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The European Union and China - Principal and Current Issues

1. Introduction

The relationship of the European Union (EU) with China and East Asia features with increasing prominence in the daily European press but still has not found its full appreciation in the general public of the individual European countries. One of the peaks of public awareness of the relations between Europe and China occurred when the political leaders from East-Asia and from Western Europe met at Bangkok on March 1st and 2nd 1996 for the "ASEM-summit". The public reactions to that event might be considered as paradigmatic for the general pattern of awareness of the relationship with the Asean partners in general and with China in particular. The published articles in the press revealed a mixture of curiosity and frivolity, maybe best exemplified not so much by words but by a press photograph: The *Financial Times*, certainly not a frivolous publication, on March 2nd 1996 published a snapshot-photo of this event on which Germany's massive head of government, Helmut Kohl, was shown as struggling in a type of merry-go-round to join hands with his colleagues Ryutaro Hashimoto of Japan and Li Peng of China, both visibly more gracile than him. I will argue in the following that this type of personalization is rather misleading as far as Europe is concerned. It is not the individual actions of nation states or of their representatives but the institutions and the decisions of the European Union which will be crucial for the long-term development of economic relations between the EU and China..

Some European China-watchers commented that at the ASEM-summit the West was dancing clumsily to the tunes which the Easterners set for them. Others stressed that this was just an event to generate a positive atmosphere of „qifen“, the importance of which we Westerners might not have appreciated sufficiently in the

past. ^[1] Part of the remarkable insecurity in evaluating an event as the ASEM-meeting of 1996 seems to me to stem not so much from cultural peculiarities with which Europeans are not sufficiently at ease but from rather fuzzy ideas about the actors involved - even as far as the European side itself is concerned. As long as the central actors are not focussed, it is not surprising that the ongoings of an event cannot appear in great clarity.

In the following I therefore will try to bring into more relief the most important institutional actor as far as the Europeans are concerned: The European Union as agent of trade political relations with China.

This is of course only a minute aspect of the grand canvas of European and Chinese relations. Nevertheless, I believe that greater clarity in this special field of economic policymaking might be helpful for observers of the current state of relations between Europe and China.

My paper will be subdivided into three main sections, marked as **2.** to **4.** below and dealing with the following subjects:

- *The EU and the formulation of economic political agendas in the West European context.* In this section I want to stress the economic political importance and the general institutional setup of the European Union.
- *The European Council's outlook on China and the intended activities of the EU with regard to China.* This will deal with the specific issues which are currently considered as being part of the official and explicit "long term strategy" towards China.
- *The current state of transforming the long-term strategy into a detailed agenda for China.* In that section I intend to convey how the more general considerations treated in the preceding section were transformed into specific programmes and budgetary funds.

2. The EU and the formulation of economic political agendas in the West European context

In order to exemplify a specific European view of Chinese-European relations, I would like to draw your attention to the following reproduction of a newspaper-clipping taken from a background article on the 1996 ASEM-meeting. It appeared in the *Financial Times* of Febr. 26, 1996 where the following overview was given:

Figure 1: A View of ASEM^[2]

Europe ¹ wants	Asia ² wants
-To make Asian markets more attractive for European investors	- Better access to European markets
- To bolster the September WTO ministerial meeting	-More European investment in Asia
- To promote telecommunications liberalisation	- Clear European support for Chinese membership of WTO
- To promote UN reform	- To establish a dialogue with Europe at political and economic levels

¹ All 15 members of the European Union will be represented [+]

² The seven countries of the Association of South East Asian Nations - Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam - will attend alongside China, Japan and South Korea

This list of European and Asian issues is reproduced here not only in order to document the perception of the issues themselves. Although the list gives a fair overview, we will see below, that, as far as Europe is concerned, one can be far more specific than that. But the real significance of this reproduction lies in an omission which I marked in the first line under the table as [+].

It is, of course true that, as fig.1 states, all the members of the European Union were indeed represented by their respective heads of government resp. heads of state at the ASEM summit. For convenient reference I list the countries concerned explicitly below in fig.2 and we may reflect briefly on that list of members of the EU. It is remarkable for its heterogeneity and for its partiality as far as "Europe" is concerned. Concerning its partiality we may note that many countries of Europe - they are listed in the footnote to fig.2 - are oriented towards the European Union but are not yet members. They are indirectly involved with the activities of the established members through a consultative mechanism.

Figure 2 : The members of the EU¹

1952	1973	1981	1986	1991	1995
1. Belgium	7. Denmark	10. Greece	11. Portugal	The new	13. Austria
2. Germany	8. Republic of Ireland		12. Spain	German	14. Finland
3. France	9. United Kingdom			Länder	15. Sweden
4. Italy				(former GDR)	
5. Luxembourg					
6. The Netherlands					

¹ Bulgaria, Czechia, Hungary, Poland, Romania, Slovakia are invited to one meeting of the European Council every year

Concerning the heterogeneity of the already established members one may remember that some of them - i.e. the ones listed as 1. to 6. in fig.2 - have been part of the effort of building a European Community since 1950. Those first steps resulted in the *European Coal and Steel Community* which came into effect more than 44 years ago in 1952. Later, in 1958, the efforts directed at a European integration resulted in the establishment of the *European Common Market* (EEC) which now forms the central element of the *European Union* (EU). But due to successive enlargements, the majority of the present members of the EU were not themselves part of those historic beginnings. Some of the latter group, i.e. Sweden, Finland and Austria, joined the Union only at the beginning of 1995. Although all of them joined the earlier members under the understanding to accept the results of the integration processes which went on before their entry, i.e. the so-called "*acquis communautaire*", nevertheless there is a marked difference in the acceptance of community policies and projects between the different member countries. There are also great differences in size which also result in considerable heterogeneity. The smallest member, Luxembourg, has a population of some 400.000 people - amounting to the inhabitants of a few blocks of streets in Hong Kong. The largest member, Germany, has about 80 million inhabitants. There are other substantial differences concerning societal setup, national interests and political predilections. It is therefore quite understandable if these countries do not convey the impression of a strong "union" as the reference to the "European Union" wants to suggest.

Remembering these differences it might therefore rightfully be asked whether one could truly speak of one homogeneous entity, the „European Union“. But indeed one can - and in many respects one must - speak of a well established European entity.

Here now comes in the remarkable omission in fig.1 which is the more remarkable since it gives a quote from the *Financial Times* which has the reputation of utmost correctness as far as facts are concerned. The

statement concerning European participants should have stated that not only "all 15 members" of the EU were represented but that on the European side there was a 16th delegation, namely one from *the EU itself*, consisting of Jacques Santer the President of the European Commission in Brussels accompanied by the two Vice-Presidents, Sir Leon Brittan and Mr. Manuel Marin.

This is important to note because the political and economic weight of this delegation - which seems to be a non-entity even for experts on economic political reporting - by far outweighs the trade political potential of any of the other European representatives - inside or outside the European Union. This is so because by creating - resp. acceding to - the European Common Market the members of what is now the EU have given up their trade political sovereignty long ago to a communitarian setup with the European Commission in Brussels being one of its central agents.

Maybe this definite concession of trade political sovereignty is not quite obvious to everybody. It seems to be not obvious at all to some of the members of the British public who bicker against the „Gnomes of Brussels“ whom they accuse of constantly nibbling at the British sovereignty. But when the United Kingdom joined the European Community in 1973, she joined a *Customs Union* and it is the whole point of the European Customs Union that there must not be any hindrance to internal trade and that there must be a common policy concerning external trade. This is why the focal point of trade political interests in the European Union is more and more not the cabinet of individual heads of state but the administrative apparatus of the European Union, since commercial interests spill over into many aspects of political life.

The political apparatus of the European Union brings together the 15 member states in a rather complicated and seemingly undemocratic way. It is by no means only the British who have their reservations against this procedure. The German newsmagazine „Der Spiegel“ once alluded to the European Community as a „dictatorship by councils“.

The factual side of this gibe is that the European Commission - itself a council of 20 members all acting as a collective body, none of them being politically accountable individually and only hypothetically accountable collectively - this European Commission finds its counterpart in a „Council of Ministers“ who meet mostly behind closed doors and mostly don't even decide for themselves but have a whole apparatus of „Permanent Representatives“ in Brussels from each member state. Those people - diplomats and other national experts far away from the public limelight - decide many issues before they even reach the Ministers who then just register that they were decided by others.

It is a standard joke among „Eurocrats“ - of which there are about 15.000 in Brussels by now and some 5.000 in other locations - that the European Union, if it were a country and not the organization it actually is and if it wanted to apply for membership in the EU, it would have to turn itself down, because only democracies are supposed to be admitted and the EU is so undemocratic.

But this joke is not to be taken too seriously: Although it is indeed true that you can hardly hold anybody politically accountable in the apparatus of the EU, the positive thing is that nobody has physical power on the EU-level. There is no tax collector, no police, not even an army on the EU-level. There are intentions to proceed in a direction of bestowing more power to the European Union as laid down in the Maastricht treaty. But on the two „columns“ of external and internal consolidation of the EU there has been little progress.

There is another reason, why not too many people are really frightened by the „dictatorship by councils“ which some see in the EU. That is that the rule of law is strictly adhered to. The European Court in Luxembourg is a highly respected body which watches over almost all aspects of European life - from the sale of beer to the rights of women and men.

In addition, on a purely constitutional level, the European Parliament which until the middle of the 1980s was a mere consultative body, successively got more powers and by now may stop certain pieces of legislation. It has to approve of the European Commission and it has important budgetary rights.

But the new powers of the European Parliament do not necessarily make European politics more transparent. Especially as far as issues with a more emotive appeal are concerned, decision making might become more unpredictable - albeit more public. A case in point when there had to be lots of international lobbying to go on until the desired results came forth in the European Parliament was the vote on the Turkish-EU customs Union on December 13th 1995. It was much feared that the parliamentarians would vote against this project which many diplomats see as an essential element in stabilizing a potentially conflict laden area, because Turkey has a deboutful record on human rights.

But in all this let us not forget: the EU is, from its first beginnings, a trade political enterprise with the Commission in Brussels being the main player. It is true that the Commission, via the Council, gets the tune called from the national governments. It is also true that in connection with a number of issues the Commission has to make complimentary gestures to a number of consultative bodies, one being the Economic and Social Committee, a forum for workers, entrepreneurs, consumer organisations and others, the other being the newly created Committee of the Regions. Nevertheless, there is a considerable concentration of competence on the Community level as far as trade policy is concerned - and the center of gravity of that competence lies in Brussels with the European Commission

The Commission cannot decide for itself on which issue it may proceed. It can initiate discussions of matters it believes to be vital with regard to the further development of the Union. But the broad political orientations are given by the „European Council“, a meeting of heads of state like the French President resp. of heads of government like the British Premier together with the President of the European Commission, each of these

participants being seconded by one other member of their respective bodies.

The European Council thus stands at the pinnacle of the European structure. It is therefore of considerable significance that the European Council meeting in Madrid on December 15/16 passed a document concerning the long term strategy towards China. In the following section I now want to turn to this document for a detailed analysis. ^[3]

3. The European Council's outlook on China and the intended activities of the EU with regard to China

The strategy-paper of the European Council is based on work done previously by the European Commission and expressly refers to it. Thus the genesis of this document and of the strategy which it suggests does reflect the institutional interactions sketched above with the European Commission being the central player but not the ultimate decision taker in trade political matters of the EU.

The EU's strategy paper has five sections, which I will list under the Roman numerals I to V below, characterizing the contents of each of these sections under the respective heading:

I. Institutional background and goals

This section falls into two parts which should be kept apart in separate subsections for better clarity. The subsection on the "background" is particularly strongly history-oriented whereas the subsection on "goals" is strongly principles-oriented. They deal with the following issues:

a) background

The paper points out that diplomatic relations with China date back to 1975. This is not insignificant because state trading countries do have problems in dealing with the Common Market. It should be remembered that it was not until June 25 1988 that the COMECON, grouped around the Soviet Union, officially recognized the EC. That was extremely late not only in relation to China but also in absolute terms: on September 25 1991

COMECON ceased to exist.

The first, non-preferential, trade treaty with China was, by the way, signed on April 3rd 1978 (OJ.L 123 of May 11, 1978). Since 1980 China is beneficiary of the Generalized System of Preferences (GSP) of the EC

[4]. In 1979 and 1984 there were agreements concerning textile imports. In March 1985 already the Commission supported a management education program. All these budding activities were put into a more solid framework by signing a Trade and Cooperation agreement with China on May 21st 1985 (OJ L 250 of Sept. 19, 1985). Its structure was open and specifically specified economic cooperation in the fields of: industry, mining, agriculture, science and communication, environmental protection, cooperation with third countries. The EEC promised developmental assistance. Finally, a joint committee was installed with the competence of monitoring the development under the treaty. It was supposed to meet once a year in Brussels resp. Beijing. [5]

In this connection it should be stressed that when China demanded (re-) entry into GATT in July 1986, the EEC stated its support, e.g. when the vice-minister Li Lanqing visited Brussels on June 11th 1987 (Bull.EC 6-1987, point 2.2.25).

All these activities came to a rude stop after the Tien An Men-events in 1989 but contacts were resumed quietly in 1990.

The press is of divided opinion whether the ASEM Bangkok-summit was an outflow of the „new Asia strategy“ propagated first in Europe by the Commission’s Vice President Sir Leon Brittan in July 1994 [6] and endorsed by the Essen European Council or whether the crucial impetus came from Singapore [7]. In any case, presently there is a remarkable preparedness to enter into an intensified dialogue on both continents.

The Commission paper preparing the Council’s statement looks back at these recent developments and concludes:

„Europe’s relations with China are bound to be a cornerstone in Europe’s external relations, both with Asia and globally. Europe needs an action-oriented, not a merely declaratory policy, to strengthen that relationship“.

[8]

b) Goals

Concerning goals, the strategy paper of the European Summit lists seven:

„Following its Asia Strategy, the EU's basic goals in relations with China are

- [i.] to preserve world peace,
- [ii.] maintain stability in foreign and security policy,
- [iii.] sustain an open world trade system, as well as to
- [iv.] support sustainable development,
- [v.] the smooth and gradual integration of China into the world economy,
- [vi.] the fight against poverty,
- [vii.] the promotion of democracy, structures based on the rule of law and the respect for Human Rights based on the Charter of the United Nations, the universal declaration of Human Rights and the Vienna Declaration and programme of action.

These objectives and basic principles constitute essential elements in the relations between the European Union and China.“

Some of these goals may sound rather nebulous. They - and in particular point vii. concerning Human Right - should be read in conjunction with Title I of the Maastricht Treaty establishing the European Union , however, since this basic treaty of the EU has some statements which are quite similar in tone and substance.

[9] Thus passages concerning human rights do have a respected position in European political life and we should briefly reflect in which way this respect might turn into concrete policy.

Although practical politicians in European ministries and cabinets might be occasionally prepared to trade high spirited goals dealing with mankind in general for more mundane interests, there are considerable sections of European public life who are not quite in the same disposition. These sections do find their representation in political life, namely predominantly in national parliaments and in the European Parliament. In view of the competence of the European Parliament to ratify treaties with third states (Art. 228 (3) sect. 2 EC-Treaty) if they bring about substantial changes and in view of the potential fickleness of Parliament in matters of purely economic interest, it cannot be guaranteed that moral aspirations will always stay in a nebulous state. The more humanistic goals stated by the council might have more significance than meets the

eye, in particular if we keep in mind the complicated nature of EU-specific decision processes.

The Commission paper to which the statement of the Madrid European Council refers, also has a substantial section on human rights (sect. B 2). The Commission alludes favourably to the World Conference on Women in Beijing in September 1995 and to China's acceptance of the „Declaration on the Programme of Action of the World Conference on Human Rights of Vienna“ in June 1993. The Commission stresses:

„On top of all this, a new dialogue specifically devoted on human rights has recently been launched at China's suggestion. This dialogue centres on a biannual meeting between the EU troika [Art. J.5 (3) EU-treaty] and the Chinese government...“

The dialogue described in this quote does not involve the European Parliament, since the "EU troika" mentioned there consists of (i) the head of government which for the respective half-year has the Presidency of the Council assisted by the colleagues (ii) from the previous and (iii) from the following Presidency. But the Commission finishes the section on human rights issues by stressing that "practical action is essential if this government-to-government dialogue ["specifically devoted on human rights", see above, GMA] is to be fully effective." One may well ask why there is such a concern of the Commission to convey effectiveness in the human rights field. One reason which is easily imagineable is that lack of effectiveness might well alienate the European Parliament towards the other issues of the Commission's long term strategy. Avoiding such an alienation of Parliament might not only be important when it comes to developing further the existing agreements with China. It is also important for any budgetary implication of EU-China relations since the European Parliament has rather strong budgetary competences. Since all the concrete programmes to be reviewed below under section 4 do involve budgetary allotments, the European Parliament must be kept in a co-operative mood and human rights issues are an important aspect of this goal.

II. *The EU's assessment of China*

The Council pays tribute to the increasing role of China, to its sheer size and to the new framework for bilateral political dialogue.

But it stresses also its particular interest in Hong Kong and Macau, and in the joint declaration which China gave with the UK (1984) resp. with Portugal (1987) concerning these territories. For an elaboration and assessment of these statements it is again helpful to refer back to the relevant previous Commission paper. The autonomous status of these territories in WTO is stressed by the Commission (p. 7), as well as their important trade political role for the EU: Hong Kong is the EU's 11th largest trading partner (according to some statistics its importance is even higher) and the paradigm of free trade cultivated by these territories is much praised in the documents of the EU.

As an aside, it is maybe interesting to note in this context that although the EU praises the economic dynamism of China, it does not always voice high esteem for the whole territory covered by the ASEM in quite the same manner. Even if it does pay tribute to the economic potentials of that region, there is an interesting tendency in the Commission to liken the successful East Asian ‘tigers’ Hong Kong, Singapore, South Korea, Taiwan to the CEECs now seeking admission to EU-membership (see *European Economy*, No. 52, 1993, table 12, p. 41). In view of the fact that many of those formerly communist countries still have severely ailing economies such a comparison can not be taken very seriously for the moment. Nevertheless, it is not necessarily unreasonable, from an EU-perspective, to see their „tigers“ at their immediate doorstep and not in the Pacific. It is therefore maybe not without a wider significance in a publication of the European Commission we find sceptical judgements concerning Asean reading:

„Arrangements reached by Asean members, and particularly the so-called „preferential trading arrangement“ have not been very successful.“^[10]

But on the other hand, not too much should be read into such a passage. An over-all assessment, even in that context, leads the contributors to that study to the expectation of increased importance of the Asean market for its members and of a positive climate for foreign investment there (ibid.).

But this guarded cautiousness with regard to Asean and the „tiger“ economies gives even greater weight to the importance which very recent EU-pronouncements give to China.

III. *The international agenda involving China*

In the trade political field, the most important topic of international discussion is China’s accession to WTO. The EU-stresses its principal support for China since 1986 on this matter resp. on GATT. Nevertheless a long list of problems emerges:

„[a] commitments in the field of **import tariffs**. China should be ready to envisage binding its duties at levels which, at the end of an implementation period, would result in a weighted average tariff not higher than about twice the OECD average;

[b] initial commitments in the field of traded services across all sectors under negotiation. Commitments should not be undermined by geographical limitations, access specifications or other restrictions;

[c] the liberalisation of the **foreign trade monopoly**, if necessary with transitional provisions. An automatic right of individuals, both national and foreign, to engage in direct import or export trade in all products is a basic feature of the WTO system, but does not yet exist in China;

[d] adherence by China to the Tokyo Round **Civil Aircraft Code** and the **Government Procurement Agreement**. Chinese implementation of the Procurement Agreement will create opportunities abroad and cut

government costs at home, and it could be implemented in stages;

[e] elimination by China of all WTO-inconsistent **quotas** or other **non-tariff barriers**, over a transitional period;

[f] making China's **industrial policies** WTO compatible;

[g] acceptance of appropriate transitional trade defence mechanism, which could be invoked in cases of market disruption.“

Other complaints, mentioned in the press ^[11] refer to the recent row of China with the US over honouring IPR-agreements and that the Chinese trade regime keeps changing in an un-predictable way. All this makes it unlikely that China will be able to enter WTO by the end of this year. Progress is expected for July if China becomes more specific over its future measures concerning WTO-compatible trade policies. By the same time the EU is expected to report on its plans to phase out quantitative restrictions on the importation of Chinese goods.

IV. The areas of intended EU action

The Council stresses „carefully targeted cooperation in areas of crucial importance to the Chinese economy“ and explicitly names four of them:

- a) human resource development
- b) training and technical assistance to support modernisation and market oriented policies
- c) fostering business cooperation
- d) cooperation on environmental matters

but goes on to mention

- e) „additional fields of cooperation“.

I will briefly elaborate on these five points in the light of the original "strategy document". Later, in section 4 of this article, I will return to them in order to see how far these points have been acted upon in the meanwhile.

ad a) With this proposal, the council refers to the China-Europe International Business School (CEIBS), a partnership between Shanghai Jiaotong University and a network of business schools in Europe which was set up as a „fully-fledged business school“ in Shanghai in 1994 and started operating in March 1995. This activity is seen as an outgrowth of the former China-Europe Management Institute (CEMI) which was initiated in 1985. It sees this activity as complimentary to the efforts made by member states in higher educational vocational training.

ad b) These proposals are another aspect of an intended intensification of economic cooperation, but they are addressed not at business directly but at the administrative level. In this context, the Commission proposal (p.40) mentions examples to build upon, in particular an „industrial property training“ programme which was launched in China in 1993 by the EU and the European Patent Office. Other examples for training activities for officials, lawyers, judges are given in the Commission's proposal.

ad c) The EU has a system of several hundred „Euro-Info-Centers“ (EIC) which assist businesses to take up contacts with each other, to inform them about public procurement tenders and to arrange partnerships in order to be able to profit from EU-programmes requiring multi-member-country participation in specific programmes. It is this precedent which is alluded to under this heading.

In addition, the Commission document mentions the European Community Investment Partners (ECIP) facility which provides a variety of grants and loans designed to encourage European firms to establish joint ventures in several Asian countries. It is pointed out that over 100 companies or organisations have taken advantage of ECIP for joint ventures in China and that China is now the most popular destination for ECIP applicants. [\[12\]](#)

ad d) In elaborating on actions concerning environmental matters, the European Council document mentions support for the "authorities responsible for environmental standards" in general and "introduction of appropriate environmental management techniques" in particular. The European Union is under clear obligation to pay its tribute to environmental aspects of all its activities due to Art.130r (2) of the Maastricht Treaty which states: "Environmental protection requirements *must* be integrated into the definition and implementation of other Community policies" (emphasis added, GMA). Thus environmental aspects cannot be missing when spelling out long term strategies. Although originally not endowed with express powers in the field of environmental protection, public opinion and the European treaties have changed so much through the reformulations in the 1980s and in the 1990s that environmental policy now plays a rather prominent role. The Union, and in particular the Commission, is indeed a very active propagator of environmental management techniques, its most important instrument being the regulation on Eco-Audits of June 29, 1993 (OJ L 168 of July 10, 1993).

ad e) When one reviews the areas of action foreseen by the European Council, it is remarkable how much

they concentrate on business and administration and how little cultural fields and other areas of academic activities are alluded to. Even under this final heading of "additional fields", the Council states: "The cooperation should be based on EU skills in technology, science and policymaking" and should, e.g., target "rural and urban development".

To a certain extent the European Council's wariness of cultural matters is understandable: Article 9 of the EC-Treaty clearly states that it is a *customs union* which is the basis of the Community resp. the Union. The Union still has little competence in the field of cultural political activities so that this field must be cultivated by the member states themselves. In view of these clearly defined competences, one might rightfully expect the member states to look after their cultural policies themselves. Nevertheless, especially in the context of a long term policy towards China, the lack of a wider cultural perspective might be a somewhat unfortunate arrangement, as I will briefly elaborate in the following section 4 below.

V. The agenda for the EU's institutions as far as China is concerned

In section 2 above it was shown that the EU is based on a rather complicated web of institutional interactions. Part V of the Council's strategy paper alludes to these institutional interactions and demands a more detailed „country strategy paper“ to be developed by the Commission. In view of the rather heterogenous membership of the EU it seems doubtful that a coherent policy statement will soon emerge which can go much beyond the strategy paper already available.

Although on first sight this might appear as reassuring to China since under such conditions forceful action might not be expected from a European Community which has given its trade political competence to the Brussels Commission and to the Council of Ministers, the complicated coordination mechanisms in the EU are a mixed blessing for China. They work in her favour as long as her main interest is that not much happens in the EU. Whether that is rally in the interest of China must remain doubtful. But if positive action is expected - like, e.g., an association agreement between the EU and China - then the reservation articulated by even just a small minority in the EU against closer ties with China could well lead to stalemate and inaction on the EU's side.

Another aspect of the seemingly ineffectual institutional setup of the EU is that it does not preclude vested economic interests to manifest themselves in the framework of the existing trade political decisions, e.g. in the context of existing anti-dumping laws and existing applications of the Generalized System of Preferences

[13]. Indeed, the peculiar decisionmaking processes in the EU might be a reason why forceful vested interests find themselves in a rather strong position whereas diverging and more detached views might have difficulties to prevail. The disproportionat importance of the EU's agricultural policy is a case in point.

4. The current state of enacting the EU's long term strategy towards China

The time which elapsed since the formulation of the outlines of a strategy towards China at the European Council meeting in Madrid at the end of 1995 gave rise to a number of pragmatic moves which do fit into the general "strategic" pattern set out above. They have not yet resulted in any remarkable new developments. A further elaboration of a "country strategy" going beyond the aspects mentioned above has not appeared so far. But a number of concrete and financially backed "programmes" have been enunciated, addressing those "areas of intended EU action" mentioned in section IV of the strategy paper adopted by the Madrid Council.

Overlooking the developments of the last year, one may currently discuss three main fields of action at EU-level with regard to China. I will list them below under I) to III), adding one

further point, relating to Hong Kong, under point IV):

I) *Following up the ASEM summit*

It was seen above that the European public was somewhat perplexed about the absence of concrete results of the much publicized ASEM summit of March 1996. The European Commission now seems to work quietly at being able to change that impression by organizing „follow up meetings“ of that summit in about half-yearly intervals on a less spectacular level. The main venue for maintaining the impetus of that first ASEM summit is now a series of "Senior Officials' Meetings" involving the countries and the EU who participated at the original meeting. The first took place in July 1996, a further meeting is scheduled for the first half of 1997.

The outcome envisaged for these meetings is a Trade Facilitation Action Plan. ^[14]

This certainly is an appropriate and important action which lies well in the competence of the European Commission as the central agent for the foreign trade policies of the EU's member states.

II) *EU-China contacts*

The activities following the ASEM-summit of 1996 affect China as one of the many Asian participants among others. As far as more exclusive contacts between the EU and China are concerned, the main actor is Sir Leon Brittan who, as Vice-President of the European Commission, has the express task of maintaining external relations also to China, to oversee the common commercial policy and to maintain relations with OECD and WTO, the latter duty being of considerable interest to China as was seen above, in view of her current negotiations to accede to WTO. Vice-President Sir Leon meets his obligations with regard to China by a number of well publicized visits and by express public statements concerning the EU's current position, frequently referring in quite some detail to the strategy paper adopted by the European Council. ^[15]

The high profile which the European Commission thus offers in such contacts might seem entirely

appropriate in view of her central trade political competence and in view of the strong trade political interests of Europe with regard to China. Nevertheless, it should be stressed that sending a Vice-President of the European Commission is not the only mean for presenting the European policy towards China. There is the proviso of Article J.8(1) of the EU-Treaty stating that the European Council determines the general guidelines for the common foreign and security policy. It is the Presidency which represents the Union in matters relating to that policy according to Article J.5(1). Since the European Council did find a conclusion concerning a long-term policy for China-Europe relations at the Madrid meeting of 15/16th December 1995, one could expect that the acting Presidency also shows some prominence in public pronouncements of such policies. Seen in this light, the present state of physical representation of the EU in her relations with China uses not all the potentials which the current Maastricht treaty offers - in spite of the well publicized and not infrequent visits to China by one of the two Vice-Presidents of the Commission.

III) *Funded programmes*

It is a well established mechanism of enacting policies in the EU to first formulate general aims and principles and then to give these more ephemeral ideas a concrete shape by relating them to specific programmes with an own budget which is earmarked for the respective aims. Much of the EU's policy towards regional and social cohesion follows this pattern. We see it also in the follow-up to the policy statement concerning China-Europe relations.

If we now return to the items on the EU's list spelling out a „carefully targeted cooperation in areas of crucial importance to the Chinese economy“, we may ask directly how that cooperation materialized in the respective fields mentioned above in sect.4.

ad a) „human resource development“

In this context it was seen above that the CEIBS in Shanghai was supposed to play a central part. This activity is now placed in the context of a more narrowly defined „strategy to help business in China“. ^[16]

This programme is currently the best funded one of the ones addressed at China with 14,85 million ECU for the five years 1994 to 1999. Thus more than half of the total estimated cost of about 25,5 million ECU are covered. In its press releases the European Commission stresses that the CEIBS has often been quoted as a model for business schools in Asia. It is expected that until the end of 1998 around 3000 Chinese managers will have benefited from the CEIBS.

Under the same heading of „human resources development“ resp. "helping business in China" comes a

„Junior Managers Programme“, funded by the EU with about 10 mio ECU for 1997 to 2001. It is directed at young European managers and should provide them with language and business training needed for work in China. The envisaged addresses number about 45 per year thus a total of about 225 persons.

About the same amount, namely a maximum of 9,75 million ECU is intended to be spent from 1996 to 1999 on a „EU-China Higher Education Programme“. This four-year-programme has very ambitious aims like building links with EU academics, joint research, fellowships and studentships in Europe, workshops, development of European languages skills in China and very much more. If all these stated aims are enacted, it should meet the interest of many tens of thousand scholars and students. In view of a comparable amount being spent on a few hundred students in the programme just mentioned before this one, the financing seems to be grossly deficient. The enactment is also way behind schedule. Even in April 1997 the programme offered only information about the programme itself but no effective action in accordance with the details of the programme as distributed by the Commission. It should have been operational since 1996.

A further programme under this heading is supposed to deal with „EU-China legal cooperation“. It is presently not operational as a multi-annual programme. Instead, smaller budget actions in this field are supported like seminars and practical training schemas addressed at the Chinese legal sector and offered in Britain and France so far.

ad b) „Training and technical assistance to support modernisation and market oriented policies“

A further about 10 mio ECU are earmarked by the EU for a programme of „EU-China village governance cooperation“ planned to run for five years from 1997 to 2001. This programme is intended as a „first initiative targeted towards social reform in China“ and to be „designed to strengthen democratic electoral practices and self government at the village level in China“. ^[17]

Implementation of the project is to start in 1997. Its management would be entrusted to a project office in China with a European director. Although the village level is targeted, enactment of the programme should be done „by providing training and technical assistance to the Ministry of Civil Affairs“ in China at central, provincial and local levels. ^[18] In view of many inconsistencies in the design and planning of this programme, scepticism about its effectiveness lies near.

A similarly targeted programme is named „EU-China local authority links“. It is to have two components: (i) links between groups of EU local authorities on the one hand and a single Chinese local authority on the other hand and (ii) local authority projects. There is to be an upper cost limit of 12 thousand ECU per link in case (i)

and of 40 thousand ECU in case (ii). With these limits and with a total budget for this programme of 750.000 ECU this project, too, seems to be grossly underfunded given its grand perspective and its millions of potential participants. The figures given seems to relate just to the year of 1997, but by the beginning of 1997 an implementation agency for the project was not yet selected so that its present operability must be doubted not only from the financial side but also from the organizational side.

A third programme featuring under the heading of „Support to Economic and Social Reforms“ is named „EU-China intellectual property rights cooperation“. It is to run for three years and foresees a total EU contribution of just under 5 mio ECU. There was a previous two-year pilot project centered on assisting the Chinese Patent Office. Building on that experience this programme offers actions in the following three fields: (i) support to institutions dealing with intellectual property rights (IPR), i.e. to the Chinese Patent Office, to the Chinese Trademark Office, to the National Copyright Administration of China. Furthermore, geographical indications are to be assisted. (ii) support to IPR enforcement organs in the administrative as well as the judicial sectors of China and (iii) „horizontal measures“ dealing with IPR issues in professional training of IPR agents and attorneys, similar issues in university teaching and general public awareness of IPR issues. Particular stress is to be put on an analysis of changes required in order for China to be able to implement the regulations concerning TRIPS in the GATT/WTO agreements - a project for which there should be some eagerness from both sides concerned in view of Chinas intended accession to the WTO.

ad „c) fostering business cooperation“

Under this heading we mentioned above already the great importance which the EU gave to its network of several hundred EICs and to its ECIP programme in formulating its business oriented strategy towards China.

The organizational framework in which this perspective is to be materialized is the „Asia Invest Programme“ which is to be implemented from mid 1997 on and which has a time span of four years. It is by far the most expensive programme in this context with an EU contribution of 45 million ECU. Only a part of this sum will benefit China, however, since the programme is targeted at South and South-East Asia in general as well. There is to be an Asia-Invest Secretariat in Brussels which will be responsible for the administration and promotion of the programme. While this programme is intended to encourage two-way flows of investment and trade and of business opportunities awareness in general, there are also programmes which are directed at specific „industrial initiatives“. There is one directed at „high performance computing and networking (1997: 269 thousand ECU to be contributed by the EU), one is to be directed at the aeronautics industries (1996 to 1999: EU contribution of 991 227 ECU), and a further initiative is directed at the automobile industry (1996 to 1998: 152 660 to be contributed by the EU).

ad „d) cooperation on environmental matters“

There are some very specific but also some rather general programmes dealing with environmental matters. In keeping with the EU's own eco-audit regulation (OJ L 168 of July 10, 1993) and also in accordance with the EU's several environmental action programmes (currently the fifth of such programmes is in force), there is a broad „Environmental Management“ programme aimed at increasing China's capacity to address environmental issues.

On the more specific side, a pilot project is planned to address three counties in Yunnan Province under the heading of „environmental protection and poverty alleviation“. In this project agricultural production will be the main subject of study and of planned action in view of a better management and conservation of natural resources. There is also the intention to finance a programme directed at environmental implications of industrial production. Under the heading of „urban-industrial environment“ it will be addressed at Liaoning Province.

A further activity of the EU in the field of environmental protection is: to support activities of the „China Council for International Cooperation on Environment and Development (CCICED). This is a high-level consultative forum created in 1992, consisting of senior Chinese officials and experts and of some international environment specialists.

ad „e) additional fields of cooperation“

Apart from the „human resource development“ listed as point „a)“ in this list, there features also an area of action named „Rural and Urban Development“. The main activity in this field is the financing of the „China-Europe Centre for Agricultural Technology, CECAT“. The relevant time span is 1991 to 1997 and a new and restructured programme is presently being prepared. Its general aim is to help increase agricultural production and rural incomes through the introduction of appropriate agricultural technologies in China. But the intention is also to allow European agriculture to benefit from relevant Chinese know-how. The project is centered on Beijing and for the six years of its running it has a budget of 11,1 million ECU of which the EU's contribution is 5,9 million ECU.

In general, this programme, too, is strongly technology and business oriented. Thus it does not really transcend the scope of the ones listed under the four previous headings a) to d).

Generally speaking, a detailed look at the current activities of the EU with regard to China confirms that cultural contacts seem not to play a significant role in the actions planned in the context of the EU's long term strategy towards China. In view of the very limited competence of the EU in this field, this might not be very surprising. But it might well turn out to be a strategic deficiency in the development of EU-China relations: If the supposition is correct that the unsatisfactory state of contacts between the EU and China is not so much a matter of lacking economic possibilities but rather one of deficient cultural proximity, then the limiting factor for closer co-operation might be found in the field of culture. But in that case narrowly defined economic,

technological, legal or administrative activities might not achieve the results which they should bring in the context of a long-term EU strategy towards China.

IV. Further developments: Hong Kong

In section 3. above it was noted that the European Council's strategy-paper contained also a passage stressing particular interest of the EU in Hong Kong and Macau. In a recent communication, the European Commission returned to this point and announced the launch of a „new policy on Hong Kong“. ^[19]

The European Commission calls for the EU preparing an annual report „covering the full range of EU-Hong Kong relations“. In particular, the following activities are envisaged:

- (i) monitoring the rights granted to Hong Kong citizens,
- (ii) treating visa-free access for Hong Kong people „on its own merits“,
- (iii) giving a „more permanent footing“ for the special interest the EU has in trade, investment and cooperation relations with Hong Kong and
- (iv) active cooperation with Hong Kong as an Asian hub.

In general, the EU intends to continue to deal directly with the Hong Kong government in view of the fact that this territory is a distinct and separate party to numerous international organizations, including the WTO and APEC. In particular, the EU intends to treat Hong Kong as an independent entity for trade policy purposes. Since trade political matters are really the central empowerment which the member states gave to the EU, it certainly will be interesting to follow the practical implication which this „new policy on Hong Kong“ will have for the EU-China relations, since, as was seen above, the latter also have trade political issues at their center.

5. Concluding remarks

This article is intended to convey some of the institutional and strategic complexities which characterize the European Union in the context of EU-China relations. The main point to remember is that increasingly it will be not the national actors in Europe who will define by themselves the European economic interests in dealing with China. Whether the German Chancellor Kohl - or any of his European colleagues for that matter -

displays particular agility or not on the international floor becomes increasingly a question of secondary importance. It is rather a complex pattern of interactions on a multitude of national and international levels which leads to a specific concretization of economic policies on the European side of EU-China relations.

In the above I have given a few indications that the intrinsically communitarian nature of European economic policy tends to be sometimes forgotten even in Europe itself. Yet it seems important to have a clear conception of the actors involved. This is particularly the case in view of the important changes in the EU which lie before us: One such change will be the implementation of the European Monetary Union after 1998. This will lead to an even stronger pooling of economic interests within the EU. Another change which must be reckoned with is the the intended revision of the Maastricht Treaty maybe as early 1997, which might lead to substantially altered decision processes and maybe to an enlargement of competences for communitarian decision making. A third foreseeable change is the enlargement of the Union which will bring in some of its Eastern neighbors into the institutional setup of the EU.

It is difficult to make a prognosis what the net outcome of all these foreseeable changes will be. But it is for certain that the institutions and the actions of the European Union will be of continuing interest for any observer of Chinese-European relations.

[1]

Weggel, Oskar: „ASEM“-Nachhilfeunterricht für europäische Politiker in Sachen Asien, in: China aktuell, Feb. 1996, p.159-61, p.161

[2]

Quoted from: Montagnon, P. and Bardacke, T., „Door open to wider Europe-Asia links“, *Financial Times*, February 26, 1996

[3]

For an assessment of this document in a broader context see Bingran Dai, "The Strategic Basis for Sino-European Relations in the Post Cold War Period", p.23-31, *East West Dialogue*, Vol.1, Nr.1, 1966

[4]

It should be noted that since then there has been a drastic overhaul of the GSP arrangements. See the directive (EC) Nr. 3281/94 of the Council of December 19, 1994 In: OJ of the EC L 348/1994 and L 82/1995. The trade political implications of these changes for South East Asia in general and for China in particular are discussed thoroughly by: Uta Möbius, "Die Handelspolitik der EU gegenüber Südostasien" in: DIW Wochenbericht 12/1996, March 21st, 1996, Berlin. The new "GSP graduation mechanism" of the EU is discussed in the Trade Policy Review for the European Union of the World Trade Organization of 1995, Vol.1, p.33-35.

[5]

For a report of one such meeting see, e.g. Bull EC 11-1987, point 2.2.32.

[6]

EUmagazin 4/1996, p. 25

[7]

Oskar Weggel, loc.cit. p.160 claims that „once more“ the initiative came from Singapore but met early with similar European ideas.

[8]

Com (95) 279 final, p. 1b

[9]

See, in particular, article F (2):EU.Treaty: „The Union shall respect fundamental rights, as guaranteed by the European Convention for the Protection of Human Rights and Fundamental Freedoms signed in Rome on 4 November 1950 and as they result from the constitutional traditions common to the Member States, as general principles of Community law.

[10]

European Economy, No. 52, 1993, p. 51

[11]

See The Economist, May 11th 1996, p.62 „Keep knocking, keep opening“

[12]

The program was started in 1988 and repeatedly prolonged (OJ L 35 of Feb.12, 1992, p.1 and OJ 94/C 287/07)

[13]

See above, footnote 4.

[14]

See the EU's "Rapid" Press Service, document IP/96/711, July 26, 1996.

[15]

See "EU/China relations in the light of visit to Beijing by Sir Leon Brittan accompanied by European Businessmen, 13-19 November 1996" The European Commission, Spokesman's Service and DG I, Commercial Policy and Relations with Far Eastern countries (Lenette Kjeldsen)

[16]

See p.10 of the source given in the preceding footnote.

[17]

Communication from European Commission, DGI; Relations with Far Eastern countries Village. Doc. 12/02/97

[18]

ibid. loc.

[19]

See „Rapid Text File“ Nr. IP/97/335 of 23 April 1997