

# EUROPEAN BACKGROUND INFORMATION COMMUNITY

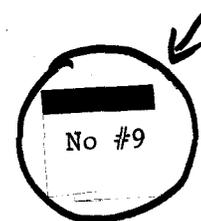
EUROPEAN COMMUNITY INFORMATION SERVICE

2100 M Street NW, Washington DC 20037 Telephone (202) 872-8350  
New York Office: 277 Park Avenue, New York NY 10017 Telephone (212) 371-3804

BACKGROUND NOTE

~~No. 10/1974~~

May 22, 1974



## CHINA AND THE EUROPEAN COMMUNITY

China's growing interest in the European Community and its increased contact with EC and national officials in recent years raises the possibility of official Chinese recognition of the Community.

China already has strong commercial ties with the Community whose nine member states form its second largest trading partner. The EC-Nine officially recognize China -- Denmark was first, in 1950; Ireland last, in 1972.

Chinese diplomacy has considerably modified its line on the Community since 1971. In, 1969 the Community was seen as the "center of imperialist contradictions" and described as an "American machination" designed to consolidate Washington's interests. By 1971, the Common Market had become "a balancing factor between the great powers." China now seems to favor the emergence of a strong European federation politically independent of the Soviet Union and the United States. "America and Russia are not to be trusted," Chinese Premier Chou En-lai told visiting Dutch parliamentarians in mid-1973. "Europe must build up her own strength."

China welcomed the accession of Britain, Denmark, and Ireland to the Community in 1973. During the late French President Georges Pompidou's visit to Peking, in September 1973, Chou En-lai told him, "We...support the peoples of Europe in uniting themselves to support their sovereignty and independence." He added: "The cause of European unity, if it is carried out well, will contribute to the improvement of the situation in Europe and the whole world."

In the eyes of some Peking diplomats, there are not two world blocs, Socialist and Capitalist, but four zones: revolutionary countries, the "Imperialist (American and Soviet) bloc," the Third World, and the "capitalist industrial nations in search of their own independence." China now advocates maintaining US troops in Europe for protection against the Soviet threat.

China's new interest in the Common Market became evident on the administrative level in 1972, when the Chinese Foreign Ministry set up an autonomous division for European affairs.

The Chinese press gives the best insight into Chinese official policy trends. Since 1970, the volume of articles on the Community has increased, along with the number of Chinese translations of Commission publications. Additionally, all major EC-related events have been subject to detailed commentaries. EC enlargement was widely supported; the Chinese news agency "Hsinhua" underlined the "more and more marked tendency of the countries of Europe and the West to reinforce their unity and safeguard their interests."

The Chinese press closely followed the October 1972 Paris "Summit" meeting of EC heads of state and government. Noting the internal contradictions, the verdict was that "the member states of the Common Market have decided to advance their union, to reinforce political and economic cooperation, and construct an independent Europe which will assert its personality."

Chinese papers reproduced the December 1973 Copenhagen EC "Summit" European Identity paper almost in its entirety. While dubbing the 1973 European Conference on Defense and Security, the "insecurity conference," "Hsinhua" emphasized the "common position" adopted by the Nine.

#### EC - Chinese Trade

The Community is China's second largest trading partner after Japan. For the first time in many years, the EC commercial balance showed a 50 million unit of account (UA) deficit in favor of China that year. (One UA equals \$1.20635 at current rates.) (See Annex.)

Over 60 per cent of China's exports consist of raw materials and agricultural produce. Because of China's lack of industrialization and wheat shortage, its most important imports are iron and steel (20 per cent), wheat (15 per cent), machinery (14 per cent), fertilizers (13 per cent), and non-ferrous metals (11 per cent).

Japan is the Community's principal rival for Chinese industrial trade. Formal EC-China relations would enable the Community to strengthen the Nine's position in this field. As for metals and fertilizers, China is buying more and more from developing countries.

Unlike other state-trading countries, China does not resort to long-term credit to purchase investment goods. Therefore, the evolution of its export capacity determines trade volume, and its commercial balance.

### EC Rules on Trade With China

The Common Market Treaty's Article 113 on EC common commercial policy applies to all third countries, including China. The same holds true for the Council of Ministers' December 16, 1969 decisions to standardize member state trade agreements and put negotiations for such accords in the hands of the Community. Germany signed a trade agreement with China in December 1972, Italy in 1971, and Denmark in 1957. As of January 1, 1973, the 1969 decisions stipulate that no member state may conclude bilateral commercial agreements with any third country (China included). The Council reconfirmed, on May 7, 1974, that "henceforth all trade negotiations would have to be conducted by the Community.

The Council's 1970 regulation setting up a common regime for imports from state-trading countries also applies to China. It consists of a list of products which can be imported into EC countries under common EC rules. The Council enlarged the list to 509 product categories and 130 partial categories January 21-22.

### Contacts Between China and the Community

Political and economic contacts between China and the Common Market have been increasing since 1971. French President Georges Pompidou was the first EC head of state received in China, on September 11-17, 1973. Five EC foreign ministers visited Peking between July 1972 and May 1973: Maurice Schumann (France), Walter Scheel (Germany), Sir Alec Douglas-Home (Britain), Giuseppe Medici (Italy), and Gaston Thorn (Luxembourg). Additionally, Chinese Foreign Minister Chi Peng-Fei questioned French Prime Minister Pierre Messmer on the Community during a trip to London on June 12, 1973.

Italy's Minister of Trade Mario Zagari visited Peking in May 1971, as did his Belgian counterpart, A. Kempinaire in April 1973.

A London Chamber of Commerce Delegation also went to China, in June 1972, at about the same time the Chinese Committee for the Promotion of International Trade was visiting the Netherlands, Belgium, and trade fairs in Milan, Italy, and Hanover, Germany. The following year, in June, a Chinese banking and insurance delegation went to London.

China-EC contacts have also stepped up on a parliamentary level. Alain Payrefitte, President of the French Parliamentary Association led a delegation of parliamentarians to China in July 1971. The following July, Gerhard Schroeder Chairman of the Bundestag Foreign Affairs Committee was also in Peking. Former French Prime Minister Jacques Chaban-Delmas also visited China as a French National Assembly deputy June 8-17, 1973.

#### China's New Role in International Organizations

China has begun asserting its presence in international organizations, since being admitted to the United Nations on October 25-26, 1971. Chinese representatives participated in the third United Nations Conference on Trade and Development (UNCTAD) meeting in Santiago, Chile in April 1972. On September 27, 1973 China asked to participate in the International Monetary Fund and the World Bank. Additionally, China has made indirect and quiet overtures for a role in the General Agreement on Tariffs and Trade (GATT).

#### Recognition of the Community?

China's overtures toward world organizations may extend to the European Community. In 1971, Aldo Moro who was then Italian Foreign Minister, declared that Chinese recognition of the Community and even the establishment of a diplomatic mission in Brussels was a possibility.

In May 1971, Chou En-lai confided to Zagari that "China would like to organize its relations with the Common Market in a constructive way." The following year he said he was unclear whether sending a representative to Brussels would allow the continuation of separate Chinese commercial and economic relations with each member state. Since then, members of the Chinese Embassy to Belgium have had official contacts with the Commission staff to gather written and oral information of EC functions, policies, and particularly the common commercial policy and external relations.

Although the Community has not received any bid from China to establish formal relations, it would welcome and study any such request. Acting Council President, Ivar Nørgaard, told the European Parliament in September 1973 that China has not yet decided on its position toward the Community and is studying the advantages it could hope to gain.

The Community's heightened interest in potential EC-China relations was reflected in a speech by EC Commission Vice President Christopher Soames before the Overseas Bankers' Association in London February 5, 1973. "We are glad to note China's increasing interest in the enlarged European Community and are conscious of the human and economic potential of that vast country. It is too early to see just how our future relations could develop, but there is surely scope for the tenuous links between us being strengthened to our mutual economic advantage and in ways that could also bring real political benefits." The following month, EC Commission President Francois-Xavier Ortoli declared: "The Community is ready to establish relations with China if she wishes," at a March 29, 1973 press conference,

DEVELOPMENT OF TRADE

Chinese Exports -- in Millions of Units of Account (UA)*		
Year	To EC-Six	To EC-Nine
1958	106.7	163.3
1970	255	348
1971	279	369.1
1972	333	431

Chinese Imports -- in Millions UA		
Year	From EC - Six	From EC - Nine
1958	303	383.4
1970	350	460.8
1971	333	414.9
1972	297	381

Total China-EC Trade in Millions UA			Chinese Trade Deficit in Millions UA	
Year	EC-Six	EC-Nine	EC-Six	EC-Nine
1958	409.7	546.7	- 197.7	- 220.1
1970	605	808.8	- 95	- 112.8
1971	612	784.0	- 54	- 45.8
1972	630	811	+ 36	+ 50

Source = Eurostat Statistical Office of the European Communities

\* one UA equals \$1.20635 at current rates.