

Brussels, 25 March 1998

Commission launches fresh policy on China

The European Commission is proposing that the European Union (EU) should hold annual Summits with China as part of a wide-ranging reappraisal of EU-China relations in view of the country's growing economic and political importance on the world stage. This is one of the key proposals outlined in a major new Communication approved by the Commission today. The Communication - entitled "Building a Comprehensive Partnership with China" - aims to engage China fully as a world partner, smoothing its integration into the global economy, underpinning its economic and social reforms and supporting the creation of an open society built on the rule of law. The Commission envisages a stronger, more coherent use of all its policy instruments - including political dialogue, trade, economic cooperation and human rights policy - in order to pursue this vision effectively. And to make Europe's funding go further in China, it proposes closer synergy with other international lending bodies and with the EU member states themselves. This Communication will give rise to a wide range of specific and concrete initiatives in all areas of the EU's policy towards China.

Commenting on the Communication, Sir Leon Brittan, Vice-President of the Commission, said: "China's growing economic and political self-confidence is an overwhelmingly positive development. It should serve as an incentive for the EU to engage the country more fully, not as a threat from which to retreat. I believe Europe has everything to gain and nothing to fear from a strong, open and prosperous China. Europe needs to create a long-term vision in order to help China bring this about. The focal point of that vision must be to ensure the successful and lasting integration of China as an equal partner in the world economy, coupled with an active commitment to creating a strong and open civil society based on fundamental freedoms and human rights."

The Communication proposes initiatives in four major areas:

Elevating the status and intensity of Europe's political dialogue with China

The Communication aims to elevate the EU's political relations with China to the status accorded to China by the United States, Japan and Russia. It therefore proposes the holding of annual/regular Summits between China and the Commission and EU Presidency, as well as regular meetings at senior officials' level. In addition, it envisages broadening the range of subjects discussed with China to include such topics as arms control, the fight against crime, the environment and the regional security of Asia as a whole. Furthermore, the EU would raise awareness of China-related issues within the G7, as well as encouraging dialogue between China and the OECD.

Integrating China further in the world economy

The scale and speed of China's economic growth are making it one of Europe's major economic partners. The EU should assist the process of China's global integration through a mixture of trade policy and carefully targeted cooperation initiatives. One key pillar of this process is China's accession to the World Trade Organisation. In order to ensure that China enters the World Trade Organisation (WTO) on terms that will make a lasting success of its membership, the EU should insist on China meeting key obligations - including transparency, national treatment, non-discrimination and a meaningful degree of access to the Chinese market for goods and services - while developing the concept of transition periods for relevant sectors. The EU should also reactivate bilateral trade talks with China in order to pursue market-opening objectives, eliminating barriers and impediments to access to Chinese markets, thus facilitating European investment in the Chinese market.

The EU should establish a regular macro-economic dialogue with China. One key purpose of this would be to inform China, which already has the world's second-largest foreign currency reserves, about the Euro and its potential as a stable reserve currency.

The EU is also well placed to support the transition process in China, as well as China's efforts to reduce the side-effects of rapid economic restructuring. This could be done through the elaboration of carefully targeted cooperation projects in such areas as the environment, welfare reform, human resources, training, the transfer of know-how to the energy sector, and the reduction of wealth disparities between China's regions.

In addition, the EU should help China create a sound, transparent, open and market-driven financial services sector by developing rules, supervisory mechanisms and prudential standards that will help it guard against structural weaknesses recently exposed elsewhere in Asia.

The EU should also draw on the expertise of the European business community in order to modernise Chinese economic practice, notably in areas where the EU has a clear competitive advantage. This should take two forms. Firstly, through industrial cooperation schemes to help the Chinese improve in areas such as norms and standards, certification procedures, staff training and clean production processes. And secondly through a business dialogue that brings together European executives and Chinese businessmen and policy-makers in order increase awareness of China's transition process and provide expertise on market reform. Such a dialogue will help promote European business practices and investment in China.

Supporting China's transition to an open society

China is still far from meeting internationally accepted standards on human rights. Serious shortcomings in China's human rights record remain, including in such areas as the suppression of freedoms among certain ethnic minorities and political dissidents, the use of enforced prison labour and the extensive use of the death penalty. The EU will continue to draw attention to these issues, both publicly and privately, as appropriate. These remain matters of grave concern to the EU, its institutions and public opinion at large.

Nonetheless, the human rights situation has improved over the last twenty years, through greater freedom of choice for individuals, the elaboration of laws protecting citizens' rights and through China's gradual endorsement of international rights conventions.

The aim for the EU must be to urge China to move forward in the creation of an open society based on the rule of law while sustaining economic growth and social cohesion. Both sides should be ready to tackle their differences in a frank, open and respectful manner. The EU should use both dialogue and results-oriented cooperation in the pursuit of two key objectives:

- Promoting the rule of law. The EU should work to help China develop a sound and transparent framework of civil and criminal law. This process should include providing rights to Chinese citizens, making them aware of those rights, and training lawyers and judges. The EU is currently devising an ambitious programme to help China devise and operate such a legal framework. This will be discussed with the Chinese authorities and will be ready for implementation by Autumn this year.
- Strengthening civil society. The aim here is to assist Chinese society itself by promoting grass-roots democracy, consumers' rights, and the rights of ethnic minorities; women and other vulnerable social groups.

Making Europe's money go further

The Commission believes there are several ways of increasing the efficiency and impact of EU funding in China without increasing the budget (currently around ECU 70 million a year up to 1999). Firstly, by tying its initiatives in more closely with other donors in order to multiply the effect of the assistance. In particular, the EU should consider increasing the involvement of the European Investment Bank (EIB) in China. It should also improve synergy with EU member states' programmes there.

Background

The Communication builds on policy foundations laid down in 1995, whilst upgrading and intensifying the EU's policy towards China to take account of the most important changes that have occurred in Europe and China since then: first, the process of economic reform launched by Deng Xiaoping has accelerated dramatically. This month's National People's Congress in Beijing has installed a strong, reformist new Government led by Zhu Rongji which has outlined a series of highly ambitious targets for domestic reform, such as the wholesale restructuring of China's State Owned Enterprises and the overhaul of China's financial system; second, both within the Asian region and more widely, China has recently displayed a more assertive and more responsible role in international affairs, not least through a series of high profile Summits in the last year with the United States (US), Russia and Japan; third, the Asian financial crisis has exposed serious weaknesses in neighbouring economies, underlining the need for China to guard against similar problems itself. And finally, Europe itself is on the threshold of change - notably the Economic and Monetary Union (EMU) and enlargement - that will lead China to adjust its own strategic vision of the European continent.