



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 15.5.2001  
COM(2001) 265 final

**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE  
EUROPEAN PARLIAMENT**

**EU Strategy towards China: Implementation of the 1998 Communication and Future  
Steps for a more Effective EU Policy**

# **COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT**

## **EU Strategy towards China: Implementation of the 1998 Communication and Future Steps for a more Effective EU Policy**

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## 1. EXECUTIVE SUMMARY

This Communication :

- Recalls the long term EU policy objectives as defined in 1998;
- presents developments over the past years in the EU, and China, and the new setting for EU-China relations;
- reports on the implementation of the 1998 policy;
- intends to contribute to a comprehensive and forward-looking review by the Union of its short and medium term objectives and of the dialogue and co-operation mechanisms in place for implementing EU policy towards China, identifying and making proposals on key issues where EU policy could usefully be adjusted and/or streamlined or where new elements could be added.

The Communication suggests ways of developing EU-China relations by defining concrete and practical **short and medium term action points** for EU policy to progress more effectively towards the long term aims defined in 1998.

Action points are intended to be as operational as possible. They should help set the agenda for focussed EU-China relations.

Key suggestions include:

- **Engaging China further in the international community** through a continued strengthening of the political dialogue by:
  - ensuring greater coherence and continuity in scheduling agreed talks at all levels,
  - targeted reinforcement of the expert level dialogue on specific issues of particular interest,
  - a commitment to ensure a better preparation of, and a link between, the dialogue at all levels,
  - better integration of interrelated global issues, and the consideration of producing occasional joint EU-China texts on issues of common concern in the margins of Summit meetings,
  - codifying the framework for the EU-China political dialogue.
- **Supporting China's transition to an open society** through:
  - a more focussed and results-oriented human rights dialogue, taking full account of the conclusions of the January 2001 General Affairs Council;
  - working with China to support relevant reforms under way;

- implementing and preparing human rights-related assistance programmes in support of the rule of law and legal reform, economic, social, cultural as well as civil and political rights, and democracy;
  - programming and identifying new areas for EU assistance, such as the prevention of torture.
- **Integrating China further in the world economy through:**
    - the finalisation of China’s WTO accession,
    - close monitoring of the correct implementation of China’s WTO commitments,
    - implementing EU assistance programmes to make WTO accession a success,
    - strengthening existing sectoral dialogues and agreements in key areas (information society, environment, energy, science and technology) and develop new ones (enterprise policy, industrial standards and certification, customs, maritime transport, securities and competition policy),
    - strengthening EU-China business-to-business dialogue,
    - reinforcing efforts to deal with bilateral trade disputes.
  - **Making better use of EU co-operation programmes with China by:**
    - reinforced long-term programming,
    - agreeing on a Country Strategy Paper,
    - focussing EC assistance activities in three main areas: promotion of sustainable development, encouragement of good governance initiatives and promotion of the rule of law, and support for economic and social reform with a view to supporting the efforts by China to ensure regional and social cohesion, the fight against poverty and the promotion of equal rights between men and women.
  - **Raising the EU’s profile in China by strengthening all aspects of EU information policy vis-à-vis China.**

The action points proposed are not exhaustive. They are intended as pointers for what could be undertaken over the coming years, building on what has been achieved so far.

## 2. INTRODUCTION

This Communication takes as its basis the **Commission’s 1998 Communication “Building a Comprehensive Partnership with China”<sup>1</sup>** and the resulting Council conclusions of 29 June 1998 which stressed the Union’s fundamental interest in strengthening relations with China.

Discussion in the Council during winter 2000/2001 indicated a consensus that **EU global and long term objectives in relations with China as defined in 1998 remain largely valid.** At

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

the same time there was also consensus that there is **scope for making EU policy more effective, by broadening dialogue and co-operation and fine-tuning existing instruments**, taking into consideration developments that have taken place since 1998.

### 3. THE 1998 COMMUNICATION

The 1998 Commission Communication and Council Conclusions 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 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's report to the Council and the European Parliament of 8 September 2000<sup>2</sup> on the implementation of the 1998 Communication was a first stock-taking of EU policy.

The report noted that EU-China relations had intensified to a great extent as intended. The political dialogue had expanded, notably with the first EU-China Summits in 1998 and 1999. A bilateral EU-China agreement on China's WTO entry had been signed on 19 May 2000, paving the way for China's accession to the World Trade Organisation (WTO). And a technical assistance programme in support of WTO accession was about to begin. Trade and investment relations had intensified further. A *Scientific and Technological Co-operation Agreement* had been signed. EU support for Chinese environmental protection efforts and other important economic and social reform efforts had been strengthened. EU assistance programmes had been re-focused to match the 1998 policy objectives and a number of important projects in key areas of interest had been developed such as the *EU-China Legal and Judicial Co-operation Programme*, the *Training Programme on Village Governance*, the *EU-China Scholarship 2000* project, the *Junior Managers* programme and the *EU-China Vocational Training Programme*. In addition, a new campus of the *China-Europe International Business School (CEIBS)* had been inaugurated.

The report concluded that although EU-China relations had developed significantly there was scope for expanding the relationship further. This expansion has continued over the past year. Developments are reviewed under the overall aims in section IV.

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

#### 4. THE NEW SETTING FOR EU-CHINA RELATIONS

Discussion of China in the framework of the Council in early 2001 revealed a consensus that the existing policy towards China and the EU's longer term aims in relations with China, as defined by the Commission Communication and the resulting Council Conclusions in 1998, remain basically valid. However, both objectives and instruments could and should be fine-tuned and operational goals for the short and medium term could be achieved by setting down action points in order to make EU policy more effective.

Several developments over the past years point to the need for fine-tuning the EU's policy towards China in 2001.

Firstly, there have been **significant developments in the EU since 1998** which increasingly can and do affect relations with China, including the ratification and implementation of the Amsterdam Treaty, and the signing of the Nice Treaty and the adoption of a EU Charter on Fundamental Rights in December 2000. This reinforced the EU's Common Foreign and Security Policy (CFSP) and the European Security and Defence Policy (ESDP) as well as its Justice and Home Affairs (JHA) policy and other policy areas. The ongoing consolidation of EU integration makes the Union better equipped to engage China on an increasingly wide range of issues.

Secondly, there have been **significant developments in China which need to be taken account of in re-focusing EU policy towards China**, including China's increasingly assertive international role and growing political and economic weight. China is already the world's seventh largest trader, the second largest recipient of Foreign Direct Investment (FDI) and a major player in certain key economic sectors such as telecoms and the information society, and energy). In addition, China's continuing and far-reaching reform process is affecting ever more parts of Chinese society. Corruption and increasing disparities in regional development and in incomes are key concerns. The anticipated accession to the WTO will give added impetus to the pace of economic and social reform. However, it is also likely to give, at least in the short term, continued rise to both urban and rural unemployment, possibly straining China's social security system and adding to societal tensions. Increased internal and external migration over the past years illustrates the challenges. The general political situation in China is affected by upcoming leadership changes (16<sup>th</sup> Communist Party Congress in autumn 2002) and continued tensions over the issue of Taiwan.

Thirdly, there have been **significant developments in EU-China relations** which merit a brief review. These include the strengthened political dialogue, the opening of a dialogue on illegal migration and trafficking in human beings, the re-focusing of EU co-operation assistance to China with the new Country Strategy Paper, the strengthening of a number of important sectoral dialogues, as well as the growing importance of China as a trade and investment partner for the EU.

All these developments point to the **scope and need for further enhancement of our engagement with China**. China's opening over the past twenty years has created impressive economic growth which has improved the well-being of many Chinese people while also creating opportunities for European business. The wish to ensure sustained economic growth and development has fuelled reforms in general. But China's opening and joining the international community has always been fraught with difficulties and is likely to be so for many years. Nothing can be taken for granted. The reform process is not on permanent auto-pilot. It is in the EU's interests, both economic and political, to support an open China, the

continuation of a smooth and ongoing reform process, and China's positive and constructive international engagement.

**China is not always an easy partner for the EU.** Its political system is unlike that of most other major third countries with which the EU has significant and growing relations, and EU concerns over key issues such as human rights affect and strain relations at times. But despite the difficulties involved, it is in the Union's own interest to engage China further. **Globalisation** means, among many other things, that a country the size of **China is both part of the problem and the solution** to all major issues of international and regional concern. Engagement means developing comprehensive relations which allow for working towards a common understanding on all issues of concern, in support of multilateral problem-solving wherever this applies on international and regional issues.

The development of EU-China relations **necessitates a commitment by China at all levels.** The necessary commitment at highest political level has been expressed clearly in recent EU-China Summit meetings. But the issues on the agenda for EU-China co-operation, be it illegal migration or the expansion of sectoral dialogues, will also need the full support of Chinese authorities at lower levels, including in the regions, as well as improved internal co-ordination in China between the various actors involved.

## **5. DEFINING ACTION POINTS FOR A MORE EFFECTIVE EU POLICY**

### **5.1. Aim 1: Engaging China further in the international community**

#### The Context

Integrating China into the international community and encouraging China to work with the EU in addressing international, regional, and **transnational challenges** remains a priority for the Union. Many of the initiatives proposed in this respect in 1998 have been carried out. The **political dialogue** has been strengthened. Summit meetings are now held on an annual basis, foreign ministers meet regularly, as do Ambassadors and senior officials in Brussels, Beijing, New York and Geneva. There is also agreement in principle to hold regular talks at expert level on selected issues (CFSP Troika Working Groups). Although not always easy, the political dialogue between the EU and China has grown stronger, reflecting a mutual recognition of the need to clarify differences and identify ways of moving forward on all key issues of concern.

The importance of engaging China consistently and coherently on all issues of international concern reflects the recognition that China, as a UN Security Council member and a **growing economic and political power** can have significant influence on most major **global issues**, whether it is arms proliferation, illegal migration and trafficking in human beings, organised crime, money-laundering, or environmental degradation. Co-operation with China, bilaterally and within multilateral structures such as the UN, is crucial for ensuring that international advances are made in these important areas.

Although the political dialogue and the dialogue on global issues are particularly important to engage China further in the international community, the other dialogues covered elsewhere in this Communication also contribute to this aim.

#### Recent developments in EU-China relations

Over the past year further steps have been taken to develop the EU-China political dialogue. The **third EU-China Summit** held on 23 October 2000 was successful and confirmed a mutual interest in building ties further across the board. Additional impetus was given by the first meeting of the EU **Political Directors Troika** with China on 30 November in Beijing, allowing for a wide-ranging discussion of international and regional issues of mutual concern. In the area of **illegal migration** and trafficking in human beings, the first High Level Consultations between EU and Chinese officials were held in October 2000 in Brussels and February 2001 in Beijing. This followed up the exchange of letters between President Prodi and Prime Minister Zhu on the need to strengthen co-operation in this area, not least in the light of the Dover tragedy in June 2000 when 58 would-be Chinese illegal migrants perished.

The growing international importance of both China and the EU give the political dialogue and the more general dialogue on global issues particular relevance. Much can be done over the coming years to fine-tune and build on what has been achieved so far and make it more effective.

### Action points

#### *Expansion of the political dialogue*

- Continue the newly established political dialogue at level of **Political Directors** on half-yearly basis.
- Schedule half-yearly **Troika dialogue expert meetings** with China in areas where there is already an agreement in principle for regular dialogue, such as Asian affairs, non-proliferation, conventional arms exports, disarmament, and consider adding UN affairs for half-yearly expert level discussions.
- Establish regular dialogue of **Troika Political Counsellors in Beijing** with the Chinese MFA on selected regional and international issues.
- Ensure an improved **preparation of and follow-up to all political dialogue meetings**, in particular Summit meetings, as well as a better link between the dialogue at different levels.
- Consider where it might be useful to issue occasional **agreed texts (statements or minutes)** after Summit meetings on key questions of common interest.
- **Evaluate regularly** in the Political and Security Committee the **outcome and effectiveness of the EU-China political dialogue** at all levels, and adjust it as necessary.
- Consider, in the light of evaluations, the **possible expansion of the expert level dialogue** to cover others issues (e.g. terrorism, regional affairs beyond Asia, others).
- Consider a **codification** of the framework for the strengthened EU-China political dialogue.

#### *Topics of the political dialogue*

- Give priority focus in the political dialogue to :
  - pursuing the Union's **human rights** concerns,



- identifying practical ways of stepping up co-operation to promote further reconciliation between the two **Koreas**,
- identifying practical ways of co-operating on **Burma/Myanmar** in support of UN efforts to encourage national reconciliation and to prevent Burma/Myanmar from becoming a source of regional insecurity, and drug-trafficking,
- co-operation on strengthening the search for resolving territorial claims in the **South China Sea** through negotiations, including support for continued work on a Code of Conduct,
- making clear the EU's strong interest in seeing the **Taiwan** issue resolved peacefully through dialogue,
- supporting multilateral efforts to limit **arms proliferation, exports and disarmament** (MTCR code of conduct, safeguards, early entry into force of the Comprehensive Nuclear Test-Ban Treaty, immediate commencement of negotiations on a Fissile Material Cut-Off Treaty, EU code of conduct on arms exports, July 2001 UN Conference on the illicit trade in small arms and light weapons and follow-up, supporting the Ottawa process on landmines),
- identifying ways of promoting engagement in **multilateral security dialogues** for conflict prevention on regional and international issues and making maximum use of existing fora for doing so (**ASEM, ARF, UN**),
- considering ways of further supporting **UN peacekeeping operations**,
- taking forward the EU-China dialogue on **illegal migration and trafficking in human beings**,
- stepping up co-operation to work towards the attainment of the goals and objectives adopted in **major international conferences** organised under UN auspices,
- ensuring awareness in the planning and preparation of political dialogue meetings that all policy areas are increasingly **interrelated**, including regional issues/security policy, international organisations/security policy/regional issues.

#### *Special Administrative Regions (SARs)*

- Continue to monitor developments in Hong Kong and Macao closely and to issue annual reports on each Special Administrative Region, drawing attention to the maintenance of the rule of law, fundamental freedoms and autonomy in each region, in accordance with their respective Basic Laws.

#### *Global issues*

- Continue and deepen the newly established dialogue on combating **illegal migration and trafficking in human beings**, focusing on practical ways of taking co-operation forward and aiming notably at easing the return of illegal Chinese migrants in EU Member States. Make use of 'best practices' established by China on this issue in co-operation with third

countries, taking due account of human rights aspects and having in view the possible conclusion of a readmission agreement.

- Take forward other practical ways of strengthening co-operation on **illegal migration** such as intensified talks on the detection of forged documents and the illegal use of genuine documents, possible information campaigns, high level visits by Chinese central and regional officials to the EU and EU Member States, and workshops/seminars on other issues considered important for strengthened co-operation against illegal migration and trafficking in human beings.
- Consider ways of working together in the fight against **organised crime**.
- Increase efforts to better co-ordinate EU policies on global issues, not only between the Commission and Member States but also in areas where a more coherent and consistent policy could be achieved, including arms proliferation, drug trafficking, illegal migration and trafficking in human beings, organised crime, money-laundering, and environmental degradation.

## **5.2. Aim 2: Supporting China's transition to an open society**

### The Context

Supporting China's transition to an **open society** based on the **rule of law** and the respect for **human rights** is central to EU-China relations and will be so for years to come. There is much to do.

Living conditions for the majority of the Chinese population have improved in the last twenty years. Economic reform and liberalisation have introduced an increased degree of freedom and self-determination for the individual in the economic and social field.

There are also some indications that the construction of a more open legal system is under way in China. The importance of the **rule of law** in the process of China's modernisation and in view of the country's further integration into the international economy is recognised by the Chinese authorities and by the Chinese media. Progress has been achieved in the area of **economic and social rights**. Relevant provisions have been added to the Constitution in 1999. With respect to **civil and political rights** there is still a wide gap between generally accepted international standards and the **human rights** situation on the ground.

The EU and China are engaged in a **human rights dialogue**, which aims at improving the human rights situation by encouraging China to respect and promote human rights and fundamental freedoms and to co-operate with international human rights mechanisms. Since 1997, there have been ten official rounds of the dialogue.

Finally, small but important steps are also being taken to introduce a greater degree of **democratisation** at local level (direct elections in villages) which could be elevated to higher levels.

### Recent developments in EU-China relations

Two sessions of the EU-China **human rights dialogue** were held over the past year, in September 2000 in Beijing and February 2001 in Stockholm. In addition two seminars were held in December 2000 in Paris on trade union rights and minor crimes, and in May 2001 in Beijing on the death penalty and the right to education. These allowed for in-depth

discussions among officials and experts and clarified respective views and positions with a view to contributing to finding ways forward to address the EU's key concerns.

As noted in the **General Affairs Council conclusions of 22 January 2001**, the dialogue meetings are generally held in an atmosphere of openness, allowing a frank exchange on issues of particular concern to the EU, including: disregard for fundamental freedoms, arbitrary detention and re-education through labour, torture, the crackdown on pro-democracy activists, the situation of minorities and capital punishment.

More recently, the EU welcomed the decision by the People's Republic of China on 28 February to ratify the **International Covenant on Economic, Social and Cultural Rights (ICESCR)** which offers the prospect of greater respect of economic, social and cultural rights in China. The EU remains concerned, however, at China's proposed declaration with regard to article 8:1 (a) of the Covenant, to the effect that Chinese legislation takes precedence over the article of the Covenant, which guarantees the right to form and join a trade union of one's choice.

Overall, **the European Union remains seriously concerned** about the human rights situation in China and, as stated clearly in the GAC conclusions in January and March, while the EU-China human rights dialogue is the European Union's preferred channel for working to improve the situation in the various areas of concern it is clear that **dialogue is an acceptable option only if progress is achieved on the ground**. It is therefore imperative that the EU and China work together to promote the human rights situation in China, an effort which will not only help China's integration into the international community but also underpin economic reform and growth.

In support of the human rights dialogue the EU is funding a number of human rights-related **assistance programmes** in co-operation with China. Implementation of these projects, and preparation of new ones, has moved ahead over the past year and will continue to form an important part of the EU's effort to improve the human rights situation in China.

#### Action points

- Pursue the GAC conclusions of 22 January 2001 on the EU-China Human Rights Dialogue, focus the human rights dialogue better, assess it on a continuous basis, and identify ways of making it **more effective and results-oriented**, notably on the key issues of concern identified in the GAC conclusions, including co-operation with human rights mechanisms; guarantees for the protection of those prosecuted for a crime for which the death penalty could be imposed and restriction of the cases in which the death penalty can be imposed; reform of administrative detention; respect for the fundamental rights of all prisoners; untrammelled exercise of freedom of thought, conscience and religion, of the freedom of expression and of the freedom of assembly and of association. Identify ways of assisting China in **implementing the recently ratified UN Covenant on Economic, Social and Cultural Rights** and encourage China to take fully on board the provisions of the Covenant relating to freedom of association and urge China to respect internationally recognised core labour standards set out in the relevant International Labour Organisation Conventions.
- Continue encouraging China to ratify the **UN Covenant on Political and Civil Rights**.

- Work with China to **promote tentative steps towards reform** relating to detention, the legal system and the range of criminal sanctions as well as initial reforms of the penal code and of the code of criminal procedure.
- Continue implementation and preparation of EU human rights-related assistance programmes addressing the **rule of law and legal reform** (EU-China Legal and Judicial Co-operation Programme), **economic, social, cultural, civil and political rights** (EU/China Network on the ratification and implementation of UN Covenants, Programme of support to economic, social and cultural rights in Yunnan Province, Chinese Disabled Persons Federation, EU-China Human Rights Small Project Facility, Scholarships for the Masters of Law course in Human Rights at the University of Hong Kong) and **democracy** (EU-China Training Programme on Village Governance).
- Undertake **medium and long term strategy definition and programming** of technical assistance and co-operation including defining appropriate human rights and democratisation priorities as part of the **preparation of the Country Strategy Paper** for co-operation with China. Subsequently identify possible new human rights-related projects, such as, for example, in the area of prevention of torture.

### 5.3. Aim 3: Integrating China further in the world economy

#### The Context

More than 20 years of remarkable economic growth have brought profound changes in the Chinese economy. China is now the world's 7<sup>th</sup> largest trading nation, increasing its share of world trade to 3.9% in 2000. Total foreign trade grew by 31.5% to reach US\$ 474 billion. Overall, China's economy, on a purchasing power parity basis, is on a par with that of Japan, just behind that of the US. It is attracting foreign direct investment (FDI) at a remarkable rate and is now the second largest recipient of FDI after the US, having overtaken the UK in 2000. Aggregate utilised FDI in 2000 amounted to around US\$ 348.6 billion, with the total number of foreign invested firms reaching 364,345, while contracted FDI stood at US\$ 676.7 billion. China is also becoming or has already become a player and a market of global importance in sectors such as the **telecommunications, transport, energy and the environment**.

**EU-China trade has developed remarkably** since China began its open-door policy in 1978. However, the EU's small trade surplus in the 1980s turned into a **deficit in the 1990s, which reached a record level of €44.4 billion in 2000, an increase of almost 50% on the 1999 record deficit**. In 2000 the EU was the largest foreign direct investor in China, excluding Hong Kong, with flows of contracted and utilised investment of over US\$ 8.8 billion and about US\$ 4.5 billion, respectively. However, despite these positive recent trends, the EU's share of FDI in China remains relatively low, compared to its share in other emerging markets.

China's integration into the world economy, with all that this implies for continued opening and reform, will be critical for building co-operative ties with China, deepening EU-China relations across the board, and furthering mutual EU and Chinese commercial interests. The EU and China have a fundamental shared interest in strengthening the rules-based multilateral trading system. In this regard, the importance of **China's accession to the WTO** cannot be overstated. It will lead to significant further market opening and it will ensure that China can actively participate as the world trading system prepares for further trade liberalisation in a forthcoming new Round. Accession is expected to boost confidence, generate domestic and foreign investment, and stimulate economic growth overall.

China remains committed to the continuation of its **economic and social reform programme**. Current challenges include the difficult and politically sensitive reform of the State Owned Enterprises (SOE) sector, of the financial system, especially the banking sector which has run up huge bad debts to the SOEs in particular, as well as of the social security system.

**Unemployment** continues to be exacerbated by the reform process as the reformed SOEs shed workers at an increasing rate. This adds to urban drift as large populations of unskilled and semi-skilled workers migrate to the main cities. China will also have to address increasing social and regional inequalities.

China is the world's second largest consumer of **energy** and the third largest producer. The size of its energy sector renders the country's energy policy and its potential impact on the world scene a matter of great international importance, particularly for air pollution and climate change.

Having detected the need to care for the natural **environment** in order to guarantee continuing prosperity, and having underlined a policy of sustainable development in its 10<sup>th</sup> Five-Year Plan (2001-2005), the reconciliation of rapid economic growth, changes and developments in society, and conservation of the environment has now become a top priority for China. The transfer of EU environmental knowledge, skills and technologies to China will become increasingly necessary if China is to achieve sustainable patterns of production and consumption, energy balance and other key targets, to optimise future economic evolution. Input from the EU will assist China's pursuit of better environmental performance, notably where there are global consequences, and/or a commonality of interests, e.g. climate change. EU expertise can help China to achieve its goals. First it must gain control over the causes of environmental degradation. Then, in the medium to longer term, it must reverse the damage and bring about environment improvements. China already has a vast array of national environmental protection standards and environmental regulations, but implementation remains weak. Currently devoting 0.93% of GDP to environmental protection spending, China has set a goal of increasing this to 1.2% by 2005 and 1.7% by 2010.

Progress towards availability to the Chinese authorities of **reliable statistical information** on external trade and employment, related to current statistical co-operation with the EC, will provide a future basis for effective monitoring and policy making.

#### Recent developments in EU-China relations

China's bilateral market access agreements with 3<sup>rd</sup> countries, including with the US in November 1999 and with the EU in May 2000, have paved the way for China's accession to the WTO. With all but one bilateral agreement concluded, a limited number of issues remain to be resolved. Discussions in the margins of the 23 October Summit resulted in the resolution of some outstanding bilateral EU-China issues, and meetings of the **Geneva Working Party on China's accession** in November and December 2000 and January 2001 allowed for breakthroughs in a number of areas. In January 2001, the EU submitted a comprehensive compromise proposal whose purpose was to solve all outstanding issues. WTO members are currently engaged with China with a view to overcoming the last remaining hurdles.

A meeting of the EU-China Joint Committee, held back-to-back with the Summit in October 2000 allowed for in-depth discussion of key bilateral trade and co-operation issues. Agreement in principle was reached to launch a **dialogue on enterprise policy and regulation**. A proposal by the Commission to broaden the scope of the existing Telecoms

Working Group, by transforming it into an **Information Society Working Group**, covering also the regulatory framework for the sector, as well as new areas, was agreed with China.

Exploratory talks on a potential **China-Euratom co-operation agreement on the peaceful use of nuclear energy** were held in Beijing in November 2000, confirming mutual interest to proceed with preparations for the formal negotiations. A high-level meeting in November 2000 led to agreement that both sides will jointly prepare negotiations for an agreement on co-operation and mutual assistance in customs matters. A meeting of the **Energy Working Group** was held in March 2001 in Brussels. The Commission has proposed that the **environment** dialogue should be expanded to include policy issues.

#### Action points

##### *WTO, trade and investment*

- **Finalise China's WTO accession** as rapidly as possible.
- Closely **monitor the implementation of China's WTO commitments**. As a first step, urge China to bring its legislation, regulations and administrative structures, working practices and procedures into line with WTO requirements upon accession.
- After accession, pursue specific dialogues and instruments for tracking WTO implementation with the Chinese authorities.
- Continue implementing the €22 million package of **current WTO-related co-operation projects**: WTO support phase one, financial services sector reform and restructuring, preparation and collection of statistics, transparency in public procurement, and the development of an effective IPR protection system.
- On China's accession, the EU stands ready to make an **additional** effort to help China adhere to its WTO commitments, complementing the existing package of projects.
- The EU and China should seek **close co-operation for the development and liberalisation of world trade**, in particular if a new Round can be launched at the WTO Ministerial Meeting in Qatar.
- Continue co-operation with, and support for, the newly created **EU Chamber of Commerce in China**, whose 200 members will be one of the most important means of monitoring adherence to WTO commitments.
- Support EU and Chinese companies in their **EU-China Business Dialogue** initiative. After two initial sessions in 1998 and 2000, this Dialogue is currently being reviewed to define its role in the light of China's forthcoming accession to WTO.

##### *Economic and Social Reform*

- Continue to **encourage the reform process** under way through contacts, dialogue at all levels, and co-operation.
- Define the best means of helping China develop an effective **social security network** through relevant co-operation activities.

- Promote an EU-China **policy dialogue on education and human resource development**. Develop and implement human resources development programmes targeted at key groups in China's reform process such as academics in business, law, politics, economics, science and technology, civil servants, young professionals, senior professionals and lawmakers, opinion leaders in media, etc., through the continuation and expansion of activities such as the EU-China Junior Managers programme and the Higher Education project.
- Establish an **exchange of experience** between both sides' authorities responsible for **regional policy**, with the objective of contributing to the establishment of a policy for reducing regional disparities in China.

#### *New sectoral dialogues*

- Pursue specific initiatives to establish dialogues with China on **enterprise policy and regulation, industrial standards and certification, securities markets and competition policy**.

#### *Telecom / Information Society*

- Transform the existing dialogue on **telecommunications** into a wider and deeper framework for a permanent and regular dialogue on the **Information Society**, covering, in addition to research and co-operation, the regulatory framework for the whole sector, including for new areas.
- Initiate an **industrial dialogue on standards**.
- Organise an **EU-China Co-operation Forum on the Information Society** in April 2002, to include an exhibition of European know-how in technology and services linked to the Information Society, an EU-China conference on the challenges of the Information Society and a series of business meetings, and other events as appropriate.

#### *Transport*

- Organise an information seminar on the **GALILEO programme** for global satellite navigation, positioning and timing in the course of 2001 and explore co-operation possibilities in this field.
- Begin exploratory talks with the Chinese in May 2001, to start negotiations for a bilateral **maritime agreement**, in view of the mandate given by the Council in 1998, to improve the regulatory conditions under which maritime transport operations are carried out to and from China and to and from the European Community. The aim would be to establish provisions on the freedom to provide international maritime transport services and free access to the market, national treatment for European companies establishing in China, the unrestricted transfer of proceeds and investment, and the promotion of maritime co-operation.

#### *Customs co-operation*

- Continue preparatory talks with the Chinese side and begin negotiations for an agreement on co-operation and mutual assistance in customs matters.

#### *Environment*

- **Review** the existing work on environment carried out by the bilateral **Environment Working Group** and initiate a substantial and separate **policy dialogue** on environmental issues of mutual interest with the State Environmental Protection Administration (SEPA), regarding both the domestic and international domains, in order to exchange information to enhance domestic policy development and implementation. Explore how far the EU can assist China in integrating environmental considerations into other areas of policy; and forge fruitful partnerships to promote common interests within multilateral environmental agreements, where feasible.
- **Assist China in developing suitable policies and strategies** for, and conduct research co-operation in, the areas of sustainable forest management, sustainable land-use, land-planning and management, water resource management, sustainable energy production and marketing, air pollution and measures to combat climate change.
- Develop **co-operation projects** focusing on: cleaner production methods; waste minimisation and waste management; environmental skills training; development and application of environmental standards; upgrading environmental management capacities; transfer of environmental expertise and technologies transfer; environmental awareness.

### *Energy*

- Establish a **regulatory and policy dialogue**. Develop further relevant **co-operation projects** notably encouraging know-how transfer, including a project to assist China in reducing the environmental impact of its energy production and consumption.
- Organise the **4th EU-China Conference** on Energy Co-operation in Beijing on 18 June 2001, as well as further events, as appropriate.
- **Develop co-operation on the peaceful use of nuclear energy**, thereby helping to promote global nuclear non-proliferation. Prepare negotiating directives for a nuclear co-operation agreement. Launch of negotiations expected in late 2001 or early 2002.

### *Science and Technology*

- Take the required steps to make the **Science and Technology Agreement**, which has been in force since December 1999, work more effectively, including allowing for greater participation of scientists in the other side's research and development programmes. In this context, a new fellowship scheme was implemented under the 5<sup>th</sup> EU Framework Programme enabling scientists from developing countries, including China, to participate more actively in selected projects; the Commission is proposing to expand this scheme significantly under the new EU Framework Programme.
- Consider ways to increase Chinese participation in projects approved under EU Science and Technology programmes to promote **Sino-European S&T co-operation**. The provision of information and assistance with applications, inter alia through the establishment in the course of 2001 of a joint EU-China office for the promotion of research co-operation, will be crucial in this respect. Encourage deeper co-operation between Chinese and European researchers in the framework of ASEM.
- Organise an **EU-China S&T Conference** in 2002.



- Assess the possibility of contributing to the organisation of an **international conference on agricultural R&D** in 2001 or early 2002, given the importance of the development of the agricultural sector to China's economy and social stability.

#### *Statistics*

- Engage the Chinese statistical authorities in a dialogue to **further develop statistical co-operation**. In particular, this would aim at strengthening the Chinese national statistical system and its capacity to produce reliable, accurate and timely data in the new rapidly developing economic and social fields.

#### **5.4. Aim 4: Making better use of existing European resources**

##### The Context

The EU's co-operation programme aims to support the Union's key overall aims in relations with China. The priority areas of intervention are: support to economic and social reform, promotion of sustainable development and environmental protection and promotion of good governance and the rule of law. Development of human resources is used as a key instrument in achieving the overall objectives of EU co-operation policy. At the same time, co-operation activities integrate the EU's general development co-operation priorities by incorporating **poverty alleviation** dimensions, **regional and social cohesion** within China, **human rights** and **gender issues**. The budget for the EU-China co-operation programme 2001-2005 should be around €250m.

Past experience has shown the clear need for improved project delivery. Concentration on fewer and larger projects, more flexibility and the creation of the Small Project facility to manage small projects quickly and efficiently have been first steps. The creation of EuropeAid Co-operation Office and the planned devolution of the project management cycle to the Delegation in Beijing are important reforms the Commission is undertaking to improve project delivery and donor co-ordination, and make better use of its resources, concentrating efforts at the policy level.

##### Recent developments in EU-China relations

The annual EU-China Joint Committee meeting in 2000 agreed that co-operation priorities for the near future (2001-2003) would include assistance in support of **WTO accession, the fight against illegal migration and trafficking in human beings, social security reform, telecommunications/information society, environment, energy, and human resource development**. It was also agreed that China's western provinces should benefit more from EU assistance and that China should be more involved with future planning and programming.

In January 2001 the responsibility for managing existing co-operation projects and those scheduled for commitment in 2001 was transferred from DG Relex to the **EuropeAid Co-operation Office**. This reform, together with the devolution of project management to delegations, including Beijing, and the concomitant reinforcement of staff resources at the delegations, is intended to ensure better co-ordination with co-operation programmes of other donors as well as improve and speed up the delivery of EU-China projects.

A Country Strategy Paper (CSP) is currently being drafted by the European Commission. It will define the overall objectives and the context as well as the key areas of intervention and the mechanisms of co-ordination with the beneficiary country and other donors. There will

thus be a clear reference document and mission statement for EU-China assistance co-operation for the next few years. The CSP will give guidance to, and enhance the transparency of, EC assistance to China.

#### Action points

- Finalise the CSP, ensuring close linkage between **EC funded co-operation programmes** and **the EU's broader China policies**, in particular development policy as presented by the Commission in May 2000, trade policy, the fight against global challenges and the Human Rights policy.
- On the basis of the CSP, develop co-operation activities in three main areas:
  - support to the **economic and social reform process** mainly through institutional strengthening and capacity building, human resources development, promotion of a sound business regulatory framework and the transfer of know-how and technology.
  - **promotion of sustainable development** aiming to achieve optimal balance between **environmental protection, social development and economic growth**.
  - encouragement of **good governance** initiatives and promotion of human rights and the **rule of law**.
- Reinforce co-ordination with Chinese authorities.
- Reinforce **co-ordination**, and explore possibilities for concrete, project-related **co-operation with other donors**, in particular EU Member States, International Financial Institutions and UN agencies.
- Continue to focus on **large, but flexible projects** in areas where the EU as a donor has a comparative advantage, designed in a way to concentrate on, and take account of, China's rapid development and shifting priorities.
- Improve **flexibility of project design**, allowing for annual adaptations of activities carried out, and the budgets allocated to them, in order to achieve projects' overall objectives in the optimum way.
- Implement **devolution of the project management cycle** to the Beijing Delegation as planned.

#### **5.5. Aim 5: Raising the EU's profile in China**

##### The Context

Raising the EU's profile in China remains a major challenge given the size of the country and the need to reach people at the regional, municipal and local levels, as China continues to devolve power in the economic and social sectors away from the centre in Beijing. The resources available for EU profile raising activities remain limited, but judicious use of modern technology will make it possible to reach many more people than previously. Five years ago, very few Chinese had private telephones and no ready access to the outside world.

In 2001, the number of internet users is expected to reach 40 million and, by 2005, China will have an estimated 300 million users (compared to an estimated 200 million in the US).

The **expanding EU-China relationship** demands a better understanding of each partner by the other. Increasing openness and combined interests will require greater information exchanges. In addition, as China continues to open up to the world and as the EU expands its frontiers, there will be an increasing need for better and faster ways for disseminating information. The EU will need a proactive information policy, making good use of new technology, in addition to traditional people-to-people contacts and co-operation activities, to maintain a strong profile among so many sources of interest.

The EU's extensive activities in China continue to be little noticed in Europe, although an increasing number of joint European-Chinese research and commercial organisations are being set up in Brussels and elsewhere to take advantage of the growing interest in China. It will be an important factor in the EU-China relationship that the right messages about the EU's activities in China are **disseminated within Europe, as well as in China**, particularly as the EU approaches enlargement.

#### Recent developments in EU-China relations

- The Commission's external affairs web-sites have been upgraded in the past nine months and the number of documents available has increased from 4000 to almost 9000. The hit rate has grown from 700,000 to 1.8 million per month during the same period. The web-sites are therefore proving to be an efficient method of **disseminating and promoting the EU's policies and programmes**.
- The **EU Visitors Programme** has proved a valuable way of improving people-to-people contacts and visitor exchanges with a careful selection of key Chinese officials visiting the Commission and Member States to find out more about EU policies and programmes in a wide variety of areas.
- A group of 20 economic editors and reporters from China, Hong Kong and Macao participated in a week-long seminar in Brussels in 2000. The seminar concentrated on the Euro but also explained the roles and functions of the EU's various institutions to these influential journalists. The journalists concerned produced numerous **articles on the EU** in their various newspapers as a result.

#### Action points

- **Improve knowledge and awareness of the European Union in China** through the provision of systematic and up-to-date information on EU policies and activities and the dissemination of newly produced, up-to-date EU information materials, targeted to the media, opinion formers and key decision makers in China, and also to schools colleges and universities.
- Comprehensively update the **Commission web-sites, including the Beijing Delegation web-site**, and ensure the access and navigation systems are as harmonised and user-friendly as possible, and increase the number of links to related sites.
- Continue to make imaginative use of the **EU Visitors Programme** to bring important and key decision makers to Brussels and to Member States to learn about the EU and its individual members at first hand.

- Encourage and support alumni of EU co-operation programmes, such as the the EU-China Academic Network, the EU-China Junior managers programme and the EU- China Scholarship 2000 project, to **establish alumni associations and networks** in China, Asia and Europe.
- **Raise awareness of EU co-operation with China in Europe**, e.g. in the European business and academic communities, in order to support the momentum built up in China through various co-operation programmes (e.g. Junior Managers Programme).
- Encourage **greater co-ordination and co-operation between Member States** and the Commission's Delegation in Beijing when organising individual or joint cultural events.
- Maintain participation in seminars, workshops, meetings, Universities activities, NGO presentations etc., to inform participants of EU-China policies and actions more widely.

## 6. CONCLUSION

Relations with China will be a major opportunity and challenge for the EU for years to come. The **long-term aims** as defined in 1998 remain largely valid. This Communication has suggested ways of making EU policy more effective by defining **short and medium term** objectives and action points intended to give focus to EU-China interactions across the board with a view to the Union's long terms aims in relations with China.

Ultimately a successful relationship is based on two willing and committed partners. Building a comprehensive EU-China partnership will therefore require the commitment and engagement of both sides. Much has been achieved so far. But more needs to be done to develop the full potential of the relationship.

The challenge for the EU is to engage China comprehensively and coherently on all key issues identified in the 1998 and elaborated on in this Communication, in particular China's political and economic integration into the international community and the opening of China with the full respect of internationally recognised human rights standards and the rule of law.

A comprehensive partnership between the EU and China, both bilaterally and globally, will serve both EU and Chinese interests, politically and economically, and help improve the lives of citizens in Europe and China.

The opportunity for the EU is to promote its key interests in engaging China as a growing power by seeking positive and constructive solutions to major global issues, by contributing to improve the human rights situation in China, and by pursuing mutual commercial interests.