

EUROPEAN BACKGROUND INFORMATION COMMUNITY

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BACKGROUND NOTE

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CHINA FURTHER STRENGTHENS LINKS WITH EUROPEAN COMMUNITY

Culminating four years of increased diplomatic and commercial contacts with Europe, China has become the second Communist nation after Yugoslavia to officially recognize the European Community.

Sir Christopher Soames, EC Commissioner in charge of external relations, made the announcement at a press conference in Peking on May 8 following several days of talks with officials from the Chinese Foreign Ministry.

Soames remarked that he was "very satisfied" with China's decision and its willingness to negotiate a trade agreement with the EC Community once ambassadors have been exchanged between Peking and Brussels.

All nine EC member states have granted diplomatic recognition to China -- Denmark was the first to do so, in 1950, Ireland the last, in 1972.

Chinese diplomacy has considerably modified its line on the European Community over the past few years. In 1969, the Community was perceived as the "center of imperialistic contradictions" and described as an "American machination" designed to consolidate the interests of the United States. By 1971, however, the Community was viewed as "a balancing factor between the great powers."

China now seems to favor the emergence of a strong European federation independent of the Soviet Union and the United States. "America and Russia are not to be trusted," Chinese Premier Chou En-lai told a group of visiting Dutch parliamentarians in mid-1973. "Europe must build up her own strength."

EC enlargement was widely supported by the Chinese. During the late 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."

Since 1970, the Chinese press has given more coverage to Community events and has increased the number of Chinese translations of Commission publications. The October 1972 Paris "Summit" meeting of EC heads of state and government was closely followed. Noting the internal contradictions, the interpretation 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."

China's increasing interest in the Community was confirmed on the administrative level in 1972, when the Chinese Foreign Ministry established an autonomous division for European affairs.

China's heightened interest in Europe elicited a positive response in EC circles, and at a press conference held March 29, 1973, EC Commission President Francois-Xavier Ortoli declared: "The Community is ready to establish relations with China if she wishes."

The Chinese decision to recognize the Community during Soames' visit followed separate trips to Peking earlier in 1975 by Dutch Foreign Minister Max van der Stoel and Belgian Prime Minister Leo Tindemans, who were told by Chinese foreign officials that they were "actively studying" the Community plan for relations with state-trading countries. As of January 1975, the EC possesses sole competence over trade deals affecting the external commercial policy of the nine EC member states.

EC - Chinese Trade

The Community is China's second largest trading partner after Japan. In 1974, the Community registered a \$130.29 million trade surplus with China.

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 the commercial balance.

Most of China's exports consist of raw materials, such as oil. Western experts believe that China's continental oil supplies, coupled with new offshore discoveries in the Yellow Sea, could provide substantial opportunities to boost commercial income. David K.E. Bruce, former American envoy to Peking and now US Ambassador to the North Atlantic Treaty Organization, (NATO), told the US Senate Foreign Relations Committee last fall that China may well earn up to \$1 billion a year in the near future from its oil exports.

Because of its lack of industrialization and chronic shortages of some agricultural goods, China's key imports are iron and steel (20 per cent of its total imports), wheat (15 per cent) and machinery (14 per cent). Community exports could fulfill most of China's needs in these sectors, but even if a major trade agreement is reached, EC exporters will face stiff competition from China's highly industrialized neighbor, Japan.

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 | 428 |
| 1973 | 423 | 535 |
| 1974 | 509 | 663 |

| 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 | 298 | 378 |
| 1973 | 428 | 597 |
| 1974 | 626 | 771 |

Source = Eurostat Statistical Office of the European Communities

* One UA equals \$1.20735 at current rates.