

China's Wen Calls For Action On Europe Debt

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BEIJING (AP) — Expressing alarm at Europe's debt problems, Chinese Premier Wen Jiabao called on Greece, Spain and Italy to embrace budget cuts and get their finances in order after meeting Thursday with visiting German Chancellor Angela Merkel.

Merkel was in Beijing for talks aimed at boosting trade and allaying Chinese fears about Europe's heavy government debts. China has a stake in a resolution because Europe is its biggest export market and Beijing holds billions of dollars in European bonds.

"The European debt crisis has continued to worsen, giving rise to serious concerns in the international community. Frankly speaking, I am also worried," Wen told reporters after the meeting.

He cited uncertainty over whether Greece leaves the eurozone and whether Italy and Spain take "comprehensive rescue measures," a reference to budget cuts and tax increases to balance their budgets.

"Resolving these two problems rests with whether Greece, Spain, Italy and other countries have the determination for reform," the premier said. "Resolving the European debt problem requires fiscal tightening and finding balance within individual economies."

Wen said Beijing was willing to buy European bonds so long as it could evaluate the risks and to help the European Union, International Monetary Fund and European Central Bank — the so-called troika — support indebted eurozone countries "in overcoming hardships."

Merkel told reporters that while the crisis is not over, countries such as Italy and Greece were "on an intensive road of reforms. I am convinced that this will bear fruit."

Greek politicians agreed this week on an austerity package demanded by creditors but were negotiating details. Inspectors from the troika are due in Athens next month for a review on which hinges a rescue loan installment of €31 billion.

"I want Greece to remain part of the eurozone," Merkel said. "I have at the same time indicated that credibility is very important in the eurozone. Therefore we expect the program to be implemented."

Ahead of Merkel's visit, German officials told reporters Berlin wanted to reassure Beijing that European debt is a "safe and good investment."

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Later, Wen and Merkel presided at a signing ceremony for billions of dollars in business deals — a regular event during visits by European leaders.

Airbus Industrie committed to invest \$1.6 billion in the second phase of an aircraft final assembly plant opened in 2008 in Tianjin, Wen's hometown. A Chinese state company signed an agreement to purchase 50 Airbus jetliners valued at \$3.5 billion.

Volkswagen AG, Europe's biggest automaker, signed a deal to invest \$219 million in an "environmentally friendly production facility" and vocational training initiative, also in Tianjin.

Officials of the two governments also signed agreements to collaborate in biotechnology, electric vehicles, agriculture, education, labor and the environment.

The next round in a regular series of Chinese-German meetings was scheduled for next year, but German officials say Wen asked Merkel to come early before the Communist Party begins a once-a-decade handover of power to younger leaders in October.

Merkel's two-day visit includes meetings with Xi Jinping, who is due to become party leader and president, and Li Keqiang, in line to become premier.

It comes as Beijing is struggling to pull China out of its deepest economic slump since the 2008 global crisis. The government has cut interest rates twice and is pumping money into the economy with a wave of investments by state companies.

A Cabinet official said Wednesday that official measures are starting to take effect and growth was "stabilizing at a slow pace." But corporate profits are down and a survey of manufacturers released last week showed future export orders have fallen.

Germany is China's biggest European trading partner and one of the few developed economies with which it runs a trade deficit, due to large imports of German factory equipment and industrial components. Beijing reported a \$16.3 billion trade deficit with Germany last year and \$13 billion for the first seven months of this year.

Europe's downturn has battered China's exporters, wiping out thousands of manufacturing jobs.

Exports to Italy in July plunged 26 percent from a year earlier, while those to even relatively strong Germany were down 6.5 percent. Exports to France fell 8 percent.

The trade slump, coupled with weak consumer demand in China, has raised the threat of unrest as the party tries to enforce calm ahead of its leadership transition.

Merkel was accompanied by a 20-member delegation of executives from German companies in the auto, chemicals, energy, commodities and other industries.

The visit also comes amid tension over a request by European manufacturers of

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solar power equipment for anti-dumping duties on Chinese products they say are improperly subsidized. Chinese manufacturers that depend on the European market have warned Beijing might retaliate.

The visit focuses mostly on economic issues, but a senior German official told reporters he expects an "open discussion" with Chinese leaders on Syria, which is in the throes of a civil war that has left an estimated 20,000 people dead.

Russia and China have repeatedly used their veto power in the U.N. Security Council to block strong Western- and Arab-backed action against President Bashar Assad's regime that could have led to sanctions.

Germany hopes a Security Council agreement on humanitarian issues could help provide a basis for a stronger agreement on political questions, the official said, speaking on condition of anonymity.

On Friday, Merkel and Wen planned to travel to Tianjin, east of Beijing, to visit the Airbus plant.

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