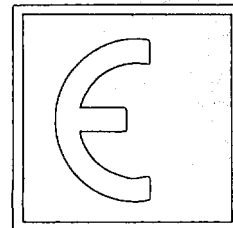


Europe information External Relations

Commission
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THE EUROPEAN COMMUNITY AND THE PEOPLE'S REPUBLIC OF CHINA

83/85

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NOVEMBER 1985

INTRODUCTION - BACKGROUND

It is now ten years since relations were first established between the European Community and the People's Republic of China.

It was in 1975, following the visit of Lord Christopher Soames, then Commissioner for Foreign Relations, and his talks with the Chinese Prime Minister at the time Mr. Zhou en Lai that China set up a diplomatic mission accredited to the Community.

Since then, relations between China and the Community have rapidly developed.

On 3 April 1978 the Trade Agreement between the European Economic Community and the People's Republic of China was signed.

The Textile Agreement initialled on 18 July 1979, supplemented by an Additional Protocol in March 1984, covers a major trade sector.

The Commission is continuing to provide training for Chinese officials, not only in its various departments but in China as well and has started a major programme in the business management sector.

With the first EEC-China Business Week in spring 1981 the largest ever high-level trade delegation from China, a hundred strong, came to the Community.

Relations between China and the Community were again strengthened by the implementation of a new Trade and Economic Cooperation Agreement signed on 22 May 1985.

At the "New technological revolution" symposium organized in Peking last October to celebrate the 10th Anniversary of the diplomatic relations being established between the Community and the People's Republic of China, the participants made a very positive assessment of relations between the EEC and China and pointed out the sectors where cooperation is or will be increasingly active : energy, science and technology, data processing, telecommunications.

THE FIRST AGREEMENT BETWEEN THE PEOPLE'S REPUBLIC OF CHINA
AND THE EUROPEAN COMMUNITY

The interest China has shown in the development of the European Community goes back to the early 1970s.

Politics apart, issues coming under the common commercial policy have also prompted a strengthening of contacts between the People's Republic of China and the Community. Bilateral trade agreements between Member States and China were due to expire at the end of 1974, in accordance with decisions taken by the Community institutions regarding the introduction of a common commercial policy.

In November 1974 the Community therefore sent a memorandum, together with an outline agreement to the People's Republic of China (as well as to other state-trading countries) indicating its readiness to conclude a trade agreement.

The Agreement was signed in Brussels on 3 April 1978. It came into force on 1st June 1978. Concluded for a period of five years, with yearly tacit renewal thereafter, the Agreement was of a non-preferential nature and set out a number of rules aimed at promoting trade.

China undertook to give favourable consideration to imports from the Community, while the Community was to aim at an increasing liberalization of imports from China. This was the first time such a clause had been incorporated in a trade agreement (Article 4).

Some provisions were aimed at promoting visits by individuals, groups and delegations from the economic, commercial and industrial spheres to facilitate exchanges and contacts and encourage the organization of fairs and exhibitions.

Under the first agreement, the Joint Commission has so far met six times, alternating between Beijing and Brussels: July 1979 and November 1980, 1981, 1982, 1983 and 1984. The next meeting will be held within the framework of the new Cooperation Agreement at the start of 1986.

Concessions announced at various Joint Commission meetings have added a number of products to the Community liberalization list annexed to the Regulation on common rules for imports from China; the list now contains 853 Common Customs Tariff (CCT) headings or subheadings out of a total of 1,012 headings.

A small decrease in exchanges in 1984 was noted at the 6th meeting of the Mixed Commission. However, this should only be a temporary phenomenon given the potential of the People's

Republic of China and the political will of its leaders. The importance of the Chinese Commercial Centre in Hamburg, inaugurated on 7 February 1985 in the presence of Mr. De Clercq, has been underlined. The accent has been placed on the success of the purchasing missions and cooperation in the modernization of businesses.

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

No spheres of future cooperation are excluded from the new agreement signed in Brussels on 22 May 1985. To begin with, cooperation will cover industry, agriculture, mining products, science and technology, energy, transport and communications, environmental protection and cooperation in third countries; the forms of cooperation to be implemented will include joint ventures, transfer of technology, exchange of economic information, contacts between economic operators, seminars, investment promotion, cooperation between financial institutions.

As regards assistance for the development of Chinese industry, "in view of the two Contracting Parties' levels of development, the EEC is prepared, within the context of its development aid activities, within the means at its disposal and in accordance with its rules, to continue development activities in China. It confirms its willingness to examine the possibility of stepping up and diversifying these activities."

In the sphere of trade, the provisions of the former Trade Agreement are confirmed, in particular China's commitment to give favourable consideration to imports from the EEC.

There is a Joint Cooperation Committee to examine the functioning of the Agreement and to make recommendations for specific cooperation work.

The duration of the agreement is five years, with automatic renewal from year to year thereafter.

PROMOTION OF EXCHANGES

- 1) Training activities (interpreters, statistical experts, customs officials - business management and modernization)

In 1979 and 1980 the Common Conference-Interpretation Service of the Commission of the European Communities introduced three lecturers from the top Foreign Language Institute in Beijing to conference interpreting. Then, from 1981 to 1984, it provided further training and instruction for ten official interpreters from three Ministries in China.

Finally, the multiannual conference interpreter training programme of 23 May 1985 provides for the training of young Chinese university students as conference interpreters. The first group of ten trainees are currently on the 1985 training programme. After this programme, the aim will be to train fifteen interpreters a year.

The contacts established as a result of a visit by high-ranking Chinese customs officials to the Statistical Office of the European Community (SOEC) in July 1979 have been renewed. The Director-General of the National Statistics Office of the People's Republic of China went to Luxembourg. In addition to foreign trade, relations are also being established in other areas of statistics.

(*) The SOEC receives statistical experts on foreign trade each year, particularly specialists from the Chinese Central Customs Administration, so they can familiarize themselves with the statistical system adopted by the Community. Three three-month training courses each with groups of 3 or 4 experts have already been organized. A fourth course is planned for the near future.

As a result of these contacts, it is easier to compare statistics on foreign trade between the Community and the People's Republic of China.

Community customs experts have been lecturing at the Beijing Foreign Trade University since 1982. Seven cycles of four to eight weeks have

(*) Statistical Office of the European Community

already taken place.

Chinese customs officials did a one month training course at the Customs Union Service in November 1983 and a similar course took place in 1984. With the help of all the activities organized by the Commission's services, the Chinese customs authorities have progressed in restructuring their administration and modernizing their customs legislation.

In recognition of the importance the Chinese authorities attach to business management training, in March 1984 the Commission decided to contribute to a vocational training project in China as part of its programme of aid to non-associated developing countries.

This project which is the largest ever undertaken by the Community and by China will strengthen the Beijing Business Administration Centre and provides for the creation of a new master's degree in business administration (MBA).

The Community aid will finance the first two in-takes of MBA students, from 1985 to 1989.

After following an intensive English course, students will carry out consultancy assignments in industrial firms around Peking.

The aim of the project is to see how European management methods can be applied in Chinese industry.

Sixty lecturers from Europe will be taking part in the programme and successful MBAs will have the opportunity to round off their studies by a period of training in Europe.

(2) Information and study visits

Chinese visitors to the Commission include radio and television journalists, teachers and students.

A series of special programmes designed to familiarize Chinese officials with the European Community was inaugurated in June 1979, when three senior officials from the foreign ministry, trade ministry and Institute for Research in International Affairs visited Community institutions in Brussels, Luxembourg, the Federal Republic of Germany and the United Kingdom.

A second programme was arranged for a head of department from the trade ministry and two officials from the National Import-Export Company, who visited Brussels and Luxembourg from 23 November to 12 December 1981.

The third programme, which ran from 7 to 20 June 1982, involved 12 senior foreign trade officials from the Chinese provinces and officials from the Ministry of Foreign Economic and Trade Relations. They visited Brussels, France, the Federal Republic of Germany, Luxembourg and the Netherlands.

A fourth programme was run from 15 to 29 October 1982 for 10 officials from the Ministry of Foreign Economic and Trade Relations and provincial foreign trade departments, together with an official from the Ministry of General Planning. The group visited Belgium, Italy, Luxembourg and the Netherlands.

The fifth programme ran from 7 to 21 November 1984. Some ten senior staff from various light industry import and export sectors took part. Apart from visiting Community institutions, they went to the Netherlands, Ireland and France.

NEW FORMS OF CONTACT BETWEEN THE PEOPLE'S REPUBLIC OF CHINA AND THE EUROPEAN COMMUNITY

Realizing the usefulness of the exchanges of views at meetings of the Joint Committee, China and the Community agreed during a visit by Mrs. Chen Muhua, the Minister for Foreign Trade and Economic Relations, in April 1983, to initiate high-level consultations in the interest of widening discussions to include all matters of mutual interest, thereby adding a new dimension to relations between China and the Community.

The first consultations took place in Beijing at the end of September 1984. The second were held on 23 May 1985 between Mr. De Clercq and Mr. Zeng Tuobin, Minister of Foreign Trade and Economic Relations.

The decision taken at the Council meeting of the Community's foreign ministers held on 25 and 26 April to initiate within the framework of regular political cooperation regular exchanges of views on current international topics likely to be of interest to both parties is a further example of the widening of contacts between China and the Community.

Consultations will take place every six months in the form of a meeting between the political director of the Foreign Ministry of the Member State holding the Presidency and the Chinese ambassador accredited to the country concerned.

The last meeting took place on 25 September 1985.

THE TEXTILE AGREEMENT BETWEEN THE COMMUNITY AND THE PEOPLE'S REPUBLIC OF CHINA

Negotiated in 1979, it was supplemented by the additional protocol of 29 March 1984 which fixes the trade in textiles from 1st January 1984 to 31 December 1988.

The agreement sets out a five-year framework for imports into the Community of Chinese textiles and garments of cotton, wool or artificial and synthetic fibres. Although it guarantees significantly increased access for these products to the Community market, the Agreement takes full account of the considerable difficulties faced at the present time by the clothing and textile industries of the "Ten", and of the interests of other suppliers which have concluded agreements with the Community.

While giving vital protection to Community industries, the Agreement will at the same time offer Chinese exporters guaranteed access to the Community market.

(It should be noted that a system of double administrative control - checking at the export and the import stage - applies to all products, not merely to those subject to import limits.)

An Additional Protocol to the Agreement was initialled on 29 March 1984 in which the Chinese authorities agreed to continue their policy of limiting exports to the Community for a further five years.

In exchange, the Commission agreed to a rise in quotas, particularly for the most sensitive products.

On the legal level, China accepted the inclusion in the Agreement of the "anti-fraud" and "anti-surge" clauses designed to prevent a sudden, excessive influx of products and which have already been included by the Community in the bilateral textile agreements negotiated with its other trading partners. The "basket extractor" procedure, which provides for the introduction of new import limits, has been brought more closely into line with that included in the other agreements

negotiated by the Community under the Multifibre Agreement.

One special feature of the 1979 Agreement were the clauses guaranteeing the Community access to certain raw materials (raw silk, cashmere, and angora) and these continue under the Additional Protocol.

China has become the second supplier to the Community of M.F.A. textile products and is the only third country to have increased its share both in terms of value and volume since 1975.

There is also provision for industrial cooperation, in the form of new opportunities for outward processing trade.¹

THE GENERALIZED SYSTEM OF PREFERENCES (GSP)

Visiting China in February 1979, President Roy Jenkins told the Chinese authorities that the Commission was studying favourably admitting China to the ranks of GSP beneficiaries. The scheme offers these countries duty-free access to the Community for their industrial exports, within certain quantitative limits, and reduced tariffs for some processed agricultural exports.

China duly became a GSP beneficiary from 1st January 1980, gaining concessions on most of its industrial exports other than certain sensitive products, and its exports of quota-free farm products. The list of eligible industrial and agricultural products has been extended under the 1981, 1982, 1983, 1984 and 1985 schemes.

The Commission arranged seminars in Beijing, Tianjin, Shanghai and Guangzhou from 20 to 30 January 1980 to answer Chinese officials' and businessmen's queries about the GSP. Commission officials also held a GSP seminar in Nanjing from 23 to 27 March 1982.

¹"Economic outward processing traffic" is a form of industrial cooperation whereby a Community manufacturer supplies a sub-contractor in a non-Community country with a fabric manufactured in the Community to be made up into garments which are then re-imported back in the Community. Sometimes technical assistance is provided where help is needed with making up the finished goods.

TRADE PROMOTION EVENTS

The first EEC-China Business Week

This, the first major event since the signing of the EEC-China Trade Agreement, took place in Brussels from 30 March to 10 April 1981 under the auspices of the Commission and the Chinese Government. Both political and economic matters were on the agenda.

Political talks were held between the President of the Commission and the relevant Commissioners and the Deputy Prime Minister Mr. Gu Mu, together with three other deputy ministers responsible for import control, foreign trade and planning.

As regards economics, the EEC-China Business Week brought together more than seven hundred representatives from the EEC business community and a hundred from China.

Most of the Business Week was taken up with individual meetings between representatives from European businesses and Chinese officials in six sectors : ores and metals, hides, skins and leather, light industry, textiles, chemicals and engineering.

One of the aims of these personal contacts was to enable the Chinese and European delegates to explore and take advantage of the opportunities which China's new readjustment policies and enthusiasm for foreign trade have opened up.

By way of a follow-up to the EEC-China Business Week, the Commission held a seminar on the reform of China's foreign trade system in Brussels on 7 and 8 July 1982.

This seminar enabled the participants (businessmen, representatives of banks and trading firms and officials from bodies in the Member States concerned with trade) to find out about the reorganization of China's foreign trade system, particularly with regard to the measures taken to decentralize decision-making to local bodies and the recently established special economic zones.

A delegation of senior Chinese officials from central and local foreign trade bodies made a lively contribution to the seminar.

The Second EEC-China Business Week

In response to the wishes of the Chinese authorities, the Commission is organising a new trade seminar in Brussels from 2 to 7 December 1985.

A 200-strong Chinese delegation headed by Mr Zhang Jinfu, State Counsellor, and including notably leaders from the 11 large provinces, is going to present nearly 240 projects concerning the purchase of equipment, technology and investment.

Around 300 European companies will be taking part in this seminar.

These are the main subjects that will be discussed: agriculture, food, chemical and pharmaceutical products, electric and electronic equipment, construction materials, the metallurgical industry, textiles, light industry, machines and plant, advanced technology. —

From 18 to 29 October 1982 the Commission organized a seminar on the sale of plastics processing technology in China.

This seminar, which took place in Beijing and was then repeated in Tianjin, enabled sales engineers from the Community to show several hundred Chinese engineers and technicians advanced European technology in the field of plastics processing.

It was followed up by a visit to Europe in September 1983 by a Chinese delegation of engineers specializing in this field.

Since 1983 the Commission has paid for a number of visits to the Community by prospective Chinese buyers of industrial goods.

Nineteen such visits have taken place from 1983 to 1985.

In May 1985, the Union of Industries of the European Community (UNICE) organized a trip to China for a delegation from the SMCs in the agro-foodstuffs industry.

Between 1983 and 1985 26 missions of European experts have been sent to China to assess the modernization needs of the factories.

Trade promotion activities are being greatly stepped up, for example improving advertising photography.

As provided for in a clause in the 1984 budget, the Commission made a contribution to the costs of a Symposium organized by the European Committee for Cooperation of the Machine Tool Industries (CECIMO) in Shanghai and Beijing from 18 to 25 March 1985, thereby financing exports by the Member States for the first time.

At the symposium 40 European companies demonstrated their technical skills in sectors specified by the Chinese.

ENERGY COOPERATION

Community cooperation with China on energy started in 1981 following a trip to China by Michel Carpentier, Deputy Director-General for Energy of the Commission. During this trip an agreement was signed on an energy planning cooperation programme which provided for the training of Chinese officials in energy planning technology both in China and Europe, as well as studies on the country's industrial and rural energy needs. The cooperation programme subsequently included other areas such as mining, electricity production and transport and energy saving.

A key feature of this programme was the training of more than 1,500 Chinese:

- in four EEC-China energy planning and management centres in Pekin, Tianjing, Nanjing and Hangzhou with the aid of 50 European experts.
- in Europe, in university technical institutes and industries in Belgium, Germany, Italy, the Netherlands and the United Kingdom.

The graduates have continued to make assessments of local and regional energy needs, to draw up energy plans in various Chinese towns and districts and provide energy management services for various sectors of industry in China.

Another important measure of cooperation has been the common development of energy analysis tools with the help of a team of ten researchers from the university of Tsinghua in Pekin (Institute of Nuclear Energy Technology). The INET is a member of an international network of energy institutes in developing countries financed by the Community. The methods developed are currently being used in China to evaluate energy supply and demand and analyse resources.

The Community has made a 50% contribution to the financing of these operations. The 1985 programme includes a dozen projects to be carried out in the regions mentioned above.

The visits to the Community in June and September 1985 of a Chinese delegation under Vice-President Yang Jun from the National Science and Technology Commission and a delegation from the State Economy Commission under its General Director, Mr. Chen Yin Bin are a pointer to the rapidly developing

cooperation between the Community and China on energy matters.

In addition, M.C.J. Audland, Director-General for Energy at the Commission, was in the People's Republic of China from 12 to 20 October 1985 to take stock of cooperation already underway and discuss future developments for 1986.

At the end of the visit, a joint memorandum was signed on the future of current projects and on areas for further energy cooperation between the Community and China, namely:

- 1) The inauguration of an EEC-China training centre for coal combustion technology in Harbin, northern China,
- 2) The inclusion of a second Chinese energy research institute in the EEC energy planning network in developing countries.
- 3) Cooperation in a second training centre for energy management in Nanjing to use the results obtained in this area in the first centre in Nanjing and the Hangzhou centre.
- 4) Cooperation on software installation for the planning of electrical systems.
- 5) Personnel exchanges.
- 6) The production of video-tapes on EEC-China cooperation projects on energy planning.
- 7) Studies on a decentralised energy system using in particular the new, renewable energy sources (solar energy centre on the island of Dachen, in the province of Zhejiang).

There will be more than 20 cooperation activities in 1986.

SCIENTIFIC AND TECHNOLOGICAL COOPERATION - RESEARCH AND DEVELOPMENT

Cooperation on this began in 1983 following an EEC-China symposium on the methodological problems of research and development.

Six projects in the areas of tropical agriculture and medicine were launched in 1984.

In 1985, 11 projects started in the following sectors: geology, environment, metallurgy, biotechnology and agricultural research.

DATA-PROCESSING AND TELECOMMUNICATIONS COOPERATION

The Chinese programmes submitted in December 1984 cover many areas, in particular the training of experts, technological cooperation and "standards". However, the Chinese give priority to office automation and master data management. Three experts in information technology did a training course in Europe in 1984.

At the time of his Brussels visit in June 1985, Mr. Yang Jun, Vice-President of the Chinese State Commission for Science and Technology, had a meeting with Vice-President Narjes, Mr. de Clercq and Mr. Mosar, members of the Commission, who are responsible, among other things, for Information Technologies, External Relations and Energy. Information technology and telecommunications were among possible areas for cooperation looked at.

AGRICULTURAL TECHNICAL COOPERATION

Five programmes are currently underway in this area:

- Forecasts and monitoring of the rise in the Beijang river.
- Fruit growing and preservation techniques
- Production of vegetable seedlings from seeds
- Development of prawn farming
- Development of cashew nut production

and others are under study:

- Compound feeding-stuff production for pisciculture
- Sugar beet growing techniques
- Natural rubber quality control
- Natural rubber packaging
- Ground protection in the Sichuan province
- Contribution to the "China Rural Water Supply and Sanitation Technical Advisory Center"

EXCHANGE OF VISITS

A considerable number of high-level visits have taken place since 1978.

There have been five meetings between representatives of the European Parliament and the National People's Congress, in June 1980, 1981, October 1983, April 1984 and October 1985.

Mr. Thorn paid an official visit to China from 1 to 6 November 1983. This was the second such visit by a President of the Commission, Mr. Jenkins having made the first early in 1979.

Mr. Thorn's visit was the occasion for the two sides to announce the establishment of diplomatic relations between China and the ECSC and the Euratom. Mr. Thorn also had talks with the Prime Minister, Mr. Zhao Ziyang, Mrs. Chen Muhua, Minister for Foreign Economic and Trade Relations, Mr. Wu Xueqian, Minister for Foreign Affairs, and Chairman Deng Xiaoping.

Prime Minister Zhao Ziyang visited the Commission on 5 June 1984, the first time that such a high-ranking Chinese leader had met the Members of the Commission.

On 4 December 1984, Mr. Jia She, Deputy Minister for Foreign Economic and Trade Relations, was received by Vice-President Mr. Haferkamp and Mr. K.H. Narjes, a Member of the Commission.

Following the signing in Brussels of the second EEC-China Agreement on 22 May 1985, the Minister for Economic and Trade Relations, Mr. Zeng Tuobin, making his first visit to the Commission, held talks with Vice-Presidents L. Natali, K.H. Narjes and Lord F.A. Cockfield, a Member of the Commission.

On 3 October 1985 Vice-President K.H. Narjes opened the seminar on "The New Technology Revolution" in China. While there, he had talks with the Prime Minister Zhao Ziyang and with several other members of the Chinese government.

THE COMMUNITY'S TRADE WITH CHINA

ANNEX

(million ECU)

	1977	1978	1979	1980	1981
Imports	863	940	1329	1907	2284
Exports	796	1489	2103	1734	1894
Balance	-67	+549	+774	-173	-390
	1982	1983	1984	6 mths 1984	6 mths 1985
Imports	2334	2665	3211	1536	1837
Exports	2044	2758	3508	1514	2901
Balance	-290	+90	+297	-22	+1064

Source : EUROSTAT

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