



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 10.9.2003  
COM(2003) 533 final

**COMMISSION POLICY PAPER  
FOR TRANSMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT**

**A maturing partnership - shared interests and challenges in EU-China relations**

(Updating the European Commission's Communications  
on EU-China relations of 1998 and 2001)

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## Executive Summary

**Much has changed in Europe, China and the world since the Commission's last policy paper was issued in early 2001.** The Euro is now fully established, enlargement and major internal reforms are imminent, and the EU has taken on new responsibilities, notably in justice and home affairs (JHA) that have significant domestic and international impact. The draft European Security Strategy of June 2003 aims to reinforce the EU's Common Foreign and Security Policy, and recognises that China is one of the EU's major strategic partners. China has entered a new and challenging phase in its social and economic reform process. It has also become increasingly involved in world affairs, especially in multilateral fora, and is rapidly emerging as a major player in the world economy thanks to its dynamic growth and accession to the WTO. Moreover, a new generation of leaders has recently taken the reigns in Beijing and will be engaging the EU at the highest level for the first time at the EU-China summit in late October 2003. At the same time, **both sides have to adapt to a fast moving international scene**, with terrorism, weapons proliferation and other concerns, such as the threat of SARS, rising to the top of the agenda. The sluggish world economy and concomitant negative trends in protectionism and regionalism also loom as potential threats to global trade and development.

Against this background, **the EU and China have an ever-greater interest to work together as strategic partners to safeguard and promote sustainable development, peace and stability.** Interests converge on many international governance issues, notably the importance both attach to the role of the UN in physical and environmental security and to that of the WTO, where both have much to gain from further trade liberalisation. Indeed, the growth in the bilateral trade relationship is striking: two-way trade exceeded €115 bn last year, making China Europe's third largest trading partner, albeit with a substantial surplus in China's favour. Moreover, EU firms remain important investors in China.

Mutually beneficial co-operation in the JHA, scientific and technical fields has also been growing apace in recent years, with a number of new agreements in process, and the EC's assistance programme continues at significant levels.

**Europe thus has a major political and economic stake in supporting China's successful transition to a stable, prosperous and open country that fully embraces democracy, free market principles and the rule of law.** The EU has much to offer here, stemming in part from its own experience in integrating accession countries from East and Central Europe.

**Stock-taking is now required of our 2001 paper to take account of these developments and of new shared interests and challenges that lie ahead.** It is also noteworthy that China will shortly be issuing its own strategic paper on relations with the EU, the first ever document of this kind.

This paper thus includes an assessment of what has been achieved, and proposals to update our approach which will help guide EU policy and action in the course of the next two to three years. On **Governance**, proposals are made to improve political dialogue through more clearly focussing existing mechanisms, which now cover regular sessions at six major levels, and to systematically address global and regional governance and security issues within these exchanges. The dialogue on illegal migration should be more results oriented and an agreement on the readmission of illegal migrants should be concluded soon.

Political dialogue should also continue to pay close attention to **Human Rights** in keeping with the tenets of a maturing partnership of the kind we now enjoy, and in the conviction that this is an integral part of ensuring sustainability of the reforms and long term stability. Measures to increase the efficiency and impact of the dedicated EU-China Human Rights dialogue include the raising of its level, greater focus on key issues, stronger continuity and follow-through on issues and individual cases, maximising synergies with existing bilateral Member State efforts, and raising the visibility and transparency of the dialogue. Moreover, China's developing civil society has an important role to play in protecting the welfare and rights of vulnerable people in general and in mitigating negative effects of reform.

In **promoting China's economic opening at home and abroad**, priorities are to work together to ensure success of the Doha Development Agenda, monitor and assist China's compliance with its WTO commitments, and monitor new regional agreements to ensure WTO-compatibility. The early signing of an 'Authorised Destination Status' agreement to facilitate Chinese tourism in Europe is a major priority. Negotiations on a long delayed customs agreement should begin as soon as possible.

**Support for China's reform process and sectoral co-operation** should be strengthened through: the launch of new dialogues and co-operation in the fields of intellectual property rights, sanitary standards, competition policy, industrial policy and human resource development; and through the reinforcement of existing dialogues and agreements on the regulation of industrial products, information society, environment, energy and scientific & technological co-operation. New agreements covering co-operation in research and related peaceful use of nuclear energy and on the EU's Galileo programme should be concluded.

The **EU's co-operation programme**, which supports activities in many of the above areas will follow the aims set out in the Country Strategy Paper approved in 2002, although the National Indicative Programme (NIP) is to be adjusted this year to take account of some operational changes. Outside of the NIP itself, China will continue to be a major beneficiary of the EU's regional co-operation and research programmes, where new initiatives, for example in the fight against SARS, will begin shortly.

The steering role of the EC-China Joint Committee should be reinforced not only as regards trade and co-operation matters, but also for the various sectoral dialogues.

Last but by no means least, new efforts to **raise EU visibility** in China are proposed, involving better understanding of the Chinese audience, the use of a few targeted messages and closer collaboration with EU Member States.

The course ahead is long and challenging, and given the depth and breadth of the partnership, it could not be otherwise. If it is to be successfully navigated, it is essential that there is full and lasting commitment from all players. On the EU side, close co-ordination of Union and Member State policies will be required and China will have to ensure that all branches and levels of its administration are on board. With the high stakes involved, we are confident that all involved will play their part.

## 1. INTRODUCTION

This policy paper is based on the **Commission's 1998 Communication "Building a Comprehensive Partnership with China"**<sup>1</sup> and the resulting Council conclusions which stressed the Union's fundamental interest in strengthening relations with China. They established the following aims for the EU-China relationship:

- (i) Engaging China further, through an upgraded political dialogue, in the international community;
- (ii) Supporting China's transition to an open society based upon the rule of law and the respect for human rights;
- (iii) Integrating China further in the world economy by bringing it more fully into the world trading system and by supporting the process of economic and social reform underway in the country, including in the context of sustainable development;
- (iv) Making better use of existing European resources;
- (v) Raising the EU's profile in China.

The Commission undertook to report regularly about the progress made in implementing the proposals of this Communication. A first report was issued in September 2000.<sup>2</sup>

In June 2001, the Commission in its Communication **"EU Strategy towards China: Implementation of the 1998 Communication and Future Steps for a more Effective EU Policy"**<sup>3</sup> provided a **review of EU policy** and charted a course of short and medium term **action points** aimed to make progress towards the long term aims defined in 1998.

Discussions in the Council in the spring of 2003 confirmed that **EU global and long term objectives in relations with China** as defined in 1998 **remained largely valid**, and should be reaffirmed vis-à-vis the new Chinese leadership generation which took office in March 2003. The **action plan** put forward in the 2001 Communication had proved useful to maintain the momentum in the relationship, and **should now be updated**, in view of recent developments in the EU, China and the world at large.

The **present policy paper** addresses these aims, and reviews progress made in implementing the 1998 Communication and the 2001 plan of action points. Its objective is to provide **further impetus for the relationship**, and help **guide EU policy and action over the next two to three years**, taking account also of EU policy objectives towards the wider Asian region expressed in the Commission's 2001 Asia Strategy<sup>4</sup>.

Finally, the paper intends to promote, the ongoing **reflection in China about future policy towards the EU**, which is to find expression in a policy paper later this year, the first ever of its kind in China's foreign relations. The appearance of this paper is evidence of the new importance China gives to the relationship.

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<sup>1</sup> COM (1998) 181

<sup>2</sup> COM (2000) 552

<sup>3</sup> COM (2001) 265

<sup>4</sup> "Europe and Asia: A Strategic Framework for Enhanced Partnerships", COM (2001) 469.

## 2. A NEW MATURITY IN EU-CHINA RELATIONS

The last decade has seen a **dynamic growth of the relationship between the EU and China**. Relations which were once largely confined to the areas of trade and investment and financial/technical assistance have expanded to cover a multitude of sectors. A robust and regular political dialogue has been established. A number of sectoral agreements have been concluded, or are under negotiation. There are frequent and, in many cases, institutionalised, exchanges in areas ranging from global challenges such as the environment and illegal migration, through the field of basic and applied research and technological co-operation, to the regulatory framework in key sectors of the economy. EU assistance under the EC-China Co-operation Programme has been refocused on the EU's China policies in general. These changes have brought about a **new maturity in the relationship**, characterised by **increasingly close policy co-ordination** in many areas.

At the same time, events since 2001 – regarding the EU, regarding China, and in global affairs – create the need to take the partnership forward.

In the EU, the successful **introduction of the Euro** notes and coins at the beginning of 2002 was a landmark achievement in the history of European integration, soon to be followed by the EU's **biggest enlargement ever** in terms of scope and diversity, with ten new members set to accede on 1 May 2004. At the same time, the **internal reform** of the EU continues, with plans for an EU constitution under discussion.

These internal challenges notwithstanding, the **EU cannot afford to be inward-looking**. Internal developments in the EU as well as the European economy are closely entwined with developments on the world scene. Moreover, the world community expects the EU to play a role which is commensurate with its size and importance, not only in the economic area, but also on issues of global security and other global concerns. These expectations will grow further as the EU enlarges, and streamlines its constitutional structures.

The EU is striving to live up to these expectations. It has proven itself as a **leading partner in the global coalition against terrorism** in the aftermath of 11 September 2001, both through international action and through the use of its new powers in the field of Justice and Home Affairs. Following the reinforcement of its **Common Foreign and Security Policy (CFSP)** and **European Security and Defence Policy (ESDP)**, the EU is playing an increasing role in areas such as conflict prevention and crisis management. The development of CFSP and ESDP over the coming years will lead to an increasingly significant EU role in shaping and managing the world order. Key challenges and threats, and the EU's strategic objectives are summarised in the draft European Security Strategy.

**China**, on its side, has become an **increasingly energetic player in world affairs**. Buoyed by its dynamic economy, it is more and more becoming a **locomotive for regional and global growth**. Following its **accession to WTO** in December 2001, China is actively engaged in both the new round of multilateral negotiations under the WTO Doha Development Agenda and in regional integration initiatives. Internally, the **process of economic and social reform** is continuing, although it is facing growing **challenges** in the form of unemployment, social and regional disparities, corruption and threats to the stability of the financial and fiscal systems. The **new – fourth – leadership** generation which took office in March 2003 is expected to continue on the path of domestic reform and economic liberalisation. However, China's moves towards a more proactive and responsible foreign policy continue to be dominated by its focus on domestic stability and economic development.

Both the EU and China are, since 2001, engaged in a process of adaptation to a **changing global environment**. **International terrorism**, as well as growing concerns over the **proliferation of weapons of mass destruction**, have brought new types of international security concerns to the top of the global agenda. At the same time, **global challenges** such as climate change and environmental degradation, illegal migration, international crime, but also global health concerns such as HIV/AIDS which may pose a serious threat to China's long-term development, and severe acute respiratory syndrome (SARS), need to be addressed. Moreover, the **sluggish state of the world economy** is squeezing government budgets across the world, and has led to worrying trends of protectionism. Regional trade initiatives, which are proliferating, can be complementary to multilateral liberalisation and rule-making, but only if they are WTO-compliant and do not detract from the crucial negotiations under the WTO's Doha Development Agenda.

Faced with these developments, it is in the **clear interest of the EU and China to work as strategic partners on the international scene**. EU and Chinese interests converge on many issues of global governance, in particular as regards the key role of multilateral organisations and systems. Through a further reinforcement of their co-operation, the EU and China will be better able to promote these shared visions and interests, and thus to shore up their joint security and other interests in Asia and elsewhere.

Moreover, the **stability and development of China itself is a key concern also of the EU**. The EU has a clear stake in China's successful transition to a stable, prosperous and open country that fully embraces democracy, free market principles and the rule of law. It **should thus do its utmost to support China's transition and reform processes** by reinforcing co-operation and dialogue across the board. Notably, the EU's experience, not least that from the recent transition processes of many of the EU accession candidates, on how to adapt to the tremendous socio-economic challenges that opening and globalisation entail, and on the economic and societal models developed in the EU in response to these, should be exploited to the full. Similarly, the EU should intensify its efforts to help China address emerging sustainability challenges, particularly in the field of the environment. In the context of its support to China's transition, the EU should continue to speak out on its **human rights** concerns, and to encourage the **rule of law** and **political reforms** in China. These are issues which are sensitive for China, but also ones which are crucial to safeguard social stability in China and the sustainability of the reform process.

Developing a **robust, enduring and mutually beneficial relationship of equals which covers all of these areas** should be a **major aim for both the EU and China** in the coming years. A very positive start has been made. The following action points should help to keep relations on this course in the next few years. Realising them, and progressing towards the broader goal, **will require the full commitment from all relevant players on both sides**. On the EU side, it will be important to co-ordinate Member States' policies towards China to the maximum extent possible, so that the **EU speaks with a single voice** on all key issues of China policy. **China**, on its side, will need to ensure that **all branches and levels of its administration are on board**, and fully co-operate on the bilateral agenda.

### **3. CHARTING A COURSE FOR EU ACTION IN 2003 AND BEYOND**

#### **3.1 The EU and China: shared responsibilities in promoting global governance**

China is an **increasingly important global player**, interested in a stable and fair global environment which will allow it to pursue its course of economic development and internal

reform. The EU expects China to **contribute to global stability** by gradually taking on more responsibility, commensurate with its political and economic weight, both in the bilateral and the multilateral context.

Given its particular position as a newly emerging power, China could notably play an important role in the common effort to reconcile the interests of developing and developed countries. The EU also looks towards China to use its considerable influence in Asia to **promote peace and stability in the region**, by taking a lead role in furthering regional integration and by helping to resolve pending regional conflicts.

### The context

**Chinese foreign policy** has become progressively **more proactive and constructive**, with China increasingly engaged on both global issues and in regional dialogue, as in the case of the Korean Peninsula. In this context, China has expressed clear interest in strengthened political ties with the EU, and expects the EU to have clear joint policy lines on global issues of common concern.

EU and China share views on the **importance of multilateral systems and rules for global governance**, which includes the further strengthening of the United Nations system, its role in regional and global conflict resolution and in the co-ordination of actions addressing global concerns, from weapons control, through international terrorism, to climate change.

The **EU-China political dialogue** has become an **increasingly important** component of overall relations, and annual Summits have provided a **strategic vision** for the fast developing relationship.

The 2002 EU-China Summit confirmed the interest of both sides to **further broaden and deepen the relationship** in all areas, including through increased co-ordination and co-operation on global issues.

### Implementation of action points in the 2001 Communication

In general, good progress has been achieved in the implementation of the concrete actions identified in the 2001 Communication.

#### *Political dialogue mechanisms*

EU-China political dialogue has developed further over the past two years. A **new framework for reinforced dialogue was agreed** between the two sides through an exchange of letters in June 2002.

In addition to high-level contacts, a **number of lower-level dialogues have been established** in the recent past, accentuating the gradual move from a relationship dominated by a top-down structure towards a relationship structure of multi-layered dialogues similar to the ones established with other major partners.

The newly-created political dialogue at the level of **Political Directors** has developed successfully and has proven a useful platform to prepare for, and follow-up on, ministerial-level Troikas and the Summits. **Ministerial Troikas** have been instrumental in ensuring high-level dialogue between Summits and to prepare for the Summits.



**Meetings** held every six months **between the Chinese Foreign Minister and EU Ambassadors in Beijing**, and corresponding meetings between the Foreign Minister of the country holding the EU Presidency and the Chinese Ambassador in that country, have enhanced communication flows, and been useful in addressing more day-to-day aspects of the relationship.

The mechanism of **Troika dialogue expert meetings** has been used in the area of non-proliferation and disarmament.

#### *Topics of the political dialogue*

**Human rights** concerns have been given priority focus and were systematically raised at the different levels within the political dialogue, in addition to the dedicated human rights dialogue with China (*see section 3.2*).

Co-ordination was strengthened to promote the reconciliation and security on the Korean Peninsula, on the **Burma/Myanmar** issue, and on other regional questions.

The EU has also regularly reiterated its strong interest in, and insistence on, a peaceful resolution of the **Taiwan** issue through dialogue across the Taiwan Straits.

Developments in **Hong Kong and Macau** have been followed closely, with annual reports issued on both Special Administrative Regions, and particular attention given to developments in Hong Kong regarding the proposed national security legislation under Article 23 of the Basic Law, which may have consequences for the continuing exercise of freedoms and rights in Hong Kong.

Co-operation in the area of **illegal migration and trafficking in human beings** has been stepped up. Regular High Level Consultations in this area have built mutual confidence, and allowed for an increased exchange of information and on respective policies, legislation and concerns in this field. It was agreed that co-operation between both parties should be further enhanced. Expert visits have been exchanged between the EU and China, and seminars on the issue of forged documents held. Funds have been reserved by the EC for a specific co-operation programme, which should back up the dialogue. A joint seminar in November 2002 allowed the identification of some areas of common interest for project components.

Illegal migration issues featured regularly on the agenda of political dialogue meetings, including the 2002 EU-China Summit. Readmission has been one of the key points of discussion since the launch of negotiations for an “Authorised Destination Status” agreement in February 2003. In November 2002, the Council authorised the Commission to negotiate a **readmission agreement** with China. Despite continued EU efforts, negotiations have not yet been launched.

The political dialogue has also followed up on multilateral efforts to limit **arms proliferation, arms exports, and to promote disarmament**.

Finally, there have been regular contacts on **global environmental issues**, including on climate change, at Ministerial level and in the margins of international conferences.

## New action points

### *Raising the efficiency of the political dialogue*

- Translate the agreement on reinforced political dialogue fully into practice. **Better use** should be made of the **existing framework**, stressing **quality** over **quantity** of the dialogue, thus achieving more consistency on the substance.
- Enhance the effectiveness of **Ministerial Troikas** in steering the political dialogue, while adjusting the mandates of these and other high-level EU-China fora to reflect the need for an effective co-ordination not only of the political dialogue, but also of other dialogue strands within the EU-China relationship at large (*see section 4*).
- Hold more frequent *ad hoc* **Troika political consultations** at working level in Beijing to enhance continuity of our political dialogue with China between formal meetings, while at the same time increasing EU visibility.
- Maximise **policy co-ordination with Member States** on China, notably through **regular exchanges** in the framework of the **Political and Security Committee**. Such exchanges could be opened to China by inviting suitable Chinese counterparts to meetings on an *ad hoc* basis.
- Regularly **include China** as an item on the agenda of **EU dialogue with third countries**, such as the US, Russia, Japan and South Korea, in order to increase the convergence of EU and international policy vis-à-vis China.

### *EU priorities for the political dialogue*

= Bilateral

- Stress human rights concerns as an essential component of the political dialogue.
- Encourage China and the Dalai Lama to further strengthen ongoing direct contacts with a view to finding a mutually acceptable solution to the question of Tibet in the context of ensuring a genuine autonomy for this region.
- Render High-level Consultations on illegal migration more concrete and result-oriented, including in the field of exchange of concrete information, and the setting-up of joint co-operation projects.
- Open negotiations on readmission of illegal migrants and conclude a readmission agreement with China.
- Follow up on Chinese request for closer co-operation on other Justice and Home Affairs issues, explore scope for co-operation on organised crime, money laundering and drug trafficking and production, including of synthetic drugs and drug precursors.
- Closely monitor developments in the Hong Kong and Macau Special Administrative Regions, notably as concerns the maintenance of the rule of law and safeguard of fundamental freedoms and autonomy, as enshrined in their Basic Laws.

- Stress EU insistence on a resolution of the Taiwan issue through peaceful dialogue, and underline the importance of growing economic ties for an improvement of the political climate; underline EU interest in closer links with Taiwan in non-political fields, including in multilateral contexts, in line with the EU's 'One-China' policy.

= Regional

- Strengthen co-operation on issues of mutual concern in the region in particular as regards to assuring peace and security on the Korean peninsula and on the Indian sub-continent, encouraging political reconciliation and reform in Burma/Myanmar and seeking resolution of the South China Sea issue.
- Promote a continued proactive stance by China in the ASEM (Asia-Europe Meeting) process, in consultations on international and regional security and other challenges within the ASEM political pillar, in building Asia-Europe understanding in the DDA negotiations under the economic pillar, and by fostering China's engagement in people-to-people contacts within the Dialogue on Cultures and Civilisations.
- Enhance consultations with China on the ASEAN Regional Forum (ARF), to reinforce the ARF's role on regional security issues, and promote co-operation on defence and on terrorism.
- Explore the possibility to establish an exchange of information between the EU and the **Shanghai Co-operation Organisation (SCO)**, the permanent secretariat of which is to be established in Beijing.

= Global

- Include **global governance issues** regularly in the political dialogue with China and, where appropriate, consult with China in the early stages of EU policy development on these issues.
- Promote the development of a **co-ordinated approach**, and of **joint EU-China policy initiatives**, including, where possible, through joint declarations and demarches on issues of common interest both in the bilateral and multilateral context.
- Enhance co-operation to **promote multilateral systems and rules for global governance**, particularly the further strengthening of the United Nations system and its role in regional and global conflict resolution and co-ordination in addressing global concerns.
- Address **global security, non proliferation/disarmament and arms control** issues; reinforce dialogue on non proliferation topics, including on export control of dual use goods; encourage China to support the re-launch of the UN Conference on Disarmament, and to sign and ratify multilateral treaties and conventions such as the Comprehensive Test Ban Treaty and the Ottawa Convention on landmines.
- Explore the possibilities for reinforced dialogue with China on **combating terrorism**, with a view towards closer co-operation, including at the United Nations, while stressing the need to safeguard the human rights of ethnic minorities in China.

- Promote collaboration on **global environmental challenges**, including enhanced co-operation on the Kyoto protocol and climate change, and on follow-up to the World Summit on Sustainable Development.
- Launch the planned call for proposals on **joint research into SARS** under the Sixth EU Framework Programme for Research and Technological Development in which China is expected to be an important participant.

### **3.2 Supporting China's transition to an open society based upon the rule of law and the respect for human rights**

Supporting China's transition to an open society based upon the rule of law remains an **essential element of EU policy** towards this country. This is particularly true in a period where China is engaged in substantial reforms, whose implementation requires the maintenance of societal stability. The EU believes that the respect for human rights, democratic accountability and the rule of law, as well as a democratic participation of citizens in decision-making processes, constitute the **best guarantees** for the long-term **stability** of a society and for the sustainability of a country's **economic development**, in China as elsewhere.

#### The context

In the domestic field, there are **signs of improvements** in relation to the establishment of the **rule of law** and the **development of the legal system**. The draft for a first ever civil code has been submitted to the National People's Congress. Legal training of judges has been strengthened. The rule of law has improved in the economic field, mainly as a consequence of China's accession to the WTO, but there has been no large-scale spill-over effect yet and "rule by law" generally still prevails. Tentative steps towards democratisation have continued, with the experiment of elections at township level, but there is no indication for a substantial change in the system of appointing leaders above village level in the near future.

**Civil society** is an area where significant developments have taken place in recent years. Whereas only few non-governmental organisations existed in China some years ago, a variety of grassroots organisations across the country now aspires to a role in policy making. They are taken more seriously by the government, but they still face important hurdles in realising their full potential.

However, a **significant gap** still exists **between the current human rights situation in China and internationally accepted standards**, in particular with respect to civil and political rights. As noted in the General Affairs Council conclusions of 18 March 2003, a number of **serious EU concerns remain**. China has still not ratified the UN International Covenant on Civil and Political Rights. The practice of re-education through labour persists. The death penalty continues to be applied extensively, in particular in the context of the "strike hard" campaign. Freedom of expression, religion and association are still not guaranteed, in particular with respect to pro-democracy, labour and internet activists, and ethnic minorities, notably in Tibet and Xinjiang, are still deprived of their religious and cultural rights.

#### Implementation of action points in the 2001 Communication

Four sessions of the **EU-China Human Rights dialogue** have been held over the last two years. They have been complemented by four **EU-China seminars** on issues such as the

death penalty, the prohibition and prevention of torture, the right to education, transparency and regulation of the mass media, the establishment of national human rights institutions, and of mechanisms for the implementation of economic, social and cultural rights.

The dialogue has allowed for **detailed and frank exchanges of views** on the different issues of concern. It has allowed the EU to obtain information on human rights in China, has raised awareness of Chinese decision-makers on international standards and EU best practices, and has helped to build mutual trust and confidence.

The dialogue has led to **some positive developments**. China has stated its engagement to enhance co-operation with UN Human Rights mechanisms, in particular with the UN High Commissioner for Human Rights, the special Rapporteurs on torture and on education, and the Chairman of the working group on arbitrary detention, although these commitments have yet to be fully realised. The dialogue has allowed for extensive exchanges of views on **individual cases** of human rights violations, and China's offer to provide information on individual cases between dialogue rounds is a welcome further step. Moreover, **EC human rights-related assistance programmes** have been implemented in a largely satisfactory manner, and China has shown readiness to envisage further projects, including on sensitive issues such as torture prevention in police and prison administration.

That said, a **number of issues remain where the discussions have not yet allowed for meaningful progress**. China has yet to provide a clear timetable for the ratification of the International Covenant on Civil and Political Rights. Although China has expressed its willingness to be more responsive to EU concerns regarding the use of the death penalty, administrative detention and torture, no substantial progress has been made in these fields, and longstanding EU requests to provide statistics on the use of the death penalty have not been answered. Substantial differences persist between the EU and China over the freedom of expression, religion and association. The same applies to the preservation and the promotion of the rights of minorities, in particular in Tibet and Xinjiang. The issue of North Korean refugees in China also remains an EU concern.

#### New action points

**Dialogue and co-operation** should continue to constitute the **main EU approach** to improving the human rights situation in China, although this should not exclude expressing comments and observations in other appropriate fora. But the dialogue will remain a credible option in the medium and long term **only if effective progress is achieved on the ground**. It will be essential to enhance the continuity of the dialogue. **Complementing** the dialogue, the EU will continue and intensify **co-operation projects** related to human rights and good governance, including under the European Initiative for Democracy and Human Rights under which China has become a focus country in 2003.

Moreover, at a time when China is engaged in major socio-economic reforms, support to the rule of law should not only imply top-down initiatives, but also **grassroots action** involving citizens, with a view to furthering ownership of the reforms. This is indeed a prerequisite if the reform is to be implemented in a stable and satisfactory manner. **Civil society** organisations, in whatever form, will therefore be increasingly needed, and of particular importance in supporting individuals and communities disadvantaged by the ongoing changes. The strengthening of civil society in China thus should be an EU priority.

Attention should also be given to the **rights of workers** who are among the most vulnerable groups in the context of the ongoing reforms. In this context, it is important to work toward strengthened co-operation between China and the ILO, aiming at adherence to the norms, conventions and recommendations of this organisation.

#### *Human rights dialogue*

- **Upgrade the level of dialogue** to vice-ministerial level, to enhance political impact and visibility.
- **Focus on issues where there has been very little progress** up to now, so as to allow for more meaningful discussion on key issues.
- Ensure **better continuity** through enhanced follow-up of issues and individual cases raised in formal dialogue meetings, notably by holding more regular working-level meetings in Beijing between the EU Troika and the Ministry of Foreign Affairs between dialogue sessions.
- Involve a wider variety of dialogue partners, and organise field visits outside Beijing.
- Maximise synergies with existing Member States' and other partners' human rights dialogues with China.
- Give as much **visibility and transparency** as possible to the dialogue, e.g. by briefing press, civil society and European Parliament after each session.
- In order to allow for a real two-way dialogue on human rights challenges in the EU and China, complement the dialogue with more **expert exchanges**, involving not only academics and NGOs, but also operational staff, such as police officials and prison staff.

#### *Human rights/good governance-related co-operation programmes*

- Focus on **strengthening the understanding of law and legal processes** by citizens and officials, together with training programmes for professionals, including lawyers, judges, prison and police officers.
- Share EU expertise on the compliance of domestic legislation with international standards.
- Continue **promoting grass-roots democracy** through support to China's experiments with direct suffrage.
- **Extend** co-operation programmes **into new areas**, such as the prevention of torture, freedom of expression and independent media, the promotion of minorities' rights, the International Criminal Court, the death penalty, and labour rights.
- Take into consideration the **promotion of human rights**, including economic, social and cultural rights and gender issues, as a **cross-cutting theme** throughout the EC-China Co-operation Programme.

### *Support to civil society*

- **Promote contacts and dialogue between European and Chinese civil society**, in line with the recommendations resulting from the dialogue established between the European Economic and Social Committee and the China Economic and Social Council.
- Mitigate the negative impact of socio-economic reforms by supporting civil society organisations whose aim is to promote the rights and welfare of the most vulnerable groups in society.
- Provide assistance in these areas through **major co-operation projects** aiming in particular at **building the capacity** of the emerging civil society, **establishing networks** between European and Chinese civil society organisations, and encouraging Chinese NGOs to **participate in international conferences** open to civil society.

### **3.3 Promoting China's economic opening at home and abroad**

The EU regards the **successful and sustainable economic development of China** as **important and beneficial for the entire world**. Its aim remains to contribute as much as possible to ensure that China masters successfully its transition to a stable, prosperous and open country. The EU thus is an **ardent supporter of China's integration into the global economy**, and has fully backed China's bid for WTO accession from the start. At the same time, it has sought to **assist China in its internal reform process**, and to help it in addressing the daunting challenges that this has brought. The EU offers open and liberal markets for Chinese exports, the transfer of European capital, technology and know-how that come with reinforced commercial ties, but also European experience and best practice in relevant economic, environmental and social sectors.

In turn, the EU looks towards China to act as a **constructive and responsible player in the world economy**, playing a role commensurate to its size and importance. The preservation and development of a liberal global trading system is in China's own long-term interest. Like all other major players, China should set an example by abstaining from protectionist reflexes, and help prevent them elsewhere. Having itself benefited significantly from globalisation, China should reciprocate by progressively opening its own economy, in line with its WTO accession commitments and beyond. China, as the EU, should do its utmost to **help make the new round of WTO negotiations under the Doha Development Agenda (DDA) a success**.

#### The context

China's process of integration into the world economy, launched in 1978, culminated in China's **accession to the World Trade Organisation (WTO)** on 11 December 2001, arguably one of the most momentous events in recent history, whose importance far transcends the realm of international trade. It not only buttresses China's position as a global trading power, but also cements the process of economic and social reform in China.

Progressive opening towards the world economy has made China **one of the foremost beneficiaries of globalisation**. In 2002, it became the world's fifth largest trader, with USD 620.8 bn worth of exports and imports, and with its foreign trade growing at 21.8%, a growth rate unrivalled by any major trading nation. China also overtook the US as the largest recipient of foreign direct investment (FDI) in the world, with new FDI inflows of USD 52.7 bn, up 12.5%.

China's economic achievements have made it the **locomotive for economic growth in its region**. Building on this, and also seeking to assuage fears at times linked to its ascendance, China is **promoting ambitious initiatives for regional economic integration**, notably the ASEAN + 1 scheme, which aims at the creation of a free trade area between the 10 ASEAN countries and China by 2010.

China has made **considerable efforts to live up to its new role** in the global economic system. To comply with its **WTO accession commitments**, it has cut tariffs across the board, and engaged in a thorough overhaul of laws and regulations. It has also launched a **restructuring of government agencies responsible for economic issues**. Nonetheless, a number of **substantial concerns remain**, in particular the lack of transparency in economic governance, overly restrictive and burdensome regulations in some sectors, the introduction of new non-tariff barriers, and the persistence of a protectionist culture favouring local industry, which could have the effect of limiting the very liberalisation which WTO entry was to bring about. More precisely, one year and a half after China's WTO accession, the EU concerns in terms of WTO implementation include notably the problems encountered regarding market access (allocation of quotas and tariff-rate quotas), services (financial services, telecommunication, construction), the enforcement of intellectual property rights and the respect of international standards (both industrial and in the sanitary and phytosanitary field).

Since its WTO accession, China has become an **important player in the global trading system**. It is playing an **increasingly pro-active** role in defending its interests in the **ongoing DDA negotiations**. Given China's stake in a dynamic and liberal trading system and its political objective of promoting a multipolar world governed by multilateral rules, it has an interest in a successful and timely conclusion of the Doha Round, resulting in further market opening, accommodation of developing countries' interests, and improved WTO rules. To make as much headway as possible in these negotiations, the **EU closely co-operates with key players such as China** to reach further convergence of views, seeking China's support particularly on rules-related issues, such as investment, competition, trade facilitation, and transparency in government procurement.

As the process of **internal economic and social reform** in China enters its most difficult phase, the **enormous challenges** for China in the years to come are becoming more apparent. Reform and opening have been accompanied by a significant rise in unemployment and underemployment. Disparities in regional economic development in income levels, and the rural-urban divide are reaching worrying levels. In spite of the considerable reduction in poverty associated with economic growth in recent years, China has still large numbers of poor people. In 1999 it was estimated that some 213 million Chinese, representing 17% of the population and 18% of the world's poor, were living on less than \$1 per day. Serious weaknesses have yet to be tackled in the corporate and financial systems, as well as in the system of social security provision. Furthermore, the fiscal system is weighed down in the short-term by the need to maintain economic stimulus and in the long term by the need to improve social welfare.

**Economic and trade relations between the EU and China** have developed in step with the latter's emergence on the global economic scene. China in 2002 overtook Japan to become the EU's **second-largest trading partner outside Europe**, with a trade volume of over € 115 bn. EU markets are open to China, as witnessed by the continuing increase in the EU's trade deficit with China, which topped € 47 bn in 2002 and is by far the largest with any partner.



The EU is also a **major investor in China**, with the stock of EU FDI at USD 34 bn at the end of 2002.<sup>5</sup>

The positive overall development of EU-China economic and trade relations **puts into perspective the problems** which have arisen in these areas. Nonetheless, the reinforcement of bilateral consultation mechanisms is necessary to ensure that bilateral problems, and concerns related to China's compliance with its WTO commitments, can be resolved rapidly and do not constrain the relationship. Enhanced regulatory dialogue will be important to overcome non-tariff barriers and facilitate bilateral trade. Full and timely implementation of China's WTO obligations and the removal of remaining market access obstacles will be crucial to ensure continued and balanced growth of two-way trade, and are key factors in attracting major new flows of European FDI in China.

#### Implementation of action points in the 2001 Communication

Good progress has been made in implementing the concrete actions identified in the 2001 Communication. An EU **network** has been created **to track China's WTO implementation**. There have also been **regular and intensive consultations** with the Chinese authorities on relevant issues. The **EU Chamber of Commerce in China** has become increasingly active and further increased its scope of activities, and has become a key interlocutor both for the EU and for the Chinese authorities. These instruments have allowed the EU to make progress on some important existing concerns.

In addition to regular dialogue on WTO and other trade issues, the Commission and Chinese authorities have launched a **joint study process** on areas which are on the agenda of the **DDA negotiations**, allowing for the identification of areas of common interest and of shared viewpoints.

Both sides have **reinforced sectoral dialogue** on questions of policy and regulation, focussing on sectors which are related to WTO, or affected by China's transition process. A dialogue on **the regulation of industrial products**, including standardisation and conformity assessment issues, was launched in October 2001. The existing Telecommunications Working Group in September 2001 was transformed into a broader **Information Society** Working Group whose remit now includes policy and the regulatory framework for the entire IS sector. A very successful EU-China Co-operation Forum on the Information Society was held in Beijing in April 2002. An **environmental** policy dialogue was initiated in September 2001. The scope of the existing **Energy** Working Group was extended to include policy issues. EU-China **research co-operation** under the 1999 S&T agreement has become increasingly successful, not least following the creation of the joint EU-China S&T Cooperation Promotion Office in Beijing in mid-2001; research projects involving China launched since 2000 have total budgets of over € 94 million. In February 2003, China started negotiations to join the international **ITER** collaboration on the next major step for the development of fusion energy. Finally, first contacts have taken place on a possible new dialogue in the field of **human resources development**, including education, an area which is key to the success and sustainability of the reform process.

**Progress** has also been made **towards new bilateral agreements** in important fields. A **maritime transport** agreement, the EU's first such agreement with any third country, was signed in December 2002, and has already been ratified by China. Good advances have been

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<sup>5</sup> Source: Chinese government (MOFCOM/MOFTEC).

made in negotiating an agreement on “**Authorised Destination Status**”, which will facilitate the visit of Chinese tourist groups to the EU. Negotiations for an agreement on co-operation in the field of **satellite navigation**, in the context of the European **GALILEO** programme, have started in May 2003, and a joint Sino-European satellite navigation co-operation centre has been opened in Beijing in February 2003. Exploratory discussions on an EU-China agreement on **customs co-operation** and mutual administrative assistance in customs matters have recently intensified following high-level discussions in June 2003. Beyond customs co-operation *per se*, an objective of mutual concern is to combat fraud and counterfeited goods. It is anticipated that the agreement will be concluded by early 2004. The Council in June 2003 adopted the negotiating directives for an agreement on **research** and related peaceful use of **nuclear energy**; formal negotiations will be launched very soon.

The EU has supported China’s implementation of its WTO commitments, as well as its participation in the DDA negotiations through **trade-related co-operation projects**. In addition to ongoing projects focusing on capacity-building in China's government and administration, a new € 15 million project will shortly be launched, the largest programme of this kind so far. The EC-China Co-operation Programme is also being used to complement the various sectoral dialogues, and to tackle challenges related to the process of economic and social reform.

#### New action points

- Streamline and optimise the structure of dialogue in the wider economic area, taking account of the reorganisation of the Chinese administration, with the aim of ensuring effective co-ordination of activities by relevant authorities on both sides in all the sectors referred to in this section.

#### *WTO, trade and investment*

- Reinforce **bilateral dialogue and co-ordination** related to the new round of multilateral negotiations under the **WTO Doha Development Agenda**, extending its coverage to all DDA issues, with the aim of facilitating China’s participation in a forward looking WTO agenda, of building alliances in areas of mutual concern, and of jointly building bridges between developed and developing countries.
- Reinforce monitoring of the implementation of China’s WTO commitments, inter alia by:
  - making the **best use of available resources in the Commission and Member States** by enhancing networking and information-sharing between missions in Beijing, but also between EU administrations in capitals;
  - enhanced co-ordination and information exchange with European industry and third countries;
  - focusing not only on adaptation of Chinese laws and regulations to WTO rules, but also on their full and uniform **implementation and enforcement** by central, regional and local authorities;
  - feeding into, and following up on, the EU’s contributions to the annual WTO China **Transitional Review Mechanism (TRM) exercise** which provide a clear list of EU priorities as regards Chinese WTO implementation;

- assisting China in its WTO implementation efforts through visits, seminars, conferences, training and studies in the framework of relevant co-operation programmes.
- Strengthen **dialogue with the Chinese administration on WTO implementation and bilateral trade and investment issues** at all levels, to provide an effective system for early warning and real-time management of disputes.
- **Monitor regional integration initiatives**, such as ASEAN+1, as well as initiatives for **bilateral free trade areas** between China and third countries, safeguarding EU interests, ensuring that any new arrangements are fully compatible with WTO rules and frameworks, and that relevant efforts do not interfere with the DDA negotiations.
- Launch a dedicated **dialogue on intellectual property rights issues** with relevant Ministries and IPR agencies, given the continued pervasiveness of IPR infractions in China.
- Support the **growth of the European Chamber of Commerce in China (EUCCC)**, the expansion of its scope of activities, as well as a stronger presence in the regions; promote the speedy integration of companies from new EU Member States into the EUCCC.
- Support possible **initiatives by EU industry**, notably the EUCCC, but also EU-based organisations, such as the EU-China Business Association (EUCBA), to facilitate mutual understanding and develop common business practices, as well as to establish a regular **dialogue on trade and investment issues** with Chinese government and industry, feeding into bilateral government-to-government dialogue.
- Reinforce trade-related co-operation programmes:
  - launch planned major projects in the area of WTO support and information society;
  - continue other, *ad hoc* actions such as WTO seminars with Commission participation;
  - review the role and weight of, and methods of delivery for, trade-related assistance in the National Indicative Programmes (NIPs) for 2002-2004 and 2005/2006, including in areas like trade and environment.
- Make **better use of trade-related cooperation programmes to support EU-China dialogue** in areas such as trade and investment, making best use of possibilities existing under relevant co-operation projects (e.g. round tables with business involvement foreseen in the ongoing Financial Services Project).
- Launch negotiations on an agreement on co-operation and mutual assistance in customs matters by the end of 2003, with a view to conclusion in 2004.
- Analyse China's formal request for full 'Market Economy Status' for the entire Chinese economy under the EC's antidumping instrument, taking account of China's progress towards EU market economy criteria as documented in the request; continue to consider objectively the requests of individual Chinese companies for 'market economy' treatment in anti-dumping investigations.

- Make full use of the benefits that **EU enlargement** will bring for EU-China economic ties to deepen the relationship further, and allay groundless Chinese fears about a negative impact on trade flows; take account of the **implications of enlargement** by associating new EU Member States and their industries to the actions listed in this section.
- Examine China's request for special trade preferences under the **special incentive arrangements for environmental protection** of the EC's Generalised System of Preferences (**GSP**).

#### *Sectoral issues*

- Fully implement the successful **dialogue on industrial products** by closely involving industry and other interested parties, not least to deal effectively with potential technical barriers to trade on both sides.
- Strengthen the recently extended **dialogue on the Information Society**, to cover both information society and communications regulatory policy.
- Continue the efforts to resolve the current disputes on food safety issues. Building on these efforts, reinforce dialogue on **sanitary and phytosanitary (SPS) issues**, with the mutual aim of ensuring that trade takes place in the framework of standards which are based on science and agreed international rules. Implement SPS-related actions foreseen under planned trade-related cooperation programmes, and explore options for further support in this area. Pursue the initiative to establish a **dialogue** with China on **competition policy**.
- **Conclude** ongoing negotiations for an agreement on visa and related issues concerning visits of tourist groups from China (**agreement on "Authorised Destination Status"**) by the end of 2003, thus facilitating EU-bound tourism by Chinese citizens.
- **Strengthen** existing **policy dialogues** on **environment** and **energy**, and complement them by implementing planned **co-operation projects** on environmental capacity-building and sustainable development. Through the Commission's participation in the China Council for International Co-operation on Environment and Development, help identify priorities for future co-operation in this area.
- Launch formal negotiations for a **nuclear research co-operation agreement** as soon as possible in 2003, with a view to a rapid conclusion of the agreement.
- Further expand co-operation under the 1999 EC-China **Science and Technology Agreement**, making best use of the new possibilities provided by the EC Sixth Framework Programme, including in areas such as biotechnology or the "Digital Olympics" initiative for Beijing 2008. Hold the second high-level "China-Europe S&T and Innovation Policy Forum" in Beijing in the second half of 2004.
- Support China's interest to join the **ITER fusion research project**, and continue negotiations for an **agreement** on the possible joint implementation of ITER, aiming at a conclusion by the end of 2003.
- Continue negotiations for an **agreement on EU-China co-operation** under the EU's **GALILEO programme** for global satellite navigation, aiming at a conclusion by the end of 2003. The objective is to bring China as a full partner to the programme, including investment through the Galileo Joint Undertaking.

### *Economic and Social Reform*

- Continue **supporting China's reform process across the board** through dialogue and co-operation, including by making best possible use of experience from the comparable transition processes of EU accession candidates.
- Pursue the initiative to launch a **policy dialogue** in the field of **education and human resources development**, with the full involvement of the Ministry of Education.
- Establish **exchanges of experience** between relevant authorities on both sides responsible for **regional policy**, with a view to contributing to policies for reducing regional and urban/rural divides in China.
- Launch the planned **co-operation project** supporting **social security reform**, and develop new programmes in the area of **human resources development**.
- Establish a new **dialogue on industrial policy**, to contribute to the improvement of the competitiveness of businesses on both sides, and to enhance mutual understanding of regulatory frameworks on both sides.
- Promote **exchanges** in the area of **macro-economic policy**, e.g. on the Euro, exchange rate policies, China's economic reform process, and other issues of mutual interest.
- Make efforts to **involve civil society more closely** in existing and new exchanges, e.g. in the field of environmental protection.

### **3.4 The EC-China Co-operation Programme – a mutually beneficial partnership underpinning EU objectives**

#### The context, and implementation of action points in the 2001 Communication

The **China Country Strategy Paper (CSP)** covering the period 2002–2006, and the National Indicative Programme (NIP) for 2002–2004 were approved by the Commission in February 2002, with indicative funding of up to € 250 million for the period of the CSP. They represent a significant move towards an approach which is predicated on **support for the EU's overall objectives** in the framework of its China policy, albeit, in a mutually beneficial way.

In line with this policy, the CSP addresses the **three following specific objectives**, broadly designed to assist China in its reform process, while capitalising on the particular added value that the EC can provide when compared with other donors:

- Support for the social and economic reform process (WTO implementation, information society, social security reform, human resources development)
- Support for environmental protection and sustainable development (water resources, biodiversity protection), and
- Support for good governance and the rule of law (illegal migration, support to civil society).

In addition to ongoing co-operation activities under the national programme, which amount to approximately € 260 million in terms of multi-annual financial commitments, it should be noted that China is a major participant in, and beneficiary of, a number of **regional EC-financed Asian programmes**. These include the EU-Asia Pro Eco Programme on the improvement of environmental performance in economic sectors; the Asia-Invest Programme promoting business partnerships; the Asia Information Technology and Communication Programme which co-finances mutually beneficial partnerships between Europe and Asia; and the Asia-Link Programme which promotes networking between higher education institutions.

Under these Asia-wide programmes, China is currently participating in between 35% and 50% of all proposals approved for financing, and is involved in activities for which the EC contribution amounts to some € 21 million.

Considerable progress has been made in establishing the required environment for enhanced EU-China co-operation, in particular through the completion of the **devolution of preparation and management responsibilities** for bilateral projects from Commission Headquarters to the Delegation in Beijing, with the corresponding reinforcement of the Delegation's human resources, and through regular **co-ordination** with Member States and other donors. Furthermore, the focussing of the co-operation programme on **a limited number of larger interventions in key sectors** will in the longer term enhance programme effects and impact.

Some **delays and difficulties** in the implementation of the 2002-2004 NIP have however been encountered. These are in part related to the complexity and sensitivity of the issues to be addressed in the Chinese context – an example is the planned programme on illegal migration – and in part to the fact that the CSP/NIP programming approach to co-operation has not yet been fully internalised at all levels on the Chinese side, where improved inter-ministerial co-ordination and role definition is required.

This latter point is increasingly proving to be a constraint for programme implementation. The EC's principal Government interlocutor on co-operation matters is the Ministry of Commerce which has been the most appropriate focal point for the co-ordination of programme planning and implementation. However, with the current shift in orientation of the EC-China co-operation programme away from traditional development projects towards sectoral interventions which are increasingly aligned with EU policies, a greater degree of involvement of line Ministries is required. If the Ministry of Commerce is to continue in its co-ordinating role for the overall programme, more responsibilities should in general be devolved to line Ministries for the preparation and implementation of specific interventions.

While progress on NIP support for WTO implementation, the environment, and civil society remain broadly on track, the delays encountered in other areas will result in a concentration of activities toward the end of the NIP's duration. While the now-completed devolution exercise should result in more rapid commitments and implementation, this nevertheless constitutes an important challenge.

These elements will be taken into account under the **Mid-Term Review of the CSP and NIP** which is under way. While the CSP and the co-operation priorities stemming from it remain fully valid and responsive both to Community policies and to China's policies under its new leadership, an important review of the NIP is required in order to make the necessary adjustments and to ensure that revised and attainable targets are defined.

### New action points

- Complete the **Mid-Term Review** of the CSP and the 2002-2004 NIP during the second half of 2003.
- Prepare a **new NIP for the period 2005-2006** by the first quarter of 2004, building on the experience gained in the implementation of the 2002-2004 NIP, while at the same time remaining focussed on the objectives specified in the overall framework of the 2002-2006 CSP. This will take account, inter alia, of Trade-Related Technical Assistance.
- Ensure appropriate **consultation with the Chinese authorities in preparing the new NIP**, in order to enhance ownership and facilitate implementation.
- **Reconfirm** with the Chinese authorities the **multi-annual** – as opposed to annual – **programming approach** under the CSP as the basis for EC co-operation.
- Promote **improved co-ordination of project and programme preparation and implementation** through the greater allocation of responsibilities to line ministries.
- Ensure a **co-ordinated approach** between the implementation of the NIP and the various related **horizontal assistance programmes** from which China benefits, notably the European Initiative for Democracy and Human Rights (EIDHR), and NGO budget lines.
- In view of the importance of the EC-China co-operation programme as a vehicle of support for the EU's China policy, **strengthen dialogue on co-operation matters**, notably in the wider context of the EU-China Joint Committee.

### **3.5 Raising the EU's profile in China**

The development of EU-China relations requires better understanding between partners. Growth of relations, as well as changes on both sides, such as China's entry to WTO or the EU enlargement process, also require a review and adjustment of the EU's communication strategy. The **increasing access of individual Chinese citizens to sources of information**, through the development of information technologies, telecommunications and travel abroad, represents opportunities for enhanced EU visibility.

China's geopolitical vision of a multipolar world, and the Chinese perception of the EU as a partner of growing importance, also provide a favourable context for increased EU visibility. However, more needs to be done to raise EU visibility in China. The EC Delegation in Beijing, Member States as well as others, such as the European Chamber of Commerce have already made great efforts to raise the EU's profile through daily contacts, the dissemination of information and publications, and the organisation of public events.

To ensure the long-term sustainability of the EU-China relationship and the political dialogue, it is crucial that the EU becomes more visible in China, both to the general public and to its leadership. In this respect, emphasis should be put on a few **key messages**, for example:

- The EU, as a global player on the international stage, **shares China's concerns for a more balanced international order** based on effective multilateralism, and wants to engage China as a responsible power in the management of global issues.

- The EU stands for a **set of common values**, with democracy, human rights and peaceful resolution of conflicts through multilateral mechanisms at the core of it. Its unique *raison d'être* and institutions differentiate the EU from classical regional organisations.
- As a model of successful regional integration and of governance under the rule of law, the **EU supports ongoing reforms in China** and is ready to help China address current challenges of its economic and social transition.
- The EU is a **major global trading power and market**. It is willing to strengthen exchanges with China and to help China further integrate in the global economy.

Along with coherent messages, internal **EU policy cohesion** is vital to enhance EU visibility in China. Communication strategies and the EC-China Co-operation Programme should thus be closely linked to the EU's broader political objectives, in order to ensure overall policy coherence. It is equally important to ensure co-ordination of policies with Member States, including in the field of communication and co-operation.

To foster mutual understanding, efforts should be undertaken to **promote people-to-people contacts**, through increased tourist, educational and cultural exchanges.

#### The context, and implementation of action points in 2001 communication

Activities regarding information on the EU of the EC Delegation in Beijing have been intensified. Targeted communication actions such as an extensive Euro campaign have attracted wide coverage in China. Financial and staff resources are being reinforced, but remain limited. The **web site** of the Delegation has become fully operational in English and Chinese. Collective and individual visits to Brussels of Chinese journalists have continued. Most EU-China co-operation programmes also now include publicity activities.

People-to-people contacts, educational and cultural exchanges were also intensified. The **EU Visitors Programme** continues to be a valuable means to bring Chinese decision and opinion makers to Brussels to acquire first hand knowledge of Europe. The EC Delegation in Beijing strengthened links with academia through the organisation of round tables around visits by EU personalities, and the launching of the European Studies Centres Programme. In the cultural field, the EC Delegation and Member States have co-ordinated their participation in events such as Shanghai International Film Festival.

#### New action points

- Conduct a **survey on public perceptions of the EU** in China to identify information needs and gaps and help establish a targeted approach.
- Improve knowledge and awareness of the EU in China through the provision of comprehensive and up-to date information on EU policies, notably via Internet and audio-visual media, and with a **special focus on enlargement and institutional developments** within the EU, e.g. through an enlargement road show. Extend information activities beyond Beijing to China's major cities.



- Systematically **issue press releases** and/or **hold press conferences** in Beijing **on the occasion of major meetings** such as Summits, Joint Committees and sessions of the human rights dialogue. Try to find common ground with the Chinese side to issue **joint statements**, especially after EU-China Summits.
- Consider organising **annual round tables** alternatively in China and in the EU gathering Chinese and European **journalists** with EU personalities.
- Raise the level of **co-ordination with Member States** on information policy, to ensure that key EU messages are, whenever feasible, included in public parts of high level bilateral visits to China.
- **Raise awareness in China of EU co-operation with China**, e.g. through systematic inclusion of publicity activities in the scope of co-operation projects, field visits by journalists to projects, and increased project participation in business and academic fairs and exhibitions, including at regional level.
- Further **reinforce people-to-people exchanges**, by making use of co-operation activities to foster links between European and Chinese NGOs and social bodies, strengthening contacts with universities which provide European Studies courses, and developing cultural, educational and research initiatives in the framework of existing or planned EU programmes such as Erasmus World and the Marie Curie fellowships, while encouraging students, researchers, and Chinese universities to participate in such programmes.

#### 4. IMPROVING THE MECHANISMS OF THE RELATIONSHIP

The expansion and strengthening of EU-China dialogue across the board has shown the need to streamline and further develop the **current institutional structure of the relationship**, in particular as regards the interaction between meetings at different levels and in the various areas, and **emphasising quality over quantity of dialogue**. Proposals have been made in the preceding sections for enhancing the effectiveness of dialogue in the political, economic and other fields. Experience proves that there is also a **need for an effective high-level co-ordination of the entire breadth of EU-China relations**, over and above improvements within the different strands of dialogue, and in keeping with the EU's overall aim of a comprehensive partnership with China in all areas. This general objective also militates in favour of **increasing the profile and visibility of high-level meetings**.

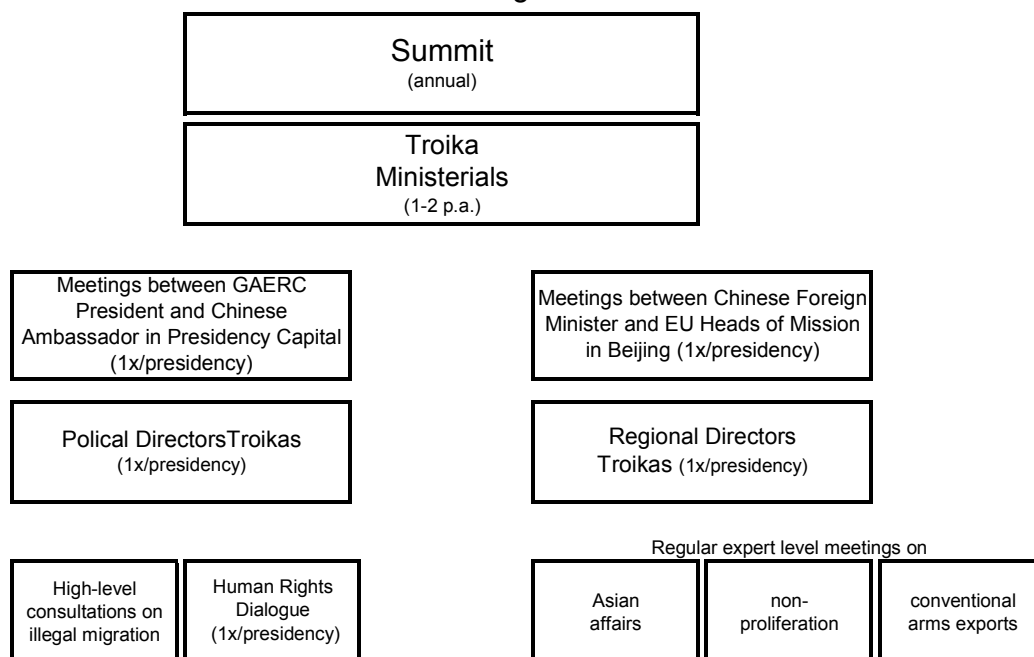
To this end, the following actions are proposed:

- Summits and meetings at ministerial level should focus on a **limited set of strategic priorities**. This will increase the strategic importance of EU-China Summits and Ministerials, allow for more free-flowing dialogue on selected topics, increase chances for concrete results, and in turn heighten their political visibility.
- The **mandates** of different high-level EU-China fora should be **adjusted and clarified**, to allow a better burden-sharing and division of responsibilities between them:
  - **Summits** should cover the whole breadth of the relationship. However, their agendas should be focussed to inject political momentum into the relationship and project a joint vision of world affairs, in the political and other fields.

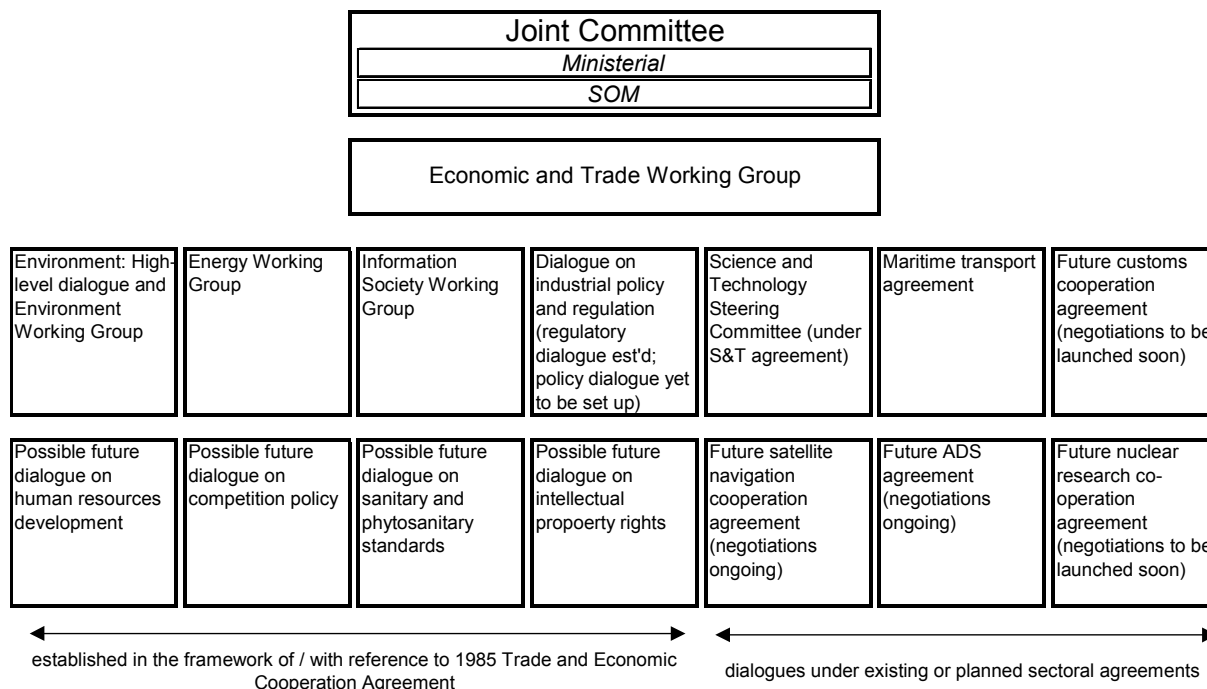
- **Foreign Ministers Troikas** should cover political and human rights issues, but also, where appropriate, selected trade and sectoral issues.
- The steering role of the **EC-China Joint Committee** should be reinforced so as to cover the wider economic area, i.e. not only trade and investment issues, but also the fast expanding sectoral dialogue and the EC-China Co-operation Programme, thus maximising synergies between the three areas in question. To this end, the participation of relevant line ministries in the Joint Committee should be enhanced.
- **Regional Directors Troikas** should focus on EU and Asian economic and political integration, as well as on regional crises.
- **Political Directors Troikas** should cover political and other issues of global concern.
- To allow **Summits** to provide direction and stimulus to overall relations effectively, they should, wherever possible, be held on a **stand-alone** basis, rather than back-to-back with other events, in order to ensure adequate time appropriation and to increase visibility.
- For the same reason, and to provide a visible reflection of the increasing importance of the relationship, it could be considered to **upgrade the level of Summits** to presidential level.
- Chinese President Hu Jintao should be invited to visit Brussels in the near future, and reciprocal visits of senior EU leaders, including Commission President Prodi, to Beijing arranged, to give further expression to the growing political weight of the EU-China relationship.

## EU-China Dialogue

### Political Dialogue



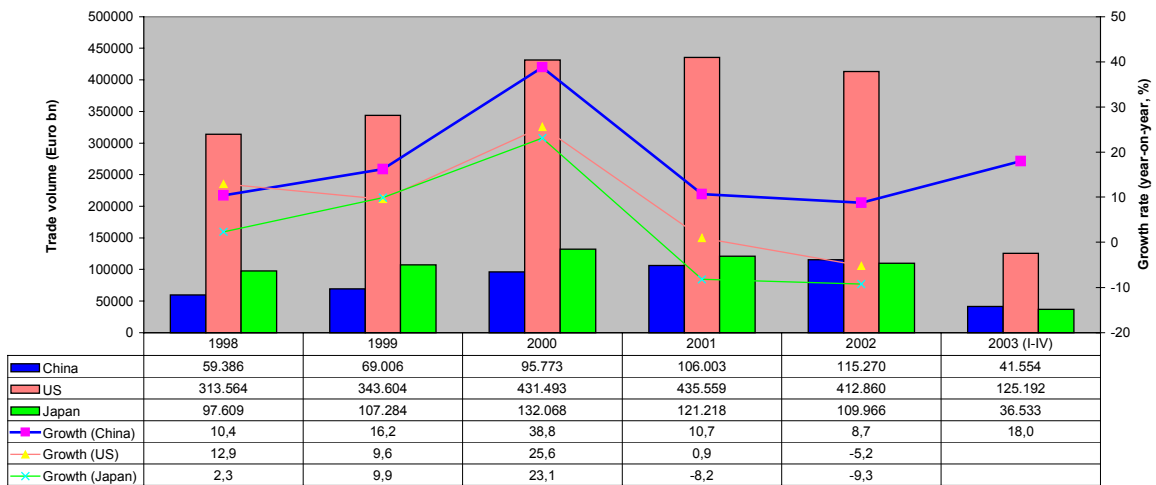
### Economic and sectoral dialogue and agreements



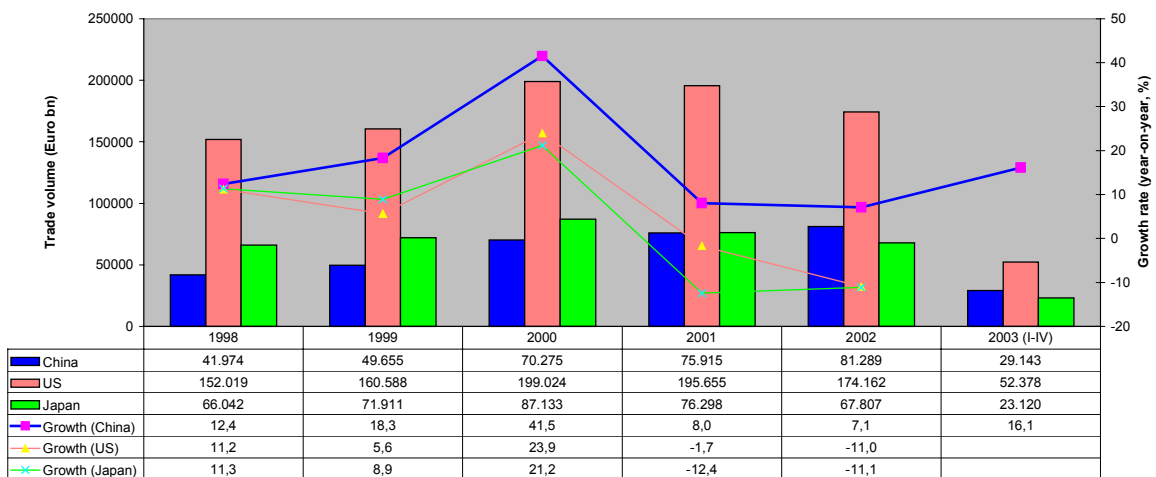
## EU trade with the world and China (€ million)

(excluding intra-EU trade)  
Source: EUROSTAT (COMEXT)

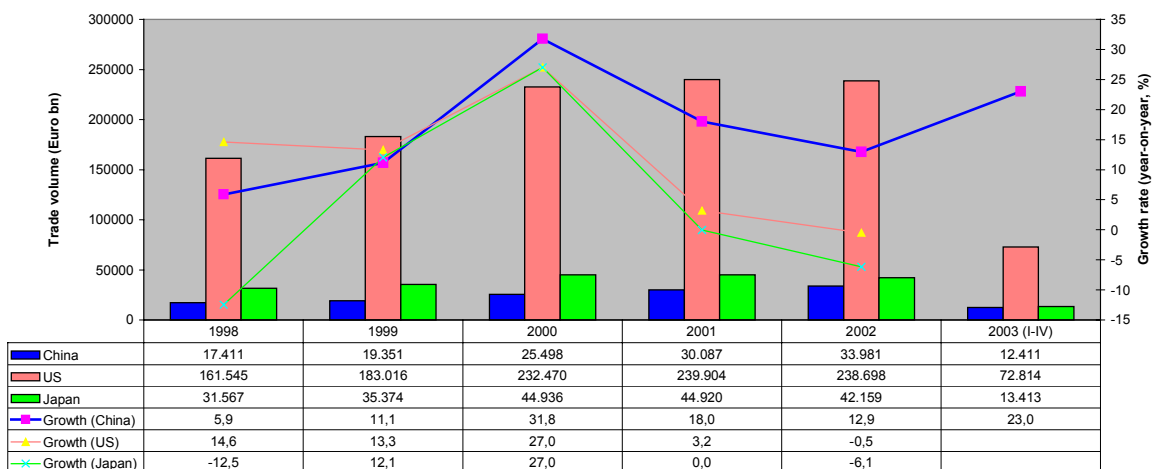
### Total trade



### EU imports



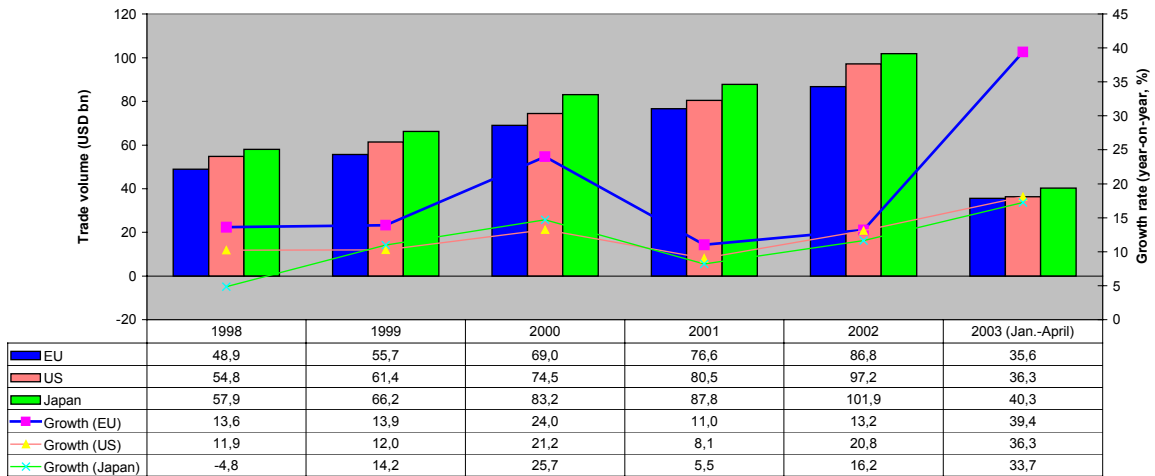
### EU exports



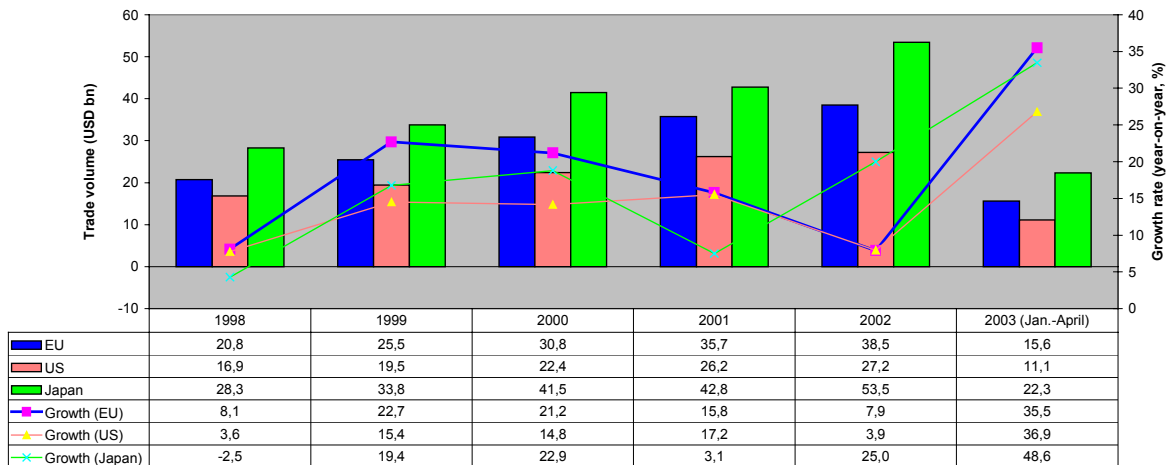
### China's trade with major partners (USD bn)

Source: Chinese Government (MOFCOM / MOFTEC)

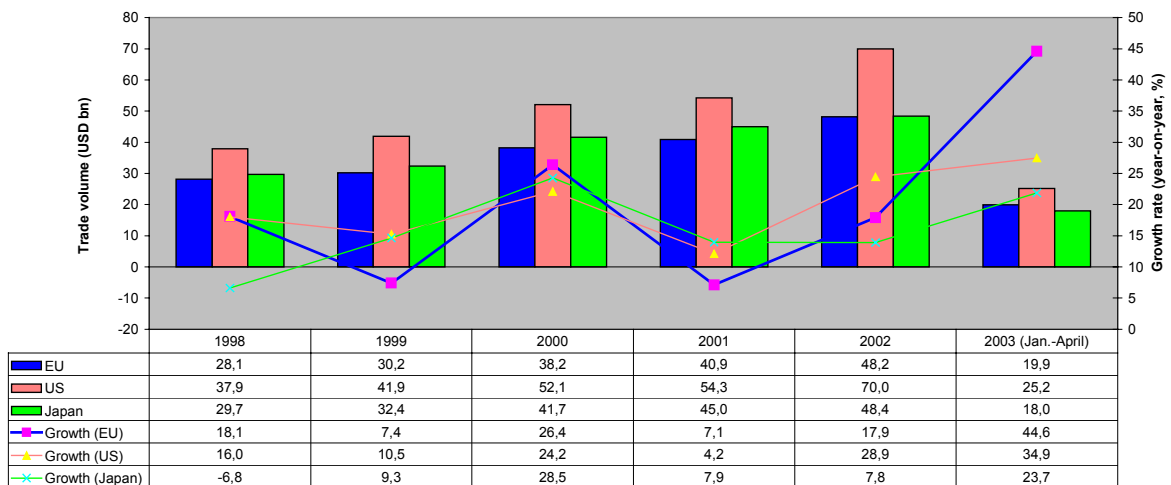
#### Total trade



#### China's imports



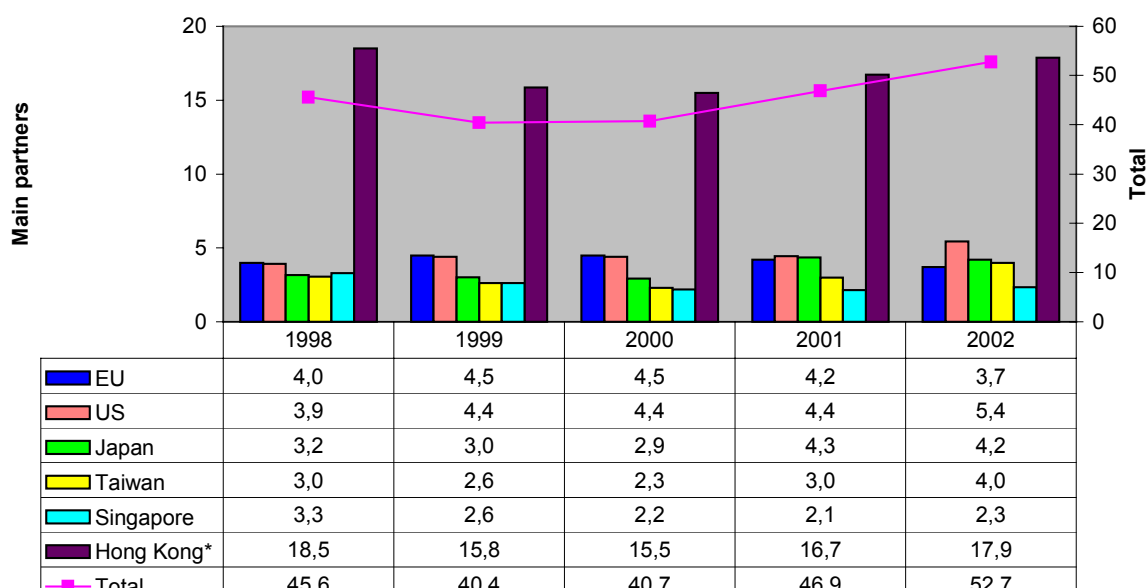
#### China's exports



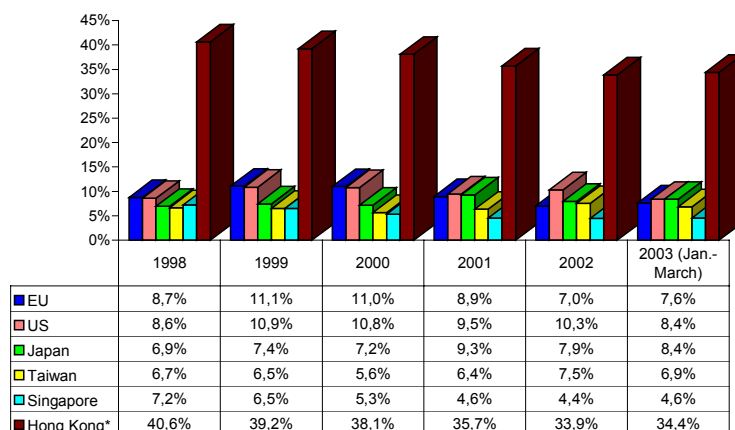
## Foreign Direct Investment (FDI) in China

Source: Chinese Government (MOFCOM / MOFTEC)

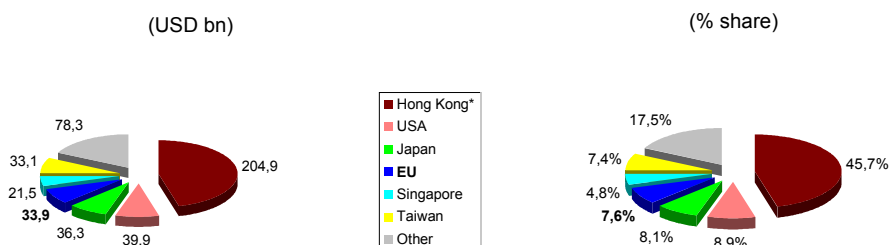
### New FDI inflows (USD bn)



### Share in new FDI inflows



### Aggregate FDI (stocks, end of 2002)



\*) Chinese data on HK FDI are thought to be hugely exaggerated, as tax privileges offered to attract FDI prompt Chinese investors to export funds to Hong Kong and to repatriate them in the form of FDI. Moreover, large amounts of Taiwanese FDI pour into China through Hong Kong, skirting Taiwanese restrictions; Chinese figures capture only part of these (official figure for aggregate utilised Taiwanese FDI is 29 bn, but analysts estimates range from 70-100 bn).

**EU-CHINA CO-OPERATION PROJECTS**

**ANNEX 3**

This list includes projects financed under the following budget titles and budget lines:

- B7-3 Co-operation with Asian Developing Countries
- B7-7 European Initiative for Democracy and Human Rights (EIDHR)
- B7-6000 NGO co-financing
- B7-6212 Health, Population, Fight against HIV/AIDS

**PROJECTS AND PROGRAMMES UNDER IMPLEMENTATION**

Sector	Project	EC Grant (€)	Subtotal
General	EU-China Small Project Facility 2001/2005	8.000.000	8.000.000
Human Resource Development	China-Europe International Business School (Phase II)	10.950.000	69.510.000
	EU-China Junior Managers Training Programme	11.640.000	
	China Europe Public Administration Project (CEPA)	5.700.000	
	EU-China Prog. for the Development of Vocational Training	15.100.000	
	Basic Education Project in Gansu Province	15.000.000	
	STD/HIV/AIDS Training Programme	400.000	
	Chinese Interpreters Training Programme 2001-2004	390.000	
	European Studies Centres Programme (ESCP)	10.330.000	
Rule of Law and Good Governance	EU-China Legal and Judicial Co-operation Programme	13.200.000	32.870.000
	EU-China Village Governance Training Programme	10.670.000	
	EU-China Intellectual Property Rights Co-operation Prog.	5.600.000	
	China Human Rights Project Facility	840.000	
	EU-China Network on Human Rights Covenants	1.730.000	
	Co-op. in Economic Social and Cultural Rights in Yunnan	830.000	
Economic and Social Reform	EU Support to China's Accession to the WTO	3.600.000	48.170.000
	EU-China Financial Services Co-operation Project	8.500.000	
	EU-China Enterprise Reform Project	8.500.000	
	EU-China Civil Aviation Co-operation Project	12.570.000	
	Support for China's Integration into the World Trading System	15.000.000	
Environment	EU-China Liaoning Integrated Environmental Programme	37.000.000	87.800.000
	Environmental Management Co-operation Project (EMCP)	13.000.000	
	Vehicle Emmissions Control Project	840.000	
	Natural Forest Management Project	16.500.000	
	Energy and Environment Programme	20.000.000	
	Municipal Solid Waste Management Reform	460.000	
Rural and Agricultural	Pa-Nam Integrated Rural Development (Tibet)	7.600.000	7.600.000
NGO Co-Financing and Health/Population	Improving Access to STD Services in Urban Areas in China	1.070.000	6.320.000
	Maternal and Child Health Care Project, Mid-West China	880.000	
	Child Welfare in Communities	1.000.000	
	Support to Health Policy in Disfavoured Regions of Wester China	800.000	
	Rural Poverty Alleviation and CommunityCapacity Building	500.000	
	Yunnan Integrated Primary Health Care	710.000	
	Povert Alleviation for Communities in Western China	750.000	
	Sershul County Health Initiative, Sichuan Province	110.000	
	Leprosy Rehabilitation Programme	500.000	
<b>Total:</b>			<b>260.270.000</b>

**REGIONAL PROGRAMMES IN WHICH CHINESE INSTITUTIONS ARE PARTICIPATING(1)**

<b>Category</b>	<b>Project</b>	<b>EC Grant (€)</b>
Regional Programmes	Asia Pro Eco (2003 Call for Proposals, 1st Deadline)	1.890.000
	Asia-Link (2002 Call for proposals)	4.930.000
	Asia-Invest (1997-2002)	9.130.000
	Asia Urbs (2002 Call for Proposals)	850.000
	Asia IT & C (2002 Call for Proposals)	4.480.000
<b>Total:</b>		<b>21.280.000</b>

(1) Reference year 2003. China also participates in the ASEM Trust Fund II Regional Programme (total funding €20 million) and benefits from EC support to the Asia-Europe Foundation (total funding €3.5 million)

**PROJECTS AND PROGRAMMES UNDER PREPARATION**

<b>Category</b>	<b>Project</b>	<b>EC Grant (€)</b>
Projects under preparation	Social Security Reform	Total indicative funding €135 million
	Information Society	
	Human Resources Development	
	Environment Programmes	
	Information Technology Project	
	Support to Civil Society	
	Fight against Illegal Migration	
<b>Total</b>		<b>135.000.000</b>