

MEMO 3/87

Brussels, 9 January 1987

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EEC-CHINA JOINT COMMITTEE

The EEC-China Joint Committee will meet on 12 January 1987 in Brussels. The Chinese delegation will be led by Mrs Yang Danhua, Assistant Director at the Ministry of Foreign Trade and Economic Relations and that of the Community by Mr Jos Loeff, Deputy Director-General for External Relations.

Items on the agenda will include a discussion of the functioning of the Co-operation Agreement and a review of the development of trade and the prospects for trade and economic and commercial co-operation between the two parties.

Development of EEC-China relationship

Formal diplomatic relations between China and the European Community were established in 1975 with the accreditation of the first Chinese ambassador to the EEC. In 1983 the mission was also accredited to the ECSC and Euratom. Since then there have been many more contacts between the Community and the Chinese authorities.

In 1983 the Commission and the Chinese authorities agreed to hold regular ministerial-level meetings to discuss all aspects of EEC-China relations. Moreover, ministerial-level consultations between the Chinese authorities and the Community have taken place in the political cooperation framework since 1984.

There were many contacts between China and the Community in 1985, the tenth anniversary of the establishment of diplomatic relations. In May a cooperation agreement was signed in Brussels and at the same time high-level consultations took place between a Chinese delegation led by Mr Zheng Tuobin, Minister for Foreign Economic Relations, and a delegation from the Commission led by Mr Willy de Clercq, Member of the Commission with special responsibility for external relations. In October a symposium on "the new technology revolution" took place in Beijing. Mr Karl-Heinz Narjes led a delegation which included ten prominent figures from Europe. In the same month, a delegation from the European Parliament met a delegation of the Parliament of the People's Republic of China.

In December 1985 Mr De Clercq opened an EEC-China Business Week in Brussels which was attended by a large number of business people from both sides. Lastly, Mr Jacques Delors, President of the Commission, made an official visit to China in July 1986.

EEC-China Trade Agreement

Until the end of 1974 trade relations between China and the EEC Member States were governed by bilateral agreements between China and each Member State. In that year the Community took over responsibility for all trade relations with state-trading countries and in November 1974 the Commission sent a memorandum to China and to other state-trading countries expressing readiness to conclude a trade agreement. Following negotiations with China, an Agreement was signed in Brussels on 3 April 1978, and came into force on 1 June of the same year.

The Agreement was a non-preferential commercial cooperation agreement concluded for five years and automatically renewable each year thereafter, under which the two parties accorded each other most-favoured-nation treatment and undertook to develop their mutual trade.

EEC-China Trade and Economic Cooperation Agreement

As it was felt that there was a need to strengthen and broaden cooperation, the Community and China negotiated a new Agreement at the end of 1984, adding economic cooperation to the trade provisions of the previous Agreement. It was signed on 21 May 1985.

It is an open agreement which does not exclude any form of economic cooperation falling within the Community's sphere of competence. Sectors covered in the initial stage include industry, mining, agriculture, science and technology, energy, transport and communications, environmental protection and cooperation in other countries. Proposed cooperation activities include joint ventures, the exchange of economic information, contacts between business people, seminars, technical assistance and investment promotion.

The Community has expressed readiness to continue operations designed to foster economic development in China under its development aid programme, and confirmed that it is willing to look at the possibility of increasing and diversifying the operations.

The Agreement is for five years and will then be automatically renewable on an annual basis.

Trade Structure and Development

In 1985, trade between the Community and China grew at an unprecedented 54%, reaching a total of 10.3 billion ECU.

From 1982 to 1985 China moved up from 38th place to become the Community's 26th largest supplier and from 35th place to become its 13th largest customer. Trade with China accounts for 1.3% of the Community's total trade.

China's main trading partner in 1985 was again Japan (30.1%), followed by Hong Kong (17.8%). The Community has taken third place with 11.9%, slightly ahead of the United States (10.7%).

The trade balance is in the Community's favour, the surplus totalling 2,735 MECU, compared with 297 MECU for the whole of 1984.

The textile industry, which still accounts for the bulk of imports, represents 37% of total imports, to a value of 1,412 MECU in 1985.

Exports of chemicals also increased by 19%, from 314 MECU to 374 MECU.

Community exports to China totalled 6,537 MECU in 1985, practically doubling from 1984 (3,508 MECU).

Community exports to China were boosted mainly by the mechanical engineering and transport equipment sector; this sector dominates Community exports and grew from 794 MECU to 2,659 MECU, an increase of 225%. Steam boilers and machinery accounted for 60% of this sector overall, with 1,666 MECU.

Iron and steel exports rose from 402 MECU to 969 MECU, an increase of 141%, thus retaining second place in the Community's exports.

Exports of chemicals increased moderately (7%) from 326 MECU to 348 MECU.

The Community's main imports from China are textiles and clothing, agricultural products and chemicals. Its main exports to China are machines, steel products and again chemicals.

Trade between China and the EEC

| | (million ECU) | | | | | | | |
|-------------|---------------|------|------|------|------|------|------|--------|
| | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 * |
| EEC Imports | 1320 | 1907 | 2284 | 2334 | 2665 | 3211 | 3802 | 3124 |
| EEC Exports | 2104 | 1734 | 1894 | 2045 | 2755 | 3508 | 6537 | 4770 |
| Balance | 784 | -173 | -390 | -289 | 90 | 297 | 2735 | 1646 |

Source: EUROSTAT

The ECU/Dollar exchange rate varies daily as the various EC currencies which make up the ECU fluctuate against the dollar. One ECU was worth US\$ 1.24 in 1975, US\$ 1.37 in 1979, US\$ 1.39 in 1980, US\$ 1.12 in 1981, US\$ 0.98 in 1982, US\$ 0.89 in 1983 and US\$ 0.83 in 1984.

Generalized Preferences Scheme

In 1980, China was included for the first time as a beneficiary of the Community's generalized preferences scheme. The range of products for which China has obtained the duty-free access provided for under the scheme has been steadily widened.

Textiles

In 1979, the Community and China negotiated a Textile Agreement, supplemented by the additional Protocol of 29 March 1984, which specifies the quantities which can be exported by China up until 31 December 1988.

This Agreement provides a framework for the Community's textile and clothing imports from China. In return for greater access to the Community market, the Chinese authorities have undertaken to maintain

* 9 months (Community of 12)

the present balance in textile trade between the two sides, supply specified minimum quantities of certain raw materials required by European manufacturers (pure silk, angora, cashmere) and comply with a price clause.

In an additional Protocol to the agreement, initialled in Beijing in March 1984, the Chinese authorities agreed to continue their policy of export restraint towards the Community for a further five years. The new Protocol also incorporates anti-surge and anti-fraud mechanisms into the Agreement, similar to those negotiated with the Community's other textile trading partners, and aligns the basket exit system (by which new quantitative restrictions can be established) with the model used in other agreements.

China has become the second largest supplier of MFA textile products to the Community and is the only non-member country to have substantially increased its share in terms of both volume and value since 1975.

Cooperation activities

Community cooperation activities, which are in addition to each Member State's own activities, are being stepped up and diversified. They include both traditional sectors such trade promotion, technical assistance in agriculture and the training of interpreters, and also new activities in information technology, energy, science and technology, business management and biotechnology.

Trade cooperation

In April 1981, the Commission organised an EEC-China Business Week in Brussels, bringing together more than 800 representatives of European and Chinese economic circles. As a follow-up to the Business Week the Commission organized a seminar in July 1982 on the reform of China's foreign trade system in which Chinese officials participated.

Another EEC-China Business Week was held in Brussels early in December 1985. Many contacts were made between Chinese representatives and European businessmen and numerous contracts were concluded.

The visiting Chinese group was remarkable not only for its size (around 200 people) but also for the status and representative nature of the participants (eleven provinces, towns or cities and as many as ten sectors were represented). Some 300 projects were presented by the Chinese side.

On the Community side, 225 firms took part (providing a total of 310-320 representatives drawn from 11 Member States, including Spain and Portugal).

Technical Assistance

The Commission decided in March 1984 to allocate 3.5 MECU to a business management training programme in China, as part of its programme of aid to non-associated countries. The Community will provide aid for the launching of a tertiary-level business training programme in Beijing which will be based on project work in China. It will enable successful students to do further on-the-job training in Europe.

In November 1984, the Commission allocated a further 3.3 MECU to two rural development projects in China.

In 1985 6 MECU was allocated for development projects.

Scientific and Technological Cooperation

The Community and China have cooperated in the field of energy since 1981. For the most part, this has involved Europe assisting China in the training of over 1200 officials responsible for planning in the energy sector, and various exchanges of experts from both sides to study the specific problems in this sector.

A new sector of cooperation is information technology and telecommunications. Although cooperation here is still in its infancy, five projects were adopted by mutual agreement in 1985. They concern standardization, data banks, office technology, information technology and energy programming software.



