval requirements. Local companies may receive market supports in certain industries, thus the suggestion is to ensure fair and equal treatment for international business operating in China and reduce bid restrictions and/or market entry restrictions such as NEV. As various government

bodies are involved in the administration, the overlapping regulatory competencies of government bodies are very typical in certain sectors and the lengthy approval processes are sometimes unclear. It is important to streamline, simplify and clarify administrative responsibilities.

5. German business leaders suggest that transparency and implementation of rules and regulations should be improved by avoiding distorting regulatory interventions and consistent implementation. Therefore a transparent definition of localization requirements should be ensured and distorting regulatory interventions in local markets avoided, e. g. provide transparent and binding regulation on localization requirements so that foreign companies can comply with them, reduce the introduction of restrictions in specific local markets and phase out existing ones.
6. To improve consistent implementation of rules and regulations, business leaders call for defining them well ahead of their implementation in regulatory processes in China, Germany and on EU level. Rules and regulations should be implemented countrywide and be executed in a consistent and effective way with appropriate lead time.

Topic 4 – Development of Chinese Enterprises in Germany

1. Business leaders of both countries express their commitment to foster the “welcome culture” towards more Chinese investments in Germany and the EU. It is suggested that the German government should establish incubators for Chinese enterprises to invest in Germany and provide guidance and assistance in culture, investment and financing to Chinese enterprises invested in Germany.
2. Chinese Business suggests that the German government should remove barriers of investment, reduce review time, ensure an open and transparent review procedure, relax investment access policies and give fair treatment to foreign enterprises.
3. Business leaders of both countries suggest that the German government should simplify procedures for Chinese Business Visas and Visas for Relatives, lower the requirements for language proficiency of relatives to Germany for family reunification and encourage the introduction of internship visas for German students in China and Chinese students in Germany.
4. A joint task of governments and business of both countries is to promote a good image of Chinese enterprises in Germany, promote positive introduction of China, paint a fair and accurate picture of the economic contributions made by the Chinese enterprises to Germany, demonstrate the image and style of Chinese enterprises in Germany in an objective and impartial manner and help Chinese enterprises to improve their public image in Germany.