

# **The Interaction and Cooperation between Europe and China will Increase Steadily**

Reporter: Choy-Fun Cheung



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## **Niels Thygesen**

Niels Thygesen worked in the Ministry of Economic Affairs of Denmark and delivered lectures as an associate Professor at the University of Copenhagen. Niels Thygesen continued his career as an economic Advisor in the field of treasury in Malaysia and later on he was the Head of Monetary Division of the Organization for Economic Co-operation and Development (OECD). Because of his high experiences and knowledge he continued as an emeritus Professor at the University of Copenhagen. Mr. Thygesen also became the Danske Bank Professor of International Economics.

*The Chinese economy increases a lot and this leads to significant changes in the future. China does not only focus on the low cost sectors anymore but also start to improve the Human Capital and Research and Development departments.*

**Reporter :** In the year 2013 you attended the International Monetary Institute (IMI) at the Renmin University of China and gave a speech. You talked about the problems of the Euro and that there need to be some actions now. Can you give us a short summary about this topic? Do you think that there is an improvement now after 2 years? Has anything changed?

**Niels Thygesen:** Today I can give you a brief update of what I did in the year 2013. Many things have happened since then and the question that always emerges is, what will be the outcome of this? Can the problem be resolved? I remain still somehow optimistic. I think some elements of the European Union have come in place. More

time has been spent on European problems and finance issues in particular. We have the banking union which does imply some transfer safety rules on the European level, in an area which is politically very difficult. Furthermore there is the current crisis focused strongly on Greece. It should also become clear that 2 years ago for example several countries were in crises. All these countries have now – with the exception of the Republic of Cyprus - fortunately come back to the market. Spain has avoided getting into the real crisis. Greece is still a problem. We don't know what the final outcome will be, but Greece will probably be kept in the process. Politically there will occur some problems but it could be done. Economically it would be a disaster for Greece to leave the European Union; the rest of us may live with it but it is not necessarily a disaster.

**Reporter :** You also attended INET Hong Kong (Institute for New Economic Thinking) with the title "The Euro Zone Currency System: Catalyst or Wrecking Ball for the European Union?" What is your opinion about this topic? What is your advice to solve this problem in the most efficient way?

**Niels Thygesen :** It is right that I also attended INET (Institute for New Economic Thinking) in Hong Kong in 2013. That was at a time of great pessimism. It was on the same trip that I attended the International Monetary Institute (IMI) at the Renmin University of China. I don't think that the wrecking ball is there anymore. It has changed and I think that, and also see sight that Europe and China come together to find a better solution. But a new development that we are facing in Europe is the crisis in the Ukraine and our relations to Russia - a hot topic. While we are not ready for a solution, at least we seem ready to face the challenge. And that has to be a unifying element in Europe. The attention devoted to a common external policy has increased and this reflects also on the ability of the European unit to solve their economic problems.

**Reporter:** In my research I found out that you taught seminars in International Economics and European Integration in Denmark. What do you think about the Asian development? Especially the internationalization and globalization are the main driving factors for the fast economic development in Asia. How big is the influence of the Asian economy in the global economy? Was it rather a fast or slow process?

**Niels Thygesen:** Of course, the Asian economies are proceeding much faster than the European ones. Like in my country (Denmark) and Germany the simple fact that causes completely different levels is that we are talking about development and it is impressive. “Normal” European countries grow 1-2 % a year. In China the economy still grows 7 % a year. No longer from increasing employment of relatively low-skilled labor - nearly all comes from higher productivity. Of course, other countries want to invest into China and build up further productivity growth in new sectors. That should also increase the important services in Asia. I think the next few years it will increase because we can do a lot by reordering and reallocating capital from the traditional industries towards a private sector with many examples of highly promising new technologies. Yes, I think we can continue for a few more years. And part of China can be more financially integrated with through the world. That also means greater efficiency. There will be an inflow of capital which does not have to be restrained and can be used to sustain a high rate of investment. You can’t say that “the Asian economy” is growing so fast; it is still primarily the Chinese economy which is growing in a way that counts globally. But the South-East Asian countries are developing quite well while India is becoming more important, though starting from a very low point. In short, it is necessary to distinguish between the Asian countries.

**Reporter:** What kind of trends for European companies and associations do you see in the future because of the economic growth in China? China is one of the main forces for the internationalization of the value-added chain. Is this one of the reasons why European companies want to expand to China? Are there other

very important reasons?

**Niels Thygesen :** Regarding the question, what kind of trend I see for European countries is that we see more European environment in China both in industry and trade and investment sectors. Some countries I think have been very successfully integrated in China. Germany is probably the main country in China. They have many business groups producing investment goods useful for the development of China. The relationship between Germany and China is very good and also the German economy is stable. I had lunch yesterday with the Danish ambassador in Beijing. He says Denmark is the only European country which is doing as well as Germany in terms of trade and investment performance here. We also have many of our major companies strongly represented in China; in facing the challenges of climate change for example, energy conservation and renewable energy become more important and Denmark has areas of strength here. China is regarded as an efficient producer in many areas; it doesn't matter as much as in the past that China is becoming more costly, because many European firms are supplying the Chinese market as domestic consumption rises. So European firms will continue to come here, with relatively advanced companies trying to recruit good Chinese staff. The Chinese are beginning to be well educated. The human capital is high, because the other sources have higher priorities in China now and the human capital is rising at a rate faster than what we can match in Europe.

**Reporter :** Especially the communication barrier between Asian and European countries is a big obstacle that the companies have to overcome to cooperate efficiently. Also the cultural difference can cause troubles. Have you had your own experience regarding this issue? Would you say the interaction between these two continents will lead to many problems or is the cultural and language barrier easy to overcome?

**Niels Thygesen:** Communication and linguistic barriers are a big problem. I was in Beijing a few days before coming to Shanghai, and I stayed at the Faculty Club of Renmin University, one of China's leading and most international universities with many foreign guest professors. But, even there the local staff didn't really speak English. The students did speak English to some extent, but also they had major problems. The English pronunciation for Chinese people is very difficult. It is, of course, at least as difficult for us to learn to speak Chinese. But I meet some friends from Denmark, now into graduate studies at Fudan here at the Shanghai Forum for lunch. They learned Chinese some years ago and they can speak really good Chinese; making the major investment linguistically is clearly rewarding. Otherwise I think the culture differences are not so important. Chinese people are well educated. They clearly have a good sense of humor, and they have a healthy curiosity; even when they do not quite understand each other because of the language they still try to understand and are quick at grasping the context.

**Reporter:** China is enlarging the Research and Development departments (R&D) and is no longer just focused on the low cost manufacturing. Especially the quality of the human capital in China increased tremendously. Would you agree that China has a great impact on the global innovation and technology development?

**Niels Thygesen:** The question reflects perfectly what I want to say. China is no longer just focused on low cost, but also on high added-value industries. Quality has improved and yes I think China has a great impact. You see some very successful Chinese enterprises in the high technology sector. And regarding to the speech this morning from professor Wu who spoke about finance and technology, it was very interesting and impressive how the Chinese take part in the modern technology embodied into mobile phones. It is often said that the Chinese have to become more creative, but they are already becoming that quite rapidly.