

GERMAN-BRITISH FORUM: SPEAKING NOTE

“Finding the Path to Sustainable Growth” is an apt title. Re-emergence of China and India as significant economic players is big challenge for Europe’s economies:

- at current market prices, China and India are world’s 6th and 10th largest economies:
- China’s work force is larger than the all 30 OECD member states put together:
- In PPP terms, China and India contributed around 40% of global growth 2001-4.

The most effective response from **all** governments represented here, is:

- encouragement of competition and of open economies, even (or especially) in face of less promising circumstances, i.e. suspension of Doha Development Agenda; US mid-terms; protectionist pressures in many countries:
- yet at same time, need for co-operation and partnership between governments, bilaterally and through the EU and the multilateral institutions, has never been more pressing.

Important not to ignore influence of non-state actors – business, academia, civil society organisations have an increasingly influential role. But ultimately, it is still governments, which “provide the compass” to “find the path”.

Globalisation – increased interconnectedness through accelerating exchanges of goods, services, capital, people, technology and ideas – offers genuine opportunities, which Europe’s companies – including many of those at the Forum – are grasping. Right that we should encourage UK/German/European companies to seek opportunities in India and China. Welcome Germany’s G8 and EU Presidencies’ focus on responding to challenges of a global economy.

Important too to welcome Chinese and Indian companies looking to expand internationally. In 2001 HCL Technologies of New Delhi purchased BT’s Apollo Contact Centre in Belfast creating HCL Technologies BPO Services (NI) Ltd. The business has grown

from 385 employees to over 2,000, which places them in the top 20 private sector employers in Northern Ireland. In November 2006 HCL Enterprises (the group holding company) won the Investor of the Year Award at UK Trade & Investments India Business Awards held in Mumbai. In 2005 they were voted best ICT employer by Computer Magazine.

Indian investment in the UK 2005/6, 76 projects worth £1.02 billion. 3rd largest investor in the UK in last FY.

Find extent of consensus on open markets in UK very encouraging. If Indian and Chinese companies generate or preserve jobs, and stimulate innovation, we should welcome the competition that their presence brings.

But important nobody underestimates the challenge of persuading those who fear losing out, and of constructing the right policies in response. Finding the right EU response underpinned UK Presidency objectives in 2005, notably the Hampton Court summit, but also UK moves to deepen the strategic partnerships between Europe and China, and Europe and India. The EU-India Joint Action Plan, launched at the EU-India Summit in New Delhi under the UK's EU Presidency aims to broaden and enhance co-operation in a broad range of areas – including trade, business dialogue, and science and technology.

For Europe, doing nothing not an option: measures of the kind debated at Hampton Court and across Europe – increased investment in R&D; reform of Europe's universities to meet the global standards set in the US and Asia; **delivery** on reform of labour and product markets. On energy, a genuine EU-wide policy would help stimulate the European-wide level of competition for an efficient energy market.

Also look to our Chinese and Indian partners to contribute to this through further liberalisation of markets, and further efforts to facilitate business conditions for overseas firms. Acknowledge huge achievements over last three decades in China, and last two in India. But in face of ever greater competition to attract FDI, none of us has room for complacency.

German G8 and EU Presidency focus on IPR protection also particularly apt. We **all** need environments that protect and

enforce IP, if innovation and collaboration between academia and business is to flourish.

Growth and competitiveness in our domestic markets are based on encouraging competition. May sound paradoxical, but in order to create right framework for healthy competition, need for co-operation greater than ever – especially if wealth creation is to be sustainable

Two weeks ago, Nick Stern presented report on economic costs of climate change. Difficult to challenge Stern assertion that “climate change biggest market failure ever known.”

As Stern and many others recognise, cannot achieve our international sustainable development objectives without working with major emerging economies. Also welcome Chancellor Merkel’s commitment to invest in climate security - her open letter of 6 November.

Affordability of taking action now – Stern estimates of stabilisation at 500 or 550 parts per million CO₂ equivalent costing around 1% of global GDP - should be encouraging for economies like China and India.

Europe already acting in three areas – carbon pricing; encouragement of innovation of low carbon technologies; and energy efficiency. Last month held the EU-India Energy Panel and the EU-India Initiative on Clean Development and Climate Change. In September Leaders from the EU and China welcomed progress on the implementation of the EU-China partnership on climate change.

These are vital initiatives to enable India and China to secure their energy needs in a way that achieves all our needs for climate security.

That is why UK Government has launched High Level Sustainable Development Dialogues with both India and China. With India, focus is on reducing illegal trade in wildlife, promoting sustainable forestry, tackling desertification, and promoting corporate social responsibility with the private sector.

With China, our initial priorities are sustainable forest management, China's central role in the global supply chain, and sustainable consumption and production. Close co-operation with the EU and Member States will be important for taking this work and these relationships forward.

In June this year the EU adopted a revised Sustainable Development Strategy. We very much welcome this revised Strategy. It provides a single coherent approach which will provide a strong framework for future policy decisions, and a clear path for moving forward on sustainable development in the EU.

But will need to do more to stabilise greenhouse gas levels at between 450-550 parts per million CO2 equivalent.

We have a window of ten years to make the right investments in sustainable energy. We should take the opportunity now. The world does not need to choose between averting climate change and promoting growth and development. The costs of stabilising the climate are significant but manageable. Action on climate change will create significant business opportunities - possibly worth hundreds of billions of dollars each year.

So, Forum theme is very timely. Globalisation delivers tangible benefits – few better examples than China and India. But as interconnectedness of our economies grows, so does the need for co-operation between China, India and the EU to meet the challenges of climate and energy security. How effectively we work together will determine how sustainable that growth is.