



PRESS RELEASE

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CHINA, EUROPEAN COMMUNITY PREPARE TRADE AGREEMENT

Negotiations for a trade agreement between the European Community and the People's Republic of China are to begin Monday in Brussels, where representatives of the two sides are expected to prepare a non-preferential trade framework lasting five years.

The anticipated trade agreement will culminate nearly seven years of accelerated contact between the member states of the nine-nation Community, the world's largest trading bloc, and the world's most populous country.

Despite their conditional view of the Community as a capitalist organization, Chinese authorities now emphasize the importance of the Community as a factor in strengthening Western Europe's independence from the superpowers since the 1960s. Leaders of the nine member states have made numerous visits to Peking since 1971 and within recent years the Chinese press has followed the development of the Community with growing interest. Several articles by the New China Press Agency have commented positively on European summit meetings, and the Chinese have paid particular attention to the Community's policy toward the developing countries.

At the People's Congress in Peking on January 13, 1976, then-Premier Chou en Lai said: "We are helping the countries of Western Europe in their efforts to achieve unity."

Chinese diplomats in Brussels began informal contacts with Commission officials shortly after opening their embassy to the Kingdom of Belgium in 1972. In October 1973, New China Press Agency correspondents were accredited by the Commission press office.

Apart from the purely political aspects, matters of a technical nature have also contributed to the strengthening of contacts between the People's Republic of China and the Community. The bilateral trade agreements between the member states and China expired at the end of 1974, in accordance with the decisions reached by the Community institutions concerning the creation of a common trade policy. Thus in November 1974, the Community sent to the People's Republic of China -- and also to the other state-trading countries -- a memorandum and an outline agreement setting down broad guidelines that might serve as a basis for the negotiations for a subsequent trade agreement between China and the Community.

Following this contact at the beginning of 1975, the Chinese Embassy, acting on behalf of the Chinese Institute for External Relations, invited Sir Christopher Soames, who was at that time vice-president of the Commission with special responsibility for external relations, to make an official visit to China.

Commission Vice President to Peking

Together with a number of senior officials from the Commission, Sir Christopher Soames visited China in early May 1975.

During the talks Sir Christopher had with various high-ranking officials, the Chinese government announced its decision to establish official relations with the Community as such, and to appoint an ambassador to the Community.

At the same time, Chinese government representatives stated their intention to examine favorably the Community's proposal to negotiate a trade agreement suitable to the two parties to replace the bilateral agreements that were then running out. During the visit an initial exchange of views on the various aspects of this agreement, both at ministerial level and at the level of the officials, was begun.

During the June 1975 session of the European Parliament, Sir Christopher Soames expressed his satisfaction with the results of his visit to Peking and his feeling that, in the long term, trade with China offered considerable possibilities for the Community.

On September 15, 1975, the head of the Diplomatic Mission of the People's Republic of China to the EEC, Ambassador Li Lien-Pi, presented his credentials to the President of the Council of Ministers and to the President of the Commission of the European Communities.

At the beginning of January 1976, China reiterated its intention to begin preparations for negotiations leading to the conclusion of a trade agreement. Exploratory talks began between the two parties, but these were to remain purely technical and unofficial. From April 1976 onward, the talks became less regular. A likely explanation for this is the upheaval that was taking place in Chinese political circles in 1976.

At the end of February 1977, the People's Republic of China's second ambassador to the Community, Huan-Hsiang, informed Vice-President Wilhelm Haferkamp, the commissioner responsible for external relations, that China was ready to continue, as early as possible, with the technical and explanatory talks concerning the conclusion of a trade agreement between the two parties. A number of discussions took place in Brussels.

On March 28, 1977, the Chinese authorities invited the Commission to send representatives to China in July to continue the exploratory discussions.

Chinese Bank Director's Visit to Brussels

Pu Ming, vice-chairman of the board of directors and general director of the Bank of the People's Republic of China was met by Vice-President Francois-Xavier Ortoli on June 3, 1977, in Brussels. The Chinese bank official explained that China's aim was to bring the level of trade between China and the Community up to the level of trade between China and Japan, which is Peking's foremost trading partner. Once again, the Chinese delegation expressed its support for the Community.

Commission Delegation's Mission to Peking - July 1977

A delegation from the Commission, led by Roland de Kergorlay, deputy director general of the General Directorate for External Relations, visited Peking from July 4 to 13 to hold exploratory talks with the Chinese government about a possible trade agreement. The Chinese delegation was led by Cheng To-Pin, a departmental director of the Ministry of Foreign Trade.

The exploratory talks lasted from July 4 to 9. The Commission representatives received a particularly warm welcome, indicating the importance to Peking of a strong Community, and the determination of the Chinese authorities to continue the negotiations with a view to concluding an agreement.

The Commission Delegation was received by Li Chiang, the minister of trade, who said that China was still firmly attached to Mao's doctrine. "The country must not only rely on its own efforts to ensure development, but must also increase foreign trade," he said.

Li Chiang said that the current leadership wanted to restore order to the economy and hoped to bring the negotiations for an agreement with the Community to a speedy and satisfactory conclusion.

The exchange of views enabled both sides to clarify their positions on a number of issues.

On September 28, 1977, the Commission submitted to the Council a draft mandate for negotiations with China. On November 22, 1977, the Council directed the Commission to negotiate an agreement between the European Economic Community and the People's Republic of China. It is to be a non-preferential framework trade agreement lasting five years, and containing all the usual clauses. The agreement is expected to permit the setting up of a Community-People's Republic of China joint committee, to ensure the smooth running of the agreement.

CHINESE TRADE

Development of trade between the Community and China has increased steadily over the last few years:

EEC IMPORTS FROM CHINA (In Millions of EUR) (1)

	EUR of 9	FRG	FRANCE	ITALY	NETHER- LANDS	LUXEM- BOURG BELG.	UK	IRE- LAND	DEN- MARK
1975	626	171	130	97	60	33	113	2	16
1976	756	212	153	123	70	41	131	3	21
Indices : 76/75=100	121	124	118	127	117	124	116	150	131

EEC EXPORTS TO CHINA

	EUR of 9	FRG	FRANCE	ITALY	NETHER- LANDS	LUX. BELG.	UK	IRE- LAND	DEN- MARK
1975	1,084	401	284	111	100	36	124	0.01	17
1976	1,034	492	275	99	31	32	96	0.037	7
Indices : 76/75=100	95	123	97	87	31	89	77	370	41

TOTAL TRADE

	EUR of 9	FRG	FRANCE	ITALY	NETHER- LANDS	LUX. BELG.	UK	IRE- LAND	DEN- MARK
1975	1,710	573	414	208	170	69	257	2.01	33
1976	1,790	706	428	222	101	73	227	3.03	28
Indices : 76/75=100	105	123	103	107	59	106	88	151	85

TRADE BALANCE

	EUR of 9	FRG	FRANCE	ITALY	NETHER- LANDS	LUX. BELG.	UK	IRE- LAND	DEN- MARK
1975	+458	+230	+154	+14	+40	+3	+11	-1.91	+1
1976	+278	+280	+122	-24	-39	-9	-35	-2.9	-14

Source : Statistical Office of the European Communities

(1) 1 EUR = \$1.27 in 1976; \$1.32 in 1975

The countries of the Community are China's second most important trading partners after Japan. China's share of the Community's exports was 0.9 per cent in 1975 and 0.8 per cent in 1976.

China also accounted for 0.5 per cent of the Community's imports in 1975 and 1976.

Structure of trade

Ninety per cent of the Community's exports to China is made up of machinery, industrial equipment, transport equipment, other manufactured articles and chemical products.

Half of China's exports to the Community is made up of foodstuffs and raw materials, but the percentage of manufactured goods has increased.

A comparison of 1975 and 1976 figures shows some change in the breakdown between the various products. In the case of Community exports, the percentage of chemical products rose from 11.5 per cent to 13.3 per cent. Machinery and equipment increased from 40.4 per cent to 48.2 per cent (it had fallen in 1974, compared with 1973).

As for Chinese exports, raw materials dropped from 26.9 per cent to 20.9 per cent. The percentage of manufactured goods as a whole, which had increased from 1973 to 1974, dropped from 35.1 per cent in 1975 to 27.9 per cent in 1976.

	Imports from China		Exports to China	
	1975 %	1976 %	1975 %	1976 %
Foodstuffs	23.6	13.6	0.0	0.1
Drinks and Tobacco	0.4	0.3	0.0	0.0
Raw materials (other than mineral fuels)	26.6	20.9	1.0	1.3
Mineral fuels, lubri- cants and ancilliary products	0.2	0.1	0.0	0.1
Fats and oils of animal or vegetable origin	1.2	0.7	0.0	0.3
Chemical products	10.0	6.0	11.5	13.3
Manufactured goods, classified according to materials	21.2	17.0	37.7	32.6
Machinery and transport equipment	0.4	0.3	40.4	48.2
Various manufactured goods	13.9	10.9	1.3	2.0
Products and transactions not classified by type of goods and gold	2.5	30.1	8.0	2.1
<u>TOTAL</u>	100.0	100.0	100.0	100.0

Chinese Foreign Trade Policy

Since 1973, the People's Republic of China has had a substantial deficit, although this has been diminishing over the past two years.

This deficit has obliged the leadership to deal with the problem of obtaining credit. Traditionally, China paid for all its purchases in cash, but its policy in this field appears now to be more flexible. The system of deferred payments, as an exception to the no-credit rule, has been used increasingly for the purchase of equipment and keys-in-hand factories.

Community rules governing trade with China

Until a trade agreement can be negotiated with the Community, and to ensure continuity in trade, the Council agreed on March 27, 1975, to unilateral import arrangements with regard to China, as it had done with other state-trading countries. This decision fixes, on the one hand, the quotas to be opened up in 1975 by the member states for products subject to quantitative limitations, and, on the other hand, lays down the rules and procedures for amending the aforementioned import arrangements, should this prove necessary.

These quotas are carried over every year. At the beginning of October 1976, the Council decided to carry over the 1976 quotas to 1977, a timing that offered Community importers and Chinese exporters the chance to look into trade possibilities at the Canton Trade Fair (October 15 - November 15). Shortly afterward, the Community decided as of January 1, 1977, to slightly increase the quotas for non-liberated imports from state-trading countries by 5 per cent (compared with 1976) for quotas expressed in value terms, and by 3 per cent for those expressed in volume. China's quotas were, on average, increased by a greater percentage than those applied to other supplier countries.