

INFORMATION

EXTERNAL RELATIONS

THE PEOPLE'S REPUBLIC OF CHINA AND THE EUROPEAN COMMUNITY 168/78

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CHINA AND THE EUROPEAN COMMUNITY

The Chinese authorities have made clear their attitude to the building of Europe on many occasions, and in particular during the numerous visits which have been made to Peking since 1971 by eminent figures from the Nine Member States of the Community.

Although the Chinese authorities have always regarded the European Community as a capitalist organisation, since the 60's, they have, nevertheless, emphasised the importance of the Community as a factor in strengthening Western Europe's independence from the big superpowers.

According to the Chinese leaders, Europe is the key-point in the rivalry between the superpowers. At the People's Congress in Peking on 13 January 1975, Chou en Lai declared, "We are helping the countries of Western Europe in their efforts to achieve unity".

China's interest in the building of Europe goes back to the beginning of the 1970's. Over the last few years, the Chinese press has followed the development of the Community with growing interest. Several articles by the "New China" Press Agency have commented on the various "Summit" meetings in an extremely positive manner, and particular attention has been paid to the Community's policy with respect to the developing countries.

The interest which the Chinese authorities have shown in the Community has been reflected by an achievement at diplomatic level. Since the opening of the Chinese Embassy to the Kingdom of Belgium, Chinese diplomats have begun the process of informal contact with Commission officials, in order to learn about the way in which the Commission works and its internal and external development. In October 1973, "New China" Press Agency correspondents were accredited by the Commission Spokesman.

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 together with an outline agreement setting down the broad guidelines which 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.

SIR CHRISTOPHER SOAMES TALKS IN PEKING

Sir Christopher Soames, together with a number of senior officials from the Commission, visited China between 4 and 11 May 1975.

During the talks the Vice-President 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, the Chinese Government representatives stated their intention to favourably examine the Community's proposal to negotiate a trade agreement suitable to the two parties, to replace the bilateral agreements which were then running out. During the visit it was even possible to begin an initial exchange of views on the various aspects of this agreement, both at ministerial level, and at the level of the officials.

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 15 September 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.

From that time on, explanatory talks began between the two parties. These were to remain of a purely technical and unofficial nature. From April 1976 onwards, these talks became less regular.

A likely explanation for this is the upheaval which 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, Mr Huan-Hsiang, informed Vice-President Haferkamp, the Commissioner responsible for external relations, that his country was ready to continue, as early as possible, with the by then infrequent technical and explanatory talks concerning the conclusion of a trade agreement between the two parties, and a number of discussions took place in Brussels.

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

THE VISIT TO BRUSSELS OF MR. PU MING, VICE-CHAIRMAN OF THE BOARD OF DIRECTORS AND GENERAL DIRECTOR OF THE BANK OF THE PEOPLE'S REPUBLIC OF CHINA

Mr. PU Ming, who was met by Vice-President Ortoli, on 3 June 1977, 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.

MISSION TO PEKING OF A COMMISSION DELEGATION - JULY 1977

Taking up the invitation made by the Chinese Authorities in March 1977, a delegation from the Commission, led by Mr. R. de Kergoat, Deputy Director General of the General Directorate for External Relations, visited Peking from 4 to 13 July 1977 to hold exploratory talks with the Chinese Government about a possible trade agreement. The Chinese Delegation was led by Mr. Cheng To-Pin, Director of the Third Department of the Ministry of Foreign Trade.

The exploratory talks lasted from 4 to 9 July 1977. Significantly, the Commission representatives received a particularly warm welcome, showing how important it is to Peking to have a strong Community, and how determined the Chinese authorities were to continue the negotiations with a view to concluding an agreement.

The Commission Delegation was received by Mr. 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.

The Chinese Minister of Trade explained 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 28 September 1977, the Commission submitted to the Council a draft mandate for negotiations with China. On 22 November 1977, the Council called upon 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.

Moreover, the agreement should permit the setting up of a Community-People's Republic of China joint Committee, to ensure the smooth running of the agreement.

TRADE BETWEEN THE PEOPLE'S REPUBLIC OF CHINA AND THE EUROPEAN COMMUNITY

Development : 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	BLEU	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	BLEU	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	BLEU	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	BLEU	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 US \$

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% in 1975 and 0.8% in 1976.

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

Structure of trade

90% 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% to 13.3%. Machinery and equipment increased from 40.4% to 48.2% (it had fallen in 1974, compared with 1973).

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

	Imports from China		Exports to China	
	1975 %	1976 %	1975 %	1976 %
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 trans- actions not classified by type of goods and gold	2.5	30.1	8.0	2.1
TOTAL	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 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.

Since then, 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 in order to ensure continuity in trade, on 27 March 1975, the Council agreed to unilateral import arrangements with regard to China, as it had done with regards to 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, this timing offering the advantage of enabling Community importers and Chinese exporters to look into trade possibilities at the Canton Trade fair (15 October - 15 November). Shortly afterwards, the Community decided for 1 January 1977 to slightly increase the quotas for non-liberated imports from state-trading countries by 5% (compared with 1976) for quotas

expressed in value terms, and by 3% for those expressed in volume. China's quotas were on average increased by a greater percentage than those applied to other supplier countries.

Progress has also been made in the field of the liberalisation of trade.

On tariffs, since the Community would not wish to hamper the development of trade, as it stated on 12 November 1974, it is continuing to apply the most favoured nation treatment, with the usual exceptions.