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China-EC Economic Relations: China as a Gateway to the Asia-Pacific Region for the EC

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Introduction

The world economic center is shifting to the Asia-Pacific region, the fastest growth and the more stable economic region in the world in the twenty-first century. It is not only the outlook for the brilliant prospects of the future, but also a reality even at this moment. China is the biggest development country of the Asia-Pacific region, and is regarded as one of Asia's potential regional power in the next century. It is very important to understand China's current economic cooperation with its neighbors of the Asia-Pacific region, further bilateral relationship with the EC and its potential regional significant roles to be a gateway for the EC economic presence either in the great potential Chinese market with 1.2 billion consumers or in the even broader Asia-Pacific market especially those unexploited market. When the global economic enters the 1990s, there is an evidence of a slowdown in the economic growth in the most industrial countries. The United States with both heavy deficits in public finance and the foreign trade, is still in the weakness of the economic recovery in 1993. The major four countries of European Community, Germany, France, the United Kingdom and Italy, subdued to the increasing numbers of unemployment and the serious economic recession, the economic growth of this year is seemed to -0.5% within the European Community. The process of the Single European market of 1992 has sluggishness as the rising problems of the European Monetary Crisis and the heavy economic burden after the unification of Germany. The disintegration of the former Soviet Union, the continual civil war in Yugoslavia and the difficult periods of the Eastern European countries transforming to the market economic system, make their economies sunk into the grave crisis with both the decline of industrial outputs and the increase of rate of unemployment.

Despite the economic recession in much of the industrial countries, it appears to have more stability and prosperity of the political and economic situations in the Asia-Pacific region. Known as a new economic growth center on the global, the Asia-Pacific region could still keep the economic growth at about 5% in the 1990s. For the region as a whole, the volume of exports grew by 13% in 1991, nearly four times more than the growth rate of the world trade. The seven fast-growing economies, Hong Kong, Indonesia, South Korea, Malaysia, Singapore, Taiwan and Thailand have accounted for much of the expansion of regional trade and have continued to make great economic achievements within the region. The most important country China, since the economic reform in 1979, the growth of GNP has averaged annually at about 9% within the period 1980-1990. After slowing markedly in 1989-1990, the growth of GNP in China raised to 7% in 1991, and up to 12.8% in 1992 as the results of the reopendoor to the outside world and the strengthening the paces of the economic reforms. If the China's economic performance would continue to grow as the past 14 years, China is likely regarded as a most promising export power and Newly Industrial Country in the Asia-Pacific region in the twenty-first century.

Since 1985, the Asia-Pacific economic has kept a continuous rapid growth, the mutual demand, trade and investment within the region have enlarged, emerged into a huge consumer market, especially in the subregion of Newly Industrial Countries and Zones, the Southeast Asia countries as well as the Chinese Coastal Zones. Beyond its political stability, its success belongs to their correct economic development strategy, the export-oriented industrial policies and the adjustment of its economic structure. The intra-trade within the Asia-Pacific region has reached 66%, will be over 25% of the share of world trade compared to that of the EC whose internal trade accounts for 17%. The significant proportion of the intra-trade within the region mostly is due to the special increasing exports to the China's market. The across board economic linkages that were once impossible to imagine are developing rapidly: China's trade with South Korea is at least ten times of its trade with North Korea; China is Taiwan's fastest growing export market; and the intra-trade is flourishing between China and Russia and Vietnam.

With both the unfavorable external and internal conditions, the Western European countries have taken the interests in the countries of the Asia-Pacific region and have reconsidered this region as their most favorable choices after setting up the New Asian Policies. At the beginning of 1993, the Prime Ministers of the four European countries, Germany, France, the United Kingdom and Spain have poured into several Asian countries with strong desires of their interference's into the broader potential Asia-Pacific market and their involvement of the new economic cooperation with the Asia-Pacific region. After visiting Vietnam and Cambodia at Feb. 9-20, the French President Mitterrand expressed his great ambitions to return to the Indo-China scenario in the Asia-Pacific region. The Germany was also active to expand their shares of world trade in Asian region, the Prime Minister Kohl accompanied on Feb. 28, a group of German entrepreneurs to visit India, Singapore, Indonesia, Japan and South Korea, five Asian countries at the target of entering more space into the Asian market for German

enterprises. When the Spanish Prime Minister González visited China on Feb. 10 with a very important delegation of Spanish government in furthering development of economic cooperation between Spain and China, he said that the current rapid economic development of China is not only very important of itself, but also more meaningful to the economic development of the whole world.

The EC has long time to incline to see prior political obligations of the Third World countries covered by Lomé Conventions, which has been appreciated by China for the EC's efforts in promoting the dialogue between the North-South relations, but unfortunately, it is not aware of the reality of the up-rising economies of the Asia-Pacific region. By expanding the EC's involvement's in Latin American or the other depressed regional market, they have lost much world trade shares on the Asia-Pacific region. The current situation will not allow the EC continuing to lose ground in the Asia-Pacific region. The EC has recognized that the strong ties with the Asia-Pacific region could assist the moment recovery from the economic recession. The governments of European countries encouraged their firms to emerge in the Asia-Pacific region to do business in order to help their governments to overcome the current economic difficulties, as the governments have promised to provide as much conveniences as possible on policy and administrative management.

Recently, Germany's Orient Economic Committee has published a declaration stating that China 's growth reached 12.8% in 1992, the fastest growth country in the world, and China has become the bigger foreign trade country, ranking 11 in the world. They stressed that in the coming years, China would certainly increase its imports to meet its need of the fast growth economies, the main imports of the high-technology, communication, energy, telecommunication, raw material industry and agriculture were exactly the Germany's strong exports. They also noticed that in recent years, China has improved the investment environments for the foreigners, which was ever more charming for the Germany's investors. They concluded that the moment Chinese situation offered the best opportunity to the Western European countries to do business and to invest in China and opened the wider prospects of economic cooperation between China and the Western European countries.

In the European countries, the Germany is the first country who set up the New Asia Policy in exploiting actively their products and capital market in the Asian region, especially in China. Germany is an important trade partner for China in Europe, and the economic and trade relations between two countries are getting well in these years. In 1992, the total amounts of the two-way trade amounts reached US\$ 6.5 billion. The first half year of 1994, the two-way trade reached US\$ 3.9 billion, increased 57% than that of the same period of the year before. In Nov. 1993, the Prime Minister Kohl visited China with a big economic delegation and signed total values of US\$ 2.8 billion of contracts with China. Germany also occupies the number one in the European countries to invest and to export the technical projects to China. The Prime Minister Kohl expressed his strong interests to support the Chinese economic reform and the Chinese reintegration of the GATT as a founder's position. During this significant visit, both countries discussed the new channels to strengthen the bilateral economic, trade cooperation in extensive ways in the future.

1994 is the year to better the bilateral relationship between China and France, At the beginning of the year, the French Government adjusted the Asian Policy. The main contents of the Asia Policy are that they will transfer the foreign investment of small- middle sized enterprises within the French Foreign Trade Center into the Asian region. The values of investment to the Asian region will be increased from 5% of the total investment in 1992 to that of 15% in 1995. Within this period, the investment to the Asian region of French Technical Cooperation Office will be increased from 20% of the total values to 30%. The French Government set up the objects of increasing the shares of the French products in the Asian region from the current 2% to about 7% within the five years, increasing the French total export values in the Asian region from 7% to 10%.

It is clear that Asian region will be the center of the french foreign trade for France, and China will be always the most potential market for France. The Chinese economic reform has moved smoothly forward and the GNP has been increased at rate of 13% in these two years. At the Jan.1994, the two governments have signed a new agreement to normalize their relations. This will provide new occasion to have more economic, trade and technical cooperation between two countries.

This essay will describe the new opportunity and challenge of the economic relations in the 1990's between China and the EC, of course, it is necessary to review the past mutual economic relations in the 1980's; and will analyze the China's potential regional power in the next century, which are supported by the economic integration with Hong Kong and Taiwan as well as the driving force of the large number of Overseas Chinese all over the world, and its involvement of the Asia-Pacific

Economic Cooperation in the region; Finally, it will assure China's ever more important roles to be three gateways for the EC: 1). access to the Asia-Pacific region, through China's leading roles together with Hong Kong, Taiwan in the Asia-Pacific Economic Cooperation on policy-decision of the economic integration with the rest of regional organization in the world; 2), access to the Newly Industrial Countries and Zones, through China's increasing economic activities with its neighbors in the Asia-Pacific region; 3). to the single country such as Vietnam, through China's influences upon them on the ways toward the regional economic cooperation.

Economic Cooperation Achievements between China and the EC in the 1980s

China and Europe, being on the two extremes of the Eurasian Continent, are two major economic and political powers in the multipolar international surroundings and are playing ever more important roles in the world economy and political affairs.

Early in the 1970's, China was in favor of the process of European Economic Integration. During the end of transitory period, the EC made a decision that the member states of the EC couldn't sign the bilateral commercial agreements with the third country, only the EC was responsible for the Commune Commercial Policy concerning the commune tariff modification, the export policy and economic, commercial and cooperative agreements. All the bilateral commercial agreements between the member states and the third countries would expire at the end of 1972. The EC sent the agreement schedules to the representatives of the third countries in Brussels or Geneva with a memorandum declaring to open new negotiations to substitute the commune commercial agreements for the bilateral commercial agreements with the member states. The Chinese Government was the first country who replied the EC with the invitation of the EC's officials to visit Beijing, and the next year of May 1975, the Chinese Ministry of Foreign Affairs announced a decision to establish the official relationship with the EC.

Since China and the EC have established their diplomatic relations in 1975, remarkable progresses have been made in their two-way trade and economic cooperation. China and the EC have different features in their economic conditions with various stages of their economic developments, China is the biggest developing country with a vast territory, rich natural resources, and a great potential market, the EC countries are highly developed in their economies, with their advanced technology and enough capitals. With the common wills and interests to keep a peaceful world and prosperity of world economy, the capitals, technology, equipment's and managerial skills of the EC countries have been the beneficial resources to meet the eager needs of the China's economic development in the process of its Four Modernization under the open-door policy to the outside world.

The broad evolution of China and the EC's economic relations began in 1978, after signing of the several accords on both sides, the first trade agreement in 1987, the second textile agreement in 1979 and two new agreements separately substituted for the precedent agreements in 1984. After that, China had an important diplomatic office presented in Brussels and the EC set up representatives in Beijing. Also the China-EC Joint Committee was the most institutionalized component of the bilateral interaction, though an annual joint meeting to undertake several economic activities, such as organizing numbers of joint seminars, discussing the economic and technical problems raising up among their economic relations, promoting the training agreements of the young professionals and the mutual high-official visits. These active interactions offered good chances to the mutual understanding and finally assured a smooth operation of the trade and economic agreements in resulting of the rapid development of the economic relations between China and the EC in the 1980s.

The first aspect is the great achievement of the quick increase of two-way trade between China and the EC. According to the Chinese Customs Statistics, the EC occupied a very important position in China's foreign trade. The two-way trade between China and the EC amounted to US\$ 12.86 billion, about 17 times than that of 1975. In 1989, the trade value reached US\$ 13.97 billion, which occupied 12.8% of the total value of China's foreign trade, ranking the third trade partner of China, only after Hong Kong and Japan. It is worth to mention that Hong Kong is an active transfer port, 90% Chinese exports to Hong Kong is transferring to other countries of the world. In 1989, 20% of Chinese exports to Hong Kong transferred to the EC countries, which was as the same amounts as the China's direct exports to the EC countries. If considering this fact, the EC is the second trade partner of China. The

shares of China's imports and exports are very small in the EC's foreign trade, but with a potential great market of 1.2 billion consumers, China is always a great attracting trade partner for the EC. The other aspect is the great achievement of the rapid expanding of the EC's foreign investment in China. Since 1979, the Chinese economic reform policy has opened the door for the foreign direct investments from all over the world in China. Generally speaking, the low-wage labors and the potential domestic market are two important factors to introduce the foreign investments. In contrasting to the United States and Japan, the EC is less competitive in transferring the sophisticated technology, but the EC is considered as the first one of technology providers in 1986 to China. The traditional European investors are mainly the countries of Italy, Germany, the United Kingdom, Spain and France. Total amounts of European investments are not very great on the whole. As the European enterprises were encouraged by the EC to associate their firms with Chinese firms, anyhow, its shares of foreign investments have been raised from 9% in 1979 to 20% in 1987 of the total amounts of Chinese foreign direct investments, only behind that of Japan, but higher than that of the United States. Chinese commentators have highlighted the EC as a main supplier of technology, equipment and as the most important partner in science and technology to China.

In the Chinese rapid economic development, the European enterprises with numerous economic activities in China have played the positive roles. During the 1980s, China has concluded with the EC several important economic, technical agreements, which were concerning energy, manufacturing, services, the nuclear, automotive, glass and telecommunication. For example, in agricultural sector, the EC provided US\$ 92.9 million technical aid to China to develop Chinese dairy industry between 1988-1992, which has been the biggest EC's project of the agricultural cooperation with China since 1984. It was expected to overhaul the 1980s, the industry and service sectors have also become the main objects of European investments, such as the automobile of the traditional industrial sector, and also the telecommunication of the high-technology sector. A number of technical, well-equipped and high visible industries have been set up in Shanghai: the Shanghai-Bell Telephone Equipment Manufacturing Company, which was a joint venture investing by the Belgian Company in US\$ 100 million; the Volkswagen Automobile Co. Ltd. by Germany, the project in US\$ 160 million with the targets to manufacture 60,000 Santana cars and 100,000 engines a year since 1990; Shanghai Yaohau Pilkington Glass Company Ltd. by Britain, which had the capacity to provide 50,000 standard crates of glass using a floating process. These joint ventures established by the EC countries have gone into well operation and performed generally quite well both in production and management. The competitive products of the joint ventures were well sold in the Chinese domestic market, and formed a main part of Chinese exports in the international market.

In examining the economic relations between China and the EC in the 1980s, there was a growing obstacle of protective trend of the EC market toward the Chinese textile and clothing exports. Some of the Chinese textile products have already had high competitive capabilities in the international market, but the EC market was impossible to open its door easily for the Chinese textile exports, instead of taking a series of restrictive measures including limited quota and anti-dumping against the Chinese textile exports. This had heavily influenced the two-way trade relations in the 1980s and the problem has existed till now. This was the reason why the deficits of Chinese trade with the EC is so great during that period. Apart from this, the EC countries had reached agreements with China on the sovereignty of Hong Kong and Macao after several times of the negotiations, and Hong Kong and Macao would be back to China at the end of this century. The EC also expressed their wishes to undertake the two-way trade with Taiwan in an unofficial form in order to keep the good relationship with China. Further more, both China and the EC were engaging in signing a new high-technical cooperation agreement on biotechnology which was specialized to the practical value of China at the late years of the 1980s. The economic relation between China and the EC in the 1980s showed the smooth and stable development and seemed to be wider prospects of their future economic cooperation.

It was a great loss that the economic cooperation between China and the EC which was going on well and was full of promising terminated since the Tiananmen Incident of June 4, 1989, and the China's economy which had just gained much benefits from the economic reform performance under the open-door policy found the manifest difficulties in the international surroundings. In order to rebuild the foreigners new confidence in China persisting economic reform, the Chinese authorities had to be a new image in the world and presented a much more political, socio-economic stable China to the world. After nearly two years arduous efforts on both sides of China and EC, the mutual economic relations have gradually normalized and improved by the mutual friendly high-official visits. At the end of 1991, Britain's Prime Minister Major and the Italian Prime Minister Andreotti separately visited China with successes, this meant a significant breakthrough on the two years' broken relationships with China and presented a new initiative of the good desires improving the economic relation with China. Accepting a reciprocal invitation, the Chinese Premier Li Peng visited the European countries; Malta, Portugal, Spain and Italy in Jan. 1992, thoroughly ended the Chinese difficult economic period with the linkage of the outside world since 1989.

Almost at same time, the Chances authorities have declared the continuation of its economic reform under the open-door policy for 100 years, confirming its further considering the Shanghai's Pudong Development Area as a new Special Economic Zone in the 1990s, immediately after the Deng Xiaoping's Southern Tours of Four Special Economic Zones. The new Chinese decision has been highly appreciated by the Chairman of the EC, Delors, who said that as China would be playing ever more important roles in the international affairs, the EC might be the first and the foremost to reconsider the mutual economic relation and strengthen the cooperative relation in all aspects with China, this cooperative relation would be in correspondence with the common responsibilities shared by the EC and China in the world. In China, the Chinese Foreign Minister Qian Qichen said that China and the EC had a long history of reciprocal economic relations, both sides have made tremendous successes in many economic fields, China would also show its strong desires to develop the further economic relation with the EC.

In recent years, the economic performance between China and the EC is advancing forward healthy. Taking the two-way trade of China with the EC as an example, the value in 1991 reached US\$ 17.3 billion, up 11% than that of 1990 and the value in 1992 accounted for US\$ 19.8 billion. The increasing high-official visits of the European countries to China have resulted the signing of varies new contracts on economies, trades, credits, science and technology. The EC's foreign investments in China in 1992 raised to US\$ 2.2 billion compared to that of US\$ 1.5 billion in 1988. It is worth to mention that the third trade agreement in 1984 between China and the EC had terminated in 1988 and now two sides have opened the new negotiations for several times to sign a new bilateral trade agreement. In Feb. 1994, the China-EC Joint Committee hold a meeting in Beijing. Two parts reviewed the evolution of bilateral economic relation since the conclusion of the economic, commercial agreement in 1985. During the meeting, Mr. Leon Brittan expressed that the EC supported the Chinese reintegration of that GATT as a founder's position and wished this negotiation would be ended successfully as early as possible. The Chinese part stressed that China would assist firmly the reform of economic system and foreign trade system in correspondence with the principles of the GATT. The two parts discussed the problems existing in the agriculture, finance service, the intellectual proprietary, as well as the continuing to persist the principle of non-discrimination, the anti-dumping policy in the bilateral economic and commercial relation. They also exchanged their views in further their cooperation in fields of ambient protection, industrial, commercial investments, and the training of the Chinese professionals of the economics, trade policy, law, management and telecommunication. The more important thing is that two parts have reached in agreement to establish a China-Europe International Commercial Institute in Shanghai at the end of 1994. China is now under the transitory period moving gradually forward to the market economy, is eager to learn from the useful experiences of the industrialized countries. This Institute will be certain to train lots of qualified economic experts who could make more contributions in promoting the mutual understanding, the manual economic cooperation between China-EC in the 1990s.

1990s begins the new historical stage of the economic relation between China and the EC, which is full of new opportunities and challenges. The world economy in the 1990s is characterized by two evident developing tendencies.

Firstly, the world economic is getting more and more interdependent both between the industrial countries themselves and among the developed countries and the developing countries. With the internationalization of production, capital and trade, the world economy as a whole has become more volatile, complex and has tightly interconnected in a fragile interlocking system.

Secondly, the new world economic order is clearly based on the ever growing regional economic integration which are obviously dividing into three big trade blocks, the United States-Canada-Mexico trilateral free trade zone possibly plus other Latin American countries to form an American Economic blocs; The European Community's 1992 program of completing the single market of integrating the original twelve EC countries possibly extending the seven Eastern European countries forming a huge European economic bloc; The on-going process of the Asia-Pacific Economic Cooperation intending the strengthening of the open multilateral trade system among all countries of the Asia-Pacific region. This international connection means that the EC is quickening the pace of completing and perfecting the Single European Market of 1992, and China is making all efforts to its new stages of economic reform and to its active engagements of economic cooperation with the countries in the Asia-Pacific region, but they will have more economic interdependence and interactions in the international economic environments. This close-linked economic interactions between China and the EC will give an impulse to promote their bilateral economic relations. The Single European Market in 1992 would be an opportunity and challenge to China on one side, but on the other side, the China's new economic reform stage and its uprising regional role will enable the EC to be well in the presence of the Chinese new economic reform performances.

I.

The Single European Market in 1992 is both an opportunity and challenge, its opportunity is less than its challenge to China. Though the elimination of physical, technical and fiscal barriers, the Single European Market in 1992 has developed into an economic reality. The market competitive mechanics have been introduced into the Single European Market in 1992, the access to the market will need lots of requirements of the extra-community countries. This maybe raise new handicaps and challenges of the expansion of China's exports toward the EC market. Firstly, the main Chinese exports of labor-intensive manufacturing are facing the competition with the same type products of the southern member states of the EC; Secondly, some Chinese textile and clothing exports are meeting the extensive competition with that of Newly Industrial Countries of the Asian region; Lastly, as the great changes of the Eastern European countries, the EC will be certain to increase the new investments in these countries and to establish new close trade relations with them. The Eastern European countries will be, of course, new rivals for China. In front of these challenges, it's an arduous task for China to absolutely restructure its exporting industries with the aims of raising the competitive capabilities in the international market and to flexibly adjust the trade strategies in order to make China's exports easier access to the EC market.

II.

China's new economic reform stage taking Shanghai's Pudong Development Area as a new Special Economic Zone will provide new opportunities for the EC to extend their external market in China. The establishment of the Single European Market makes the EC the biggest economic bloc in the world. The EC's foreign trade remains always a very active economic aspect. There are three reasons. One is that the EC is lack of energy and industrial raw materials, its 90% petroleum and 75% industrial raw materials import from the developing countries. The other is that its internal market can't consume all industrial products coming from twelve member states, the EC will be certain to seek its external market for its surplus industrials products. The third one is that the ever increasing trade wars between the United States, Japan and the EC on the EC market make the EC trying to keep its shares in the internal market on one side, and on the other side, seeking its new shares in the external market. Out of the three reasons above mentioned, the current economic recession of the EC countries has heavily influenced the process of completing the Single European Market in 1992 and they could only find the way out to gain the benefits in seeking the external market.

Shanghai seeks international cooperation for Shanghai's Pudong Area project. In 1990, Shanghai's Pudong Development Area has established 55 foreign financed joint ventures with a total of US\$ 264 million in investments. Shanghai Major Zhu Rongji, during his 1991 European tour, he encouraged the European firms to come Shanghai's Pudong Area with their more investments. In the beginning of

1993, it's the first time in the European history for the high officials of the four European countries visiting numbers of Asia countries within more than one month in seeking of new external market. It's very important for the EC to recognize this charming trend to seize this good opportunity to provide more and more conveniences and supports for the European firms in encouraging their interests in Shanghai's Pudong Development project and setting up new forms of European high-technology joint venture in Shanghai's Pudong Area. The Pudong Development Area will be one of the new external market to the EC.

III.

Shanghai, the biggest city of China with 13 million population, was China's gateway to the world for a century, and finance, trade, property and insurance in the next century. With its establishment of Pudong Development Area, it will open a new channel of economic cooperation between China and the EC in the 1990s and will be an important gateway for the EC to enter China's new potential market in the future.

China's determination to revive Shanghai, the dominant industrial center of China with the establishment of Pudong Development Area in the 1990s, will be a decisive turnaround in giving impetus to the Chinese economic reform into a new stage. Early in 1986, the Chinese authorities have approved "The General Development Plan of Shanghai", among them, Pudong Area Project has been the most noteworthy due to its economic size. The Shanghai Major Zhu Rongji promised to improve the foreign investment climate to attract US\$ 10 billion in foreign capital from Japan, Hong Kong, the Western European and the United States in Pudong Area Project. Pudong Development Project has been slow-downed as the happening of the June 4 Tiananmen Incident in Beijing. In 1990 Deng Xiaoping showed the profound interests in the development of Pudong area, encouraging the State Council to go ahead with the Pudong Development Plan. After Chinese important leaders visiting this area. Li Peng announced the stepping up the development of Pudong Area with the utilizing its vast experience of the Southern China, Four Special Economic Zones over the past 10 years of the economic reforms and also stressed the Pudong's strategic significance for the stability and prosperity of China's economic reform and economic development in general.

Compared with the Southern China Four Special Economic Zones, Shanghai's Pudong Development Zone has remarkable advantages. Shanghai's Pudong Development Area is the China's largest single economic zone, covering 350 square km, larger than the combined areas of the Shenzhen and Xiamen Special Economic Zones. Unlike Shenzhen starting the development on a fishing village, Shanghai's Pudong with 1.1 million population, more than 1,930 industrial enterprises employing about 380,000 people, is backed by Shanghai's strongest industrial, science and technology capabilities. Unlike the Southern China Four Special Economic Zones introducing mainly the foreign investments from Hong Kong and Taiwan to form the export-oriented economies based on the labor-intensive manufacturing, Shanghai's Pudong Development Area will attract the foreign investment from all the countries of Hong Kong, the Western European, Japan and the United States in manufacturing, high-technology industries and service industry. Otherwise, the foreign investors can enjoy all preferential treatments in the Pudong Development Area which are given to those Special Economic Zones, and also some new innovations of allowing the foreign investors to lease the real estate and issuing the B-shares to foreign investors now listing on the Shanghai Securities Exchange. Shanghai's Pudong Development Area located on the eastern side of Shanghai is expected to be a foreign investment area of a finance center, high-technology zone, export processing zone and a bonded area.

Shanghai's Pudong Development Area in recent two years has achieved great successes. In 1993, the total values of GNP in this economic special zone reached 16.4 billion yuan, which was double that of 1990, among which the service sector increased 46.6% than that of 1992; the fix capital investment increased 2 times than that of 1992, most of these investments were toward to the infrastructure, service sector; many new foreign capital in total of 924 projects have been introduced, among which direct foreign investment was US\$ 1.7 billion; as for the export, this area has occupied 13 % of the total values of Shanghai's exports; the financial institutions have developed rapidly till now, 10 branches of foreign and domestic banks have run into operations well. The four important zones: the financial and trade zone, the export-process zone, the tax-free zone and high-tech zone have developed remarkable, Shanghai's Pudong Development Area is becoming a new test in Shanghai's economy. Shanghai's Pudong Development has far-reaching historical significance in the Chinese economic development. If it is true that the Southern China's Coastal Zones based on the export-oriented

manufacturing funded by Hong Kong and Taiwan's investors, in the past 14 years of economic reform, have brought their economic prosperity and are recognized by the outside world as the most active economic developing zones like fifth little dragon in the Asia-Pacific region, it will be undoubted that, in the 1990s, Shanghai's Pudong supported by the Shanghai's important economic strategy in China and the Shanghai's position as a gateway to the world, will be a more convenient investment site to attract more foreign capital from all over the world to its high-technology industries, services and finance institutions. Shanghai's potential market dimension, its competitive capability of imports and exports, will have a significant meaning to the world economy. Its strategic developing target will lie on bringing the whole Chinese economy into the world economy in the next century.

China's Potential Asia-Pacific Economic Power

China to be a gateway for the EC to the Asia-Pacific region are mostly determined by its potential political and economic power within the region. China's economic reform performance in the past 14 years has been left the outside world a deep impression. Its real GNP has grown by an average of almost 9% a year and in 1992 up to 12.8%, the highest economic growth in the world. Its foreign trade has also been expanded rapidly, in 1992 the value of export was US\$ 85 billion, up 18.2%, while the import was US\$ 80.6 billion, up 26.4%. China has gained much benefits from the export-oriented economies as the success of the economic reform under the open door policy. Some Western economists estimated if China's economy growth as fast as for the next 20 years as it has for the past 14 years, by 1994, China's economy is almost sure to be four times bigger than that in 1978. If China hits its targets reasonably, the economy by 2002 will be eight times bigger than that in 1978. China will possess the possibility to be a up-rising Newly Industrial Country in the Asia-Pacific region as well as the bigger economy on the global in the next century.

When analyzing the positive factors, we will see that there are two crucial driving forces in the future of Chinese economic development. One is the economic integration of China with Hong Kong and Taiwan, which will enable China's economic power nearing that of Japan, to have the capability to balance with the United States and Japan in the Asia-Pacific region. The other is the Ethnic Economic Bloc closely united by family, clan and native region of Overseas Chinese all over the world which will be secret weapons to pull China's economy boom.

I.

The economic integration of China with Hong Kong and Taiwan, which is called as Greater China Economic Community, is strengthening its process. At current stage, it means the economic integration between the Southern China, especially Guangdong province, with Hong Kong and Taiwan. The possibility of this economic integration is based on the economic principle of complementary. Firstly, the complementary of productive factors. The economic integration between the Southern China, Hong Kong and Taiwan in Four Special Economic Zones is showing that the Southern China has a fluent natural resources, low-wage labors and a wide potential market, but is lack of the capital which is the most important factor in the economic development, while Hong Kong and Taiwan have capitals, advanced technology and economic management experiences. Secondly, the complementary of the economic development stages. Since the beginning of the 1970s, the export-oriented high-growth economies of Hong Kong and Taiwan become the Newly Industrial Zones, some of their labor-intensive manufacturing should find its way to transfer it into the primary economic development zones. The joint ventures established in the Southern China Special Economic Zones have properly met this economic development tendency.

Hong Kong has invested more than US\$ 10 billion in China and set up about 25,000 factories in Guangdong province alone, employing 3 million people in the production of clothing, toys, electronics and the other export products. This economic comparative advantage has promoted the rapid economic development of the Special Economic Zones, which is based on an export-oriented economy of the labor-intensive manufacturing. With their economic prosperity and stable developments, the Southern China Zones integrated by Hong Kong and Taiwan are also called the new small dragon in the Asia-Pacific region. Taiwan's economic is known as the accelerating the economic growth by expanding its exports. The economic integration between China and Taiwan is at the moment the combination the indirect trade with China and the direct investment in China. Taiwan's two-way trade via Hong Kong

increased 40 times during the 1979-1990, reached US\$ 7.4 billion in 1992, now China is Taiwan's important trade partner. In recent years, Taiwan has invested US\$ 4.7 billion in China to establish at least 7,500 factories, the center of Taiwan's direct investment is Fujian province, where most of their ancestors had lived. The Greater China Economic Community has not only deepened the economic linkages of China, Hong Kong and Taiwan, but also promoted the economic relation between Hong Kong and Taiwan. The Total value of exports of Taiwan to Hong Kong reached 12.3% in 1990, while only 6.7% in 1984, making Hong Kong the second important trade partner to Taiwan.

The economic integration between China, Hong Kong and Taiwan in some sense means an economic circle within one country under two socio-economic systems, not yet an economic cooperation organization between the countries, which is a contemporary historical case under a peculiar condition. By 1997 and 1999 respectively, Hong Kong and Macao will be back to China, they remain their positions of finance, trade center and free port in Asia-Pacific region, with its principle of "one country two systems", continuing to keep their prosperity and development. For Hong Kong, it will also create more economic linkages in front of the Chinese steady progress of Market economy, and find new prospects of investment opportunities and interior cities to seek the cooperation among various economic, commercial projects. In 1997, China regain the sovereignty over Hong Kong, the total trade value of China plus Hong Kong will surpass that of Italy and Australia, leading China's export power in the Asia-Pacific region. As for the future of Taiwan, the Chinese people expect the eventual unification of China as there is an old Chinese saying that the Chinese people on both sides of Taiwan-Straits are blood brothers. The development of Taiwan economy in recent years weakened. With numbers of capitals, they were eager to find the external market. Many Taiwanese have revived their enterprises through their investment, economic and commercial relations with the mainland.

II

. The other driving force is the Ethnic Economic Bloc formed by 55 million Overseas Chinese all over the world, pulling forward China's economy boom. The Ethnic Economic Bloc is a very peculiar phenomenon only existing in the Chinese economy, which is based on the strong ties of family, clan, and native region. As its active role in Chinese economy development, the Ethnic Economic Bloc has been a hot-point economic study object. China is a center of Overseas Chinese direct investment drive, but it appears clearly that the close linkage of family connection will be the most important factor in choosing its location of the joint venture. One US Overseas Chinese said that Shanghai is a much better investment site than the Putian of Fujian province, but he preferred the Putian as it's where he is from. In 1992, the whole direct foreign investment in China accounted for US\$ 50 billion, among them, 80% direct foreign investments are invested by the Overseas Chinese from Hong Kong, Taiwan, Singapore, Malaysia, Indonesia, the High-growth economic countries or region as well as from Canada and the United States.

After a century hard working, the Overseas Chinese earned 17 % of the 341 billionaires in the whole world listed on Fortune. As the Overseas Chinese is bonding with China by the ethnic factor, they returned to their native places to set up factories, ports, power plants and highways to expand China's infrastructure of the economic development and to accelerate China's huge consumer market. With their contributions to the Chinese economic development, they are leading the way in creating an export-oriented economy in the Chinese economic flourishing. The exports amounted by the Foreign Funded Enterprises grew by a large margin, in 1992, the annual export amounted US\$ 17.4 billion, up 44% over 1991 and the shares in the total exports rose from 1991's 16.8% to 20%. The Ethnic Overseas Chinese, being as secret weapons in Chinese economy development, will be a substantive support to China in its leading roles in the Asia-Pacific region.

As many world forecast institutions estimated, the twenty-first century would be the Century of Pacific, especially the Asia-side of the Pacific, by that time, the levels of economic development and economic welfare of people in the Asia-Pacific region will be equal to those of the Western European today. The Asia-Pacific Region would be the highest growth region in the globe. Furthermore, with its going-on well economic integration with Hong Kong and Taiwan as well as the ethnic economic linkage of the Overseas Chinese all over the world, China would be the highest yearly average growth country in this region. This is based on two supposes:

Firstly, with its fast-growth economy of the Southern Coastal Areas and its new economic reform stage of the opening of Shanghai's Pudong Development Area, Chinese economic system reform has been determined to march forward to the market economy, so the economic reform will extend to tax and

finance reform, reform of the banking system, the establishment of a modern enterprise system, price control and reform of the government structure. It is necessary taking the successful experiences of the market economic system, models of the industrial countries of the world as the examples in combination with the Chinese characteristic in this transitory period.

Secondly, the economic integration of China with Hong Kong and Taiwan would be an economic regional power in the twenty-first century. Hong Kong is the gateway to the world for China which is a most internationalized city in the Chinese territory. In the introduction of foreign capitals, technology, management; development of market system ; operation of market economy; linkage of international market, Hong Kong will play a significant role for China to establish the market economic system with the Chinese characteristic. As for Taiwan, it is difficult to unify politically at the moment, but the unofficial economic linkages between the businessmen of the two sides of Taiwan-Straits are ever increasing and making greater progresses. The successful experiences of Hong Kong and Taiwan economies would help Chinese economy not only striding healthily forward to the market economic road but also expanding rapidly its economic structure to join the outside regional economic and the world economy.

It is obvious that China will pay more attention to its Four Modernization to build its economic power in the next century on one side, and on the other side, China, with its fast-growth economy of the Southern Coastal Areas and its new economic reform stage of the opening of Shanghai's Pudong Development Area, will gradually integrate its economy into the regional economy. Furthermore, China with its going-on well economic integration with Hong Kong and Taiwan as well as the ethnic economic linkage of the Overseas Chinese all over the world, it will be sure to have more economic involvement with its neighbors in the regional economic cooperation, have much influences in the regional integration with the outside regional organization, particular with the EC.

China's Gateway to the Asia-Pacific Region for the EC

The political stability and the economic prosperity the Asia-Pacific region will be benefit to the EC. This makes the EC reconsider Asian countries for their choices in the European New Asian Policy. As I have just mentioned above, China's rapid economic development, prosperity and political stability will offer a good opportunity of itself for the EC to do business in China and to enter into its huge and potential market with 1.2 billion consumers. With ever reinforcing the economic relations with all countries of the Asia-Pacific region and increasing engagements in the regional economic cooperation, China under the supporting of the Greater China Economic Community would be regional political and economic power, being the regional leading position in the regional pattern of the interdependent and interaction together with the United States, Japan and the Southeast Asia Countries.

When the world entering the 1990s, the post-world war order, beginning with the Yalta Conference dominated by the United States and Soviet Union, has drawn to the end. All nations in the world are making their efforts to build up their economic development through joining their economic activities into the regional cooperation. It was in Nov. 1986, the first time for China to participate the Pacific Economic Cooperation Conference which is a non-governmental organization bringing together academic, business and government leaders to discuss cooperation and policy coordination to promote the regional economic growth and development. The APCC is an important channel for China to undertake the region-wider economic cooperation and interaction with the other countries. And later, an Asia-Pacific Economic Cooperation Forum was established in 1989, China has been the membership with Hong Kong and Taiwan during the Third Ministerial Meeting of the APEC in Nov. 1991.

In recent years, China has actively engaged in the regional economic cooperation in creating a stable, peaceful regional surrounding for its economic development. China has developed its economic cooperation with all neighbors of the Asia-Pacific region. China has normalized the diplomatic relations with the Soviet Union and Vietnam. After the Disintegration of the Soviet Union, China has established and developed its trade, economic relation with the single state. China has taken part in the Dialogue with the Southeast Asia countries and normalized the relations with Indonesia, Singapore. The most important event is that China has established its direct trade relation with South Korea. Now it is the best historical period with the greater successes of Chinese economic relations with its neighbors.

In Nov. 1993, China participated in the informal high-official meeting of the APEC held in Seattle, United States, China expressed its strong desires to strengthen the mutual understanding among the APEC as an open, flexible and practical economic cooperation forum and consultative institution, not a closed institutional economic bloc in the next century. With China's ever increasing leader role in the engagements in the APEC, China will be three important gateways for the EC to this region.

I.

The participating of China, Hong Kong and Taiwan to the Asia-Pacific Economic Cooperation will support China with its more power on the policy-making and policy-decision in the regional cooperative organization, as well as the APEC's interactions with the other regional organization, which is the first gateway for the EC to the whole Asia-Pacific region.

APEC is the most high-level ministerial meeting to provide a loose nature of the regional cooperation between the developing countries and the developed countries of the Asia-Pacific region, it will assure and push forward an open and free multilateral economic and trade system within the region and in the world. The regional cooperation will be incomplete without the participating of China, Hong Kong and Taiwan. The Third APEC Ministerial Meeting at Seoul in Nov. 1991 remarked a milestone in the process of the APEC with the participating of China, Hong Kong and Taiwan. It's reasonable for China to join this process, China would have its fundamental position within the regional organization to win more power in the engagements of many regional joint economic cooperation in investment, trade and all the economic fields. The more activities China engages, the greater influence China will have on the policy-decision in order to raise its negotiating capability using the APEC to make a dialogue with the rest of regional organization.

The EC has established some economic relations with the Asia-Pacific region through its direct investment and joint ventures. As the past extensive competition with the American and Japanese enterprises in this region, the EC's enterprises appeared less important roles in this region, the China's regaining the influential power in the APEC to balance with the United States and Japan will be a beneficial factor to the EC's more economic presence in the Asia-Pacific region. It is most important that the APEC seems not to be a structure to confront the European Community. It will be favorable for the EC easier to enter the Asia-Pacific region.

II.

Strengthening the bilateral economic cooperation with the Southeast Asia countries will enable China to be the second gateway for the EC to the Subregional Organization.

China has normalized the economic relations with all the Southeast Asia countries. Since 1991, China, as a guest, has presented the annual Foreign Ministerial Meeting of the Southeast Asia countries with the form of 'six-plus-one' to discuss the regional security and economic cooperation. This has improved the mutual understanding and mutual economic trade relation between China and these countries. In 1992, the total trade value of China and the Southeast Asia countries reached US\$ 8.466 billion, up 9.9% of that of 1991, and 15 times than that of 1975. The mutual investments in 1992 amounted US\$ 1.7 billion mainly from Singapore and Thailand on the side of the Southeast Asia countries, while China has also set up 296 joint ventures in the Southeast Asia countries. The improvement has also been occurred in the financial field in 1992, the Southeast Asia countries have established 8 financial institutions in China, the total number of the financial institutions set up by China in the Southeast Asia countries reached 17. This promising economic cooperation based on the mutual interests, common wills and economic complementary between China and the Southeast Asia countries will bring the continuous economic development and prosperity of the Southeast Asia countries to attract more and more interests to this subregion for the EC to invest and to do business. The EC and the Southeast Asia countries have signed a trade cooperation agreement since 1980 of the historic relations among the two partners, The EC took this as an advantage to promote the dialogue between the North-South relation, a good example of the EC integrating with the subregion in the Asia-Pacific region, their economic relations have been improved. In the 1970s, most Southeast Asia countries heavily were dependent on the American market. Now the most Southeast Asia countries have declined their exports to America and increased their intra-regional trade, a subregional market has been formed among themselves. China's presence on the annual Ministerial Meeting of Southeast Asia countries will play more active roles to affirm their more relations with the EC. The Southeast

Asia countries began to march on the self-developed economic road, this gave the EC more possibilities to exploit this subregion market.

III.

The China's normalization with the South Korea and Vietnam will be the Third gateway for the EC to enter the single New Industrial Country as well as the country just moving its economy to market economy within the Asia-Pacific region.

The Sino-South Korea diplomatic normalization will not only be benefit to the Mutual economic relations but also could serve to balance Japan's role in contributing more to the region's economic development. Within the short time of the diplomatic normalization of the Sino-South Korea, numbers of bilateral countries on trade and economy have signed and resulted great achievements of economic cooperation. In 1992, the two-way trade between Sino-South Korea reached US\$ 8.5 billion, might be US\$ 10 billion in 1992, among which, 45% was via Hong Kong. According to the South Korea's statistics, the two-way trade between Sino-South Korea in 1987 only US\$ 1.6 billion, reached US\$ 3.7 billion in 1990, increased US\$ 8.5 billion in 1992, South Korea has become the seventh trade partner of China. The opening of the diplomatic relation between Sino-South Korea has given the green light to an ample investment of big South Korea companies in China. South Korea, as a Newly Industrial Country in the Asia-Pacific region, shows much attracting for the EC. During the Germany's Prime Minister Kohl visiting South Korea, he said, Germany is the third trade partner of South Korea within the EC, the total value of the two-way trade between the two sides reached US\$ 11.6 billion and he wished to strengthen their future economic cooperation on the high-technology and this provides convenience for the German enterprises entering South Korea. China's normalization with South Korea will certainly help the EC to enter the wider market of South Korea.

The diplomatic normalization between China and Vietnam will provide a good chance of the economic development of Vietnam and to lead its economy on the market way gradually jointing its economy into the regional cooperation. At the end of 1991, China normalized its diplomatic relation with Vietnam. In Nov. 1992, Chinese Premier Li Peng visited Vietnam with a high-official delegation which meant the beginning of the mutual economic cooperation in the history of the both sides. During Li Peng's visiting, four important economic, trade and technology contracts have been signed between Sino-Vietnam. Since the signing of the first trade agreement in 1991, the two-way trade between Sino-Vietnam has gone well, the value of trade in 1992 increased 50% than that of 1991, according to the Vietnam statistics. The two governments will make their efforts to seek the favorable form to enlarge the mutual trade, investment and economic cooperation.

Vietnam is an unexploited market in the Asia-Pacific region for the EC. During French President, Mitterrand's visit to Vietnam, he promised that the French would double its government aids to Vietnam and also had signed seven contracts about economy, trade and culture in the beginning 1993. He expressed the strong desire to develop its special economic relation with Vietnam. The normalization between China and Vietnam will assure the EC to enter more easily the market of Vietnam.

In 1993, the application of the North- American Free Trade Association provided more possibilities of investment, exportation and economic cooperation in the Latin- American region. The European Single Market was in vigor, the European Economic Area has constituted, the member states of European Community and European Free Trade Association sharing the benefits of liberal circulations of goods, persons, services and capitals in the internal market. In Nov. 1993, the Masstricht Treaty was ratified by twelve member states, the European Union begins to consider wider, including several member states of EFTA and the Eastern European countries in the near future.

The EC's foreign policy, especially the bilateral economic relation with the Asia region is getting better in 1993. In July, the EC and Singapore have set up a EC-Singapore regional ambient technology Institute a Singapore. In June, the EC had a dialogue with Indonesia about the bilateral economic relation and the ambient protection. Also in June, President Delors received Vietnam Prime Minister Vo Van Kiet to discuss the reform process and the economic relation between the two sides. Later in Oct. European Council has concluded a third generation agreement of commercial cooperation, economic cooperation and cooperation for development, meaning that the EC has a particular interests to develop the bilateral economic relation with Vietnam.

The Asia-Pacific region has been regarded as more dynamic economic region in the world of 1993. China boasted the world's highest economic growth about 13% rate of GNP in 1993, and China's

burgeoning trade was plus that of Hong Kong, at the top of the Asian export league, it would be taken as some significance of economic impact's on Asian trade and economic growth, especially after its reintegration of GATT at the end of 1994. The GATT world-trade accord which signed in Morocco on April 15, 1994 will cut industrial tariffs by 38%, farm tariffs by 37% in developed countries. This will offer in some sense the benefits to the most developing countries, include China in the Asia-Pacific region. If the New World Trade Organization (WTO) in Jan. 1995, which will substitute for the current GATT, will present a worldwide trading system more free trade, the economic relations between the EC and Asia-Pacific region will open new prospects and China will promote continuously the development powers to the region in the near future.

Conclusion

1.

The world economy is getting more and more interdependent among all nations at various economic development levels. After the Second World War, the world economy was coordinated by the two key international institutions, the GATT and IMF which were dominated by the superpower of the United States, to devoted the consideration of major economic and social themes, on the important development in the world economy and international economic cooperation. Since the 1980s, this trend has converted into the regionalism, the regional organization took its responsibility to interfere the economic, trade disputes and economic cooperation within the region. The world has developed into more multiplicity. China and the EC are both important political and economic powers in the international multipolarity, and playing leading roles in the regional affairs. According to the statistics of Japanese Economic Research Center, from the 1990-2000, the GNP of the developed countries will be average of 3%, while Newly Industrial Countries and the Southeast Asia countries will be about 6.3% and 6.6%. If the GNP of Asia will be 5%, North America 2.5% Europe 3%, thus at the beginning of the twenty-first century, Asia will overpass the other two regions and countries to be ahead in the economic development in the world. The EC has already recognized this important fact and expressed its wishes to have more economic relations with the Asia-Pacific region. In front of the reality "the 21st Pacific Century", with ever increasing's role of the involvements in these APEC, China will make more contributions to promote an open, free multinational trade, economic system within the region, as for the regional policy-making, to promote more trade liberalization and economic cooperation with the other regional bloc, especially for the EC in the twenty-first century.

2.

The Asia-Pacific region has been before an extensive competitive market for the United States, Japan and the EC, the EC had less important function in this region. This region has deeply dominated by America. But now, the exports to America declined to 27.2% of its total share, while 48% in the 1980s. Hong Kong's exports to America declined to 29% of its total share in 1990, while 44% in 1984. The Newly Industrial Countries' exports to America declined to 33% of its total share in 1990, while 40% in 1986. After several years restructuring their industries within the Asia countries, the most Asia countries have marched on the roads of self-sustaining economic development. They have enjoyed breathtaking economic growth in the past decade, and they will continue to keep their economies more open to foreign technology and capital to help their industrial structure more complete and perfect. This, of course, offers the EC new opportunities to expand investment and so business in the Asia-Pacific region.

3.

The APEC economies generally appear favorable prospects, and note that the area's rapid growth largely depended on strong, continuing domestic demand in the APEC region. The market force will drive rapidly the close economic linkages between the Southeast Asia countries, the Newly Industrial Countries, the Southern China Zone integrating with Hong Kong and Taiwan, as well as even the less developing zone Indo-China in the Asia-Pacific economic cooperation. Using the APEC definition of Asia-Pacific economies plus China, Hong Kong and Taiwan, intra-Asian-Pacific trade as share of total has arisen from 57% in 1970 to 66% in 1988, a share similar to that of intra-EC trade. Moreover, 80% of direct foreign investment in the Asia-Pacific region also originated from the region itself. The concept of subregional cooperation "growth triangles" based on the principle of culture, economic complementary among the countries and zones has been emerged rapidly in the objective of securing

the regional peace and prosperity on enhancing the regional economic cooperation. The fast-growth Asia-Pacific region with the up rising huge regional market at the varies development zones has caught the notice from all over the world, presenting before them the most active region to engage the economic activities. It will be the biggest and the most favorable potential market for the EC to further its economic involvement in the Asia-Pacific region.

4.

In the process of the Asia-Pacific Economic Cooperation, the United States and Japan are regarded as the leading forces. But in recent years, with the participation of China, Hong Kong and Taiwan in the APEC, with the past decade intensive economic and financial intertwining among the Ethnic Chinese Businessmen of Hong Kong, Taiwan, and the Southeast Asia countries, China would have more influential powers on the policy-making and policy- decision of the economic cooperation within the regional organization to balance the United States and Japan. According to the survey of Asia on The Economist, the "Chinese Economic Area" China, Hong Kong, Taiwan and certain Ethnic-Chinese dominated cities in the Southeast Asia countries by 2002 will have a nominal GDP of US\$ 2.5 trillion, a little bigger than American's; the industrial and financial assets, by then owned by the overseas Chinese network will be incalculable and gigantic, at least close to Japan's assets. To keep an economic prosperity of Asia-Pacific region, it will be the most fundamental condition to develop the world economy, thus it will meet the common interests of the world-wide countries. Of course, China will play a leading role in promoting the better economic relations between the Asia-Pacific region and the EC to resurrect the economic development and prosperity of both Eurasian Continent on the international environment.

5.

China's rapid economic growth has caught the attention from all over the world and Chinese potential import-export market has attracted all the countries in the world. The problem of Chinese reintegration of the GATT as a founder's position has been an important event in the international affairs, since the Chinese government has raised the request officially in 1986. The negotiation is divided into two periods between China and the other founders of the GATT. The first period of negotiation lasted from Feb. 1988 to Feb. 1992, concerning the problems existing in the Chinese economic system and the foreign trade system, such as the lack of the unification of the application of the trade policy and regulation in the country; the lack of the transparency of the regulation in the foreign trade management; the irregular of Chinese price system etc. The Chinese negotiators explained that the Chinese persisting of the economic system reform and foreign trade system reform would be surely to improve these unfavorable situations, making near to the requirements of the principles, regular of the GATT. The second period of negotiation began from Oct. 1992 till now, concerning the rights and the duties which China would be responsible for the GATT. At the 16th Chinese Working Conference of the GATT, the negotiation of the Chinese reintegration of the GATT has made a great progress, most founders including the EC and the United States have promised to support the Chinese reintegration of the GATT not only in oral, but also in action. The Chinese negotiators expect that the negotiation could be concluded successfully at the end of 1994. During the GATT's Ministerial Conference hold on April, 1994 of Morocco, the final document has been signed by all participants including China, and it will be in vigor in Jan. 1995. At the same time, the GATT will be substituted for the World Trade Organization. China has keen wishes to carry on its economic reform policy, to participate actively the multilateral world trade system and to bring the Chinese economic integrating into the world economy, so it is reasonable for China to integrating the GATT and participate the future World Trade Organization in order to build the country more power. Furthermore, it is also the interests and benefits of all countries who have the economic, commercial relationship with China, because China is a great potential import-export market of 1.2 billion population with its continuously and rapidly economic development in the world. China's participation in the World Trade Organization will be more meaningful to improve the bilateral commercial relation between China and the EC, will be more useful to flourish the economic cooperation between the Asian countries as well as being a more important position in supporting the EC to realize its more economic interrelations with the Asia-Pacific region, in order to lead the development of world economy and trade under the ambient of peace and cooperation for all the countries on the globe.

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